DIAGNOSTICS FOR INDUSTRIAL VALUE CHAIN DEVELOPMENT

An Integrated Tool

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

INDUSTRIAL VALUE CHAIN DIAGNOSTICS:
AN INTEGRATED TOOL

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Foreword

Over the last decades the world has witnessed a gradual relocation of manufacturing activities from developed to developing countries, opening up new opportunities for employment, increased income and economic growth for some of the world's poorer and less developed countries. However, the process of industrialization has not benefitted all developing countries equally. In the 2009 Industrial Development Report, UNIDO makes a distinction between the countries of the "bottom billion" trying to break into global markets for manufactured goods, and the middle-income countries attempting to move up to more sophisticated manufacturing.

New industrial challenges exist for both groups of countries, among these, to i) build up industries so as to benefit from value addition in commodities originating from developing countries, ii) turn non-competitive industries into competitive ones that create income and employment, iii) meet the Millennium Development Goals, particularly the overarching goal of poverty reduction, and iv) make industrial development compatible with a sustainable use of natural resources and the elimination of negative effects on climate change through energy use. However, it is especially the smaller and less developed countries that are increasingly challenged by competition and trade barriers, while at the same time under pressure to introduce new technologies and systems of production. Consequently, less developed countries could lose opportunities to effectively participate in global value chains and may be ill-equipped to compete in national and regional markets.

Industrial value chains are complex both in terms of the various segments they cover (from primary materials to consumption), and the impacts that their progress and development can generate. It is in this context that UNIDO's value chain diagnostics tool aims to provide guidance. The main objective is to draw a complete picture of the chain using a set of diagnostic dimensions, as broad in nature as possible, to describe the current situation in a given context. Once this is established the diagnostics also help to reflect on opportunities and constraints that impact on certain dynamics in the value chain, automatic or induced through governments and development agents.

Industrial value chain diagnostics is a useful tool that assists analysts, programme designers and project managers in country governments and development agencies to formulate industrial policies and development programmes. It helps identify constraints and technological and market opportunities relating to a particular commodity or value chain. Often this tool may also point to an apparent insufficiency of policies and institutions and a lack of service facilities that are preconditions for value chain development. Though the starting points of value chain analysis are frequently practical objectives, e.g., to increase production, introduce new technology, improve processing and expand marketing of a specific product, applied correctly and with a broad enough perspective, industrial value chain diagnostics can lead to sustainable industrial development by contributing to social, economic and environmental goals.

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Table of Contents

Table of Figures