

# Analysis – Chain Governance (Coordination, Regulation and Control)



## Learning Outcomes

By the end of this session, you should have a good understanding of:

- Concepts and dimensions of chain governance
- The central importance of governance analysis in value chain research
- Steps in chain governance analysis



## What is Chain Governance?

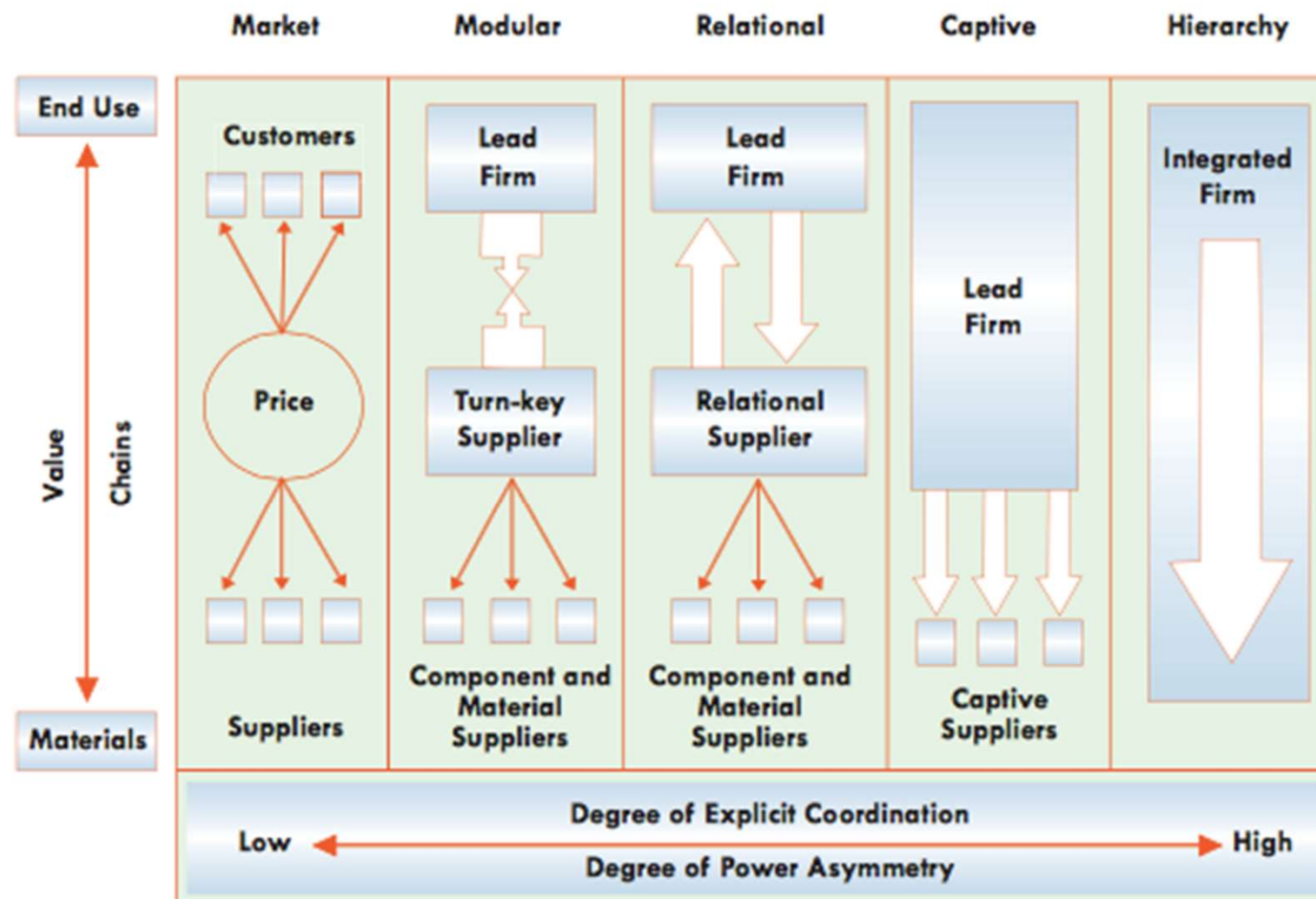
*Set of internal and external, formal and informal, rules, norms and standards operating in a value chain*

*System of regulation, coordination and control in which value is generated along the chain*

*Distribution of power within a chain*



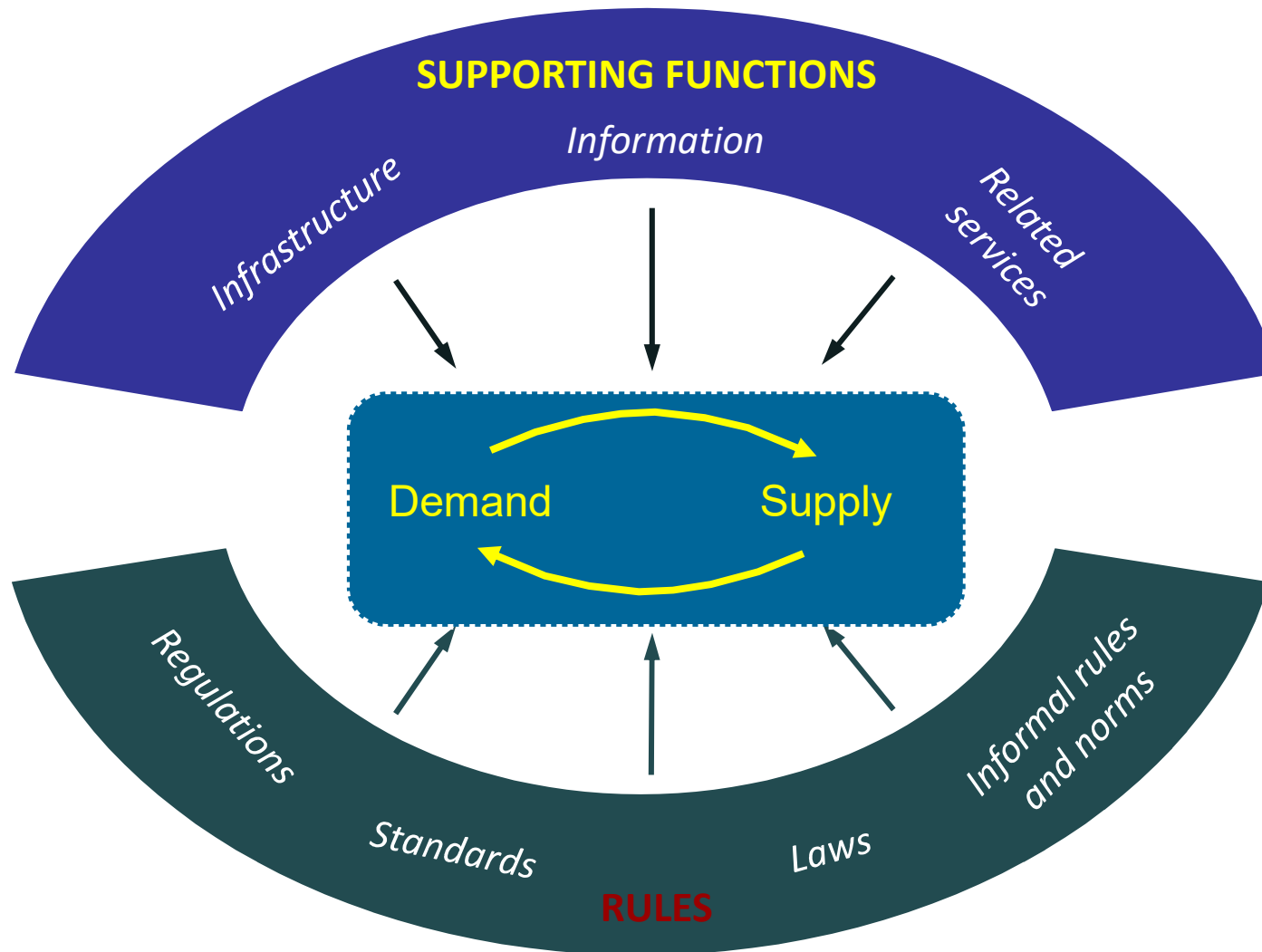
Chain structure is a major determinant of rules, norms, standards, coordination and control mechanisms, and value creation and distribution along the chain



Source: (Gereffi, Humphrey et al. 2003)



# Incentives and transactions are shaped by laws, regulations, standards, information rules and norms





# Pro-poor Chain Governance Analysis: Dimensions and Steps

## Coordination structures

1. Determine chain coordination systems
2. Analyze participation of ≠ chain actors

## Rules and regulations

3. Identify rules and regulations
4. Analyze their impact on chain participants
5. Analyze knowledge and awareness of rules, norms and standards, and identify key gaps

## Control mechanisms

6. Analyze relevant information and service provision systems



## Step 1 – Determining Chain Coordination Systems

- Coordination systems for delivery of quality standards and other market requirements (e.g. quantity and consistency of supply)
- Role of lead or coordinating firms
- Formal (contractual) or informal?

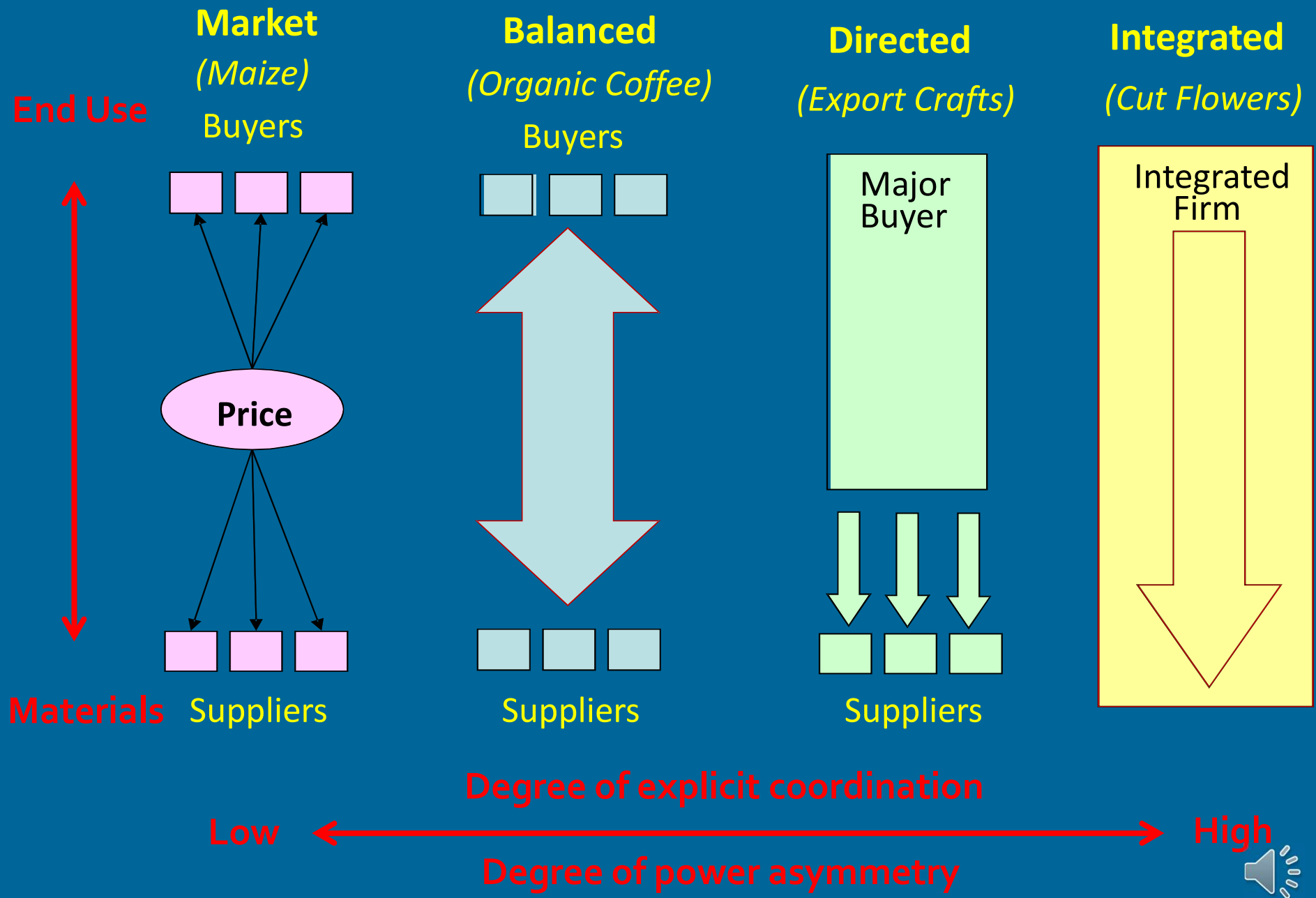


## Step 2 – Assessing Participation

- Functions undertaken by different chain participants (including the poor and women)
- Formal coordination systems involving different chain participants (e.g. contracted input provision, marketing, certification, contract farming, final product sales)







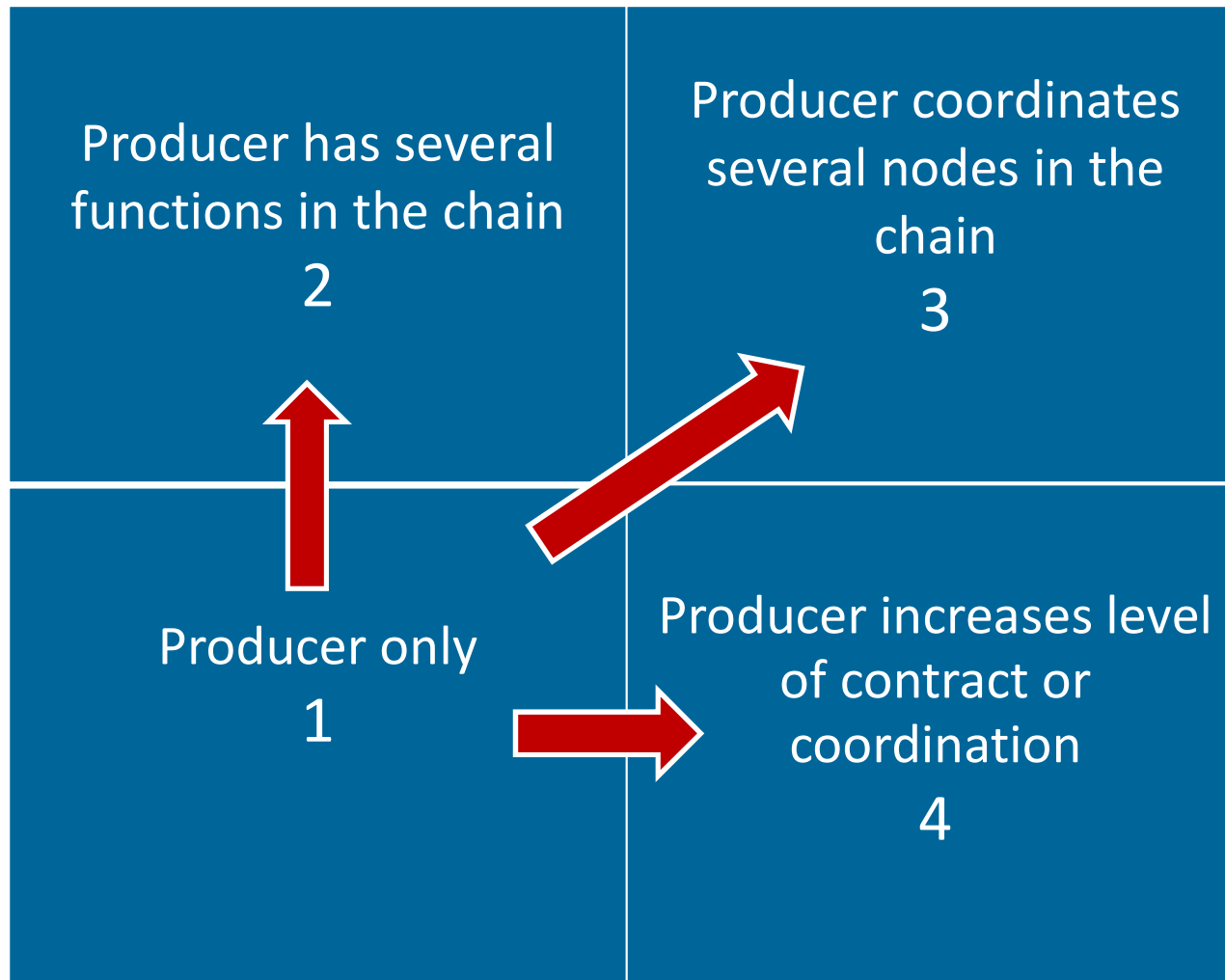
## Question!

*Taking the diagram in the previous slide as reference, how would you characterize the following chains in Myanmar in terms of coordination systems?*

- *Rubber*
- *Sugar*
- *Sesame*
- *Vegetables*
- *Poultry*



Functions



Coordination


Coordination



## Step 3 – Identifying Rules and Regulations

- Formal and informal
- Official and commercial
- Set by actors within and outside the chain



<b>Rules and Standards</b>	<b>Example</b>	<b>Enforcement and Sanction</b>
<b>Official (legal) standards</b>	Maximum pesticide residues on imported vegetables	Ban of non-compliant produce from destination market
<b>Voluntary Standards</b>	Production requirements for organic certification and labelling	Ineligibility for certification or value-added labeling
<b>Commercial Requirements or Norms (“rules of trade”)</b>	Tangible product requirements, such as volume, size, color, composition, or freshness, which may be codified or not	Spot rejection of product by buyer at delivery or collection, or reduced price paid to seller (downgrading) 

## Step 4 – Analyzing Impacts of Rules and Regulations

- Actors that monitor compliance with the rules
- System of incentives: rewards and sanctions
- Effectiveness of rewards and sanctions
- Effects of existing rules on chain participants
- Does the inability of poor producers to comply with rules limit participation in higher-value activities?
- Does it prevent upgrading of the value chain as a whole?



## Step 5 – Analyzing Knowledge and Awareness of Rules / Regulations

- Transmission of information about rules and standards, both externally and through the chain
- Provision of services within the chain and externally to support “compliance”
- Do the poor receive (or lack access to) adequate *forms of support* to comply with norms?





## Step 6 – Analyzing Information and Services

- Do market participants (including the poor and women) know and understand existing rules and standards?
- Are rules and verifiable parameters clearly set in contracts? Are they enforced informally? Discretionally?



## What should you know after completing your pro-poor chain governance analysis?

1. Value chain (vertical) coordination systems
2. Role of lead firms in chain coordination
3. Position of the poor in chain coordination systems
4. Systems for monitoring and enforcing chain rules
5. Access to information about formal and informal rules
6. Services to support compliance by chain participants

