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Photo: Justine Greening, Secretary of State for International Development, and Mark Price, Managing Director, Waitrose Ltd.

Trade and Global Value Chains initiative

Launched by the Secretary of State

The Secretary of State yesterday launched the Trade and Global Value Chains initiative in front of an audience of business leaders, developing country government officials, and civil society representatives.

The Trade and Global Value Chains Initiative (TGVCI) is a £3 million commitment over the next three years to form partnerships between some of the biggest high street food and clothing retailers, suppliers, civil society and governments to help improve the working conditions and job opportunities of poor farmers, workers and smallholders in Asia and Africa.

These partnerships will focus on improving conditions, training and wages, as well as providing healthcare and education in workers' local communities. By doing this, businesses will also develop more sustainable, secure and productive supply chains into the future.

Trade through value chains

Trade is increasingly channelled through global value chains led by large multinational firms that coordinate complex production networks with suppliers across the world in order to produce final goods.

These value chains offer great opportunities for developing countries to trade their way out of poverty. Around 18-20 million people are directly employed in contract manufacturing in value chains; a large proportion of these are women and rural migrants in poor countries. In Africa, for example, an estimated 2 million smallholders produce the majority of cocoa for global chocolate companies. In Bangladesh the garment sector accounts for 13% of GDP and 75% of the country's exports.

But many developing countries are failing to take full advantage of this shift in the global trading system. Helping these countries to integrate into the global trading system by breaking into and sustainably supplying global value chains is an important part of DFID's wealth creation agenda.

The Secretary of State said: "Trade plays a critical role in creating wealth and unlocking the potential of the world's poorest countries. Many developing countries have the potential to be the growth markets of tomorrow and we are working with them to get there faster.

Through this project, businesses can get involved in improving conditions in the developing countries that form a crucial part of their supply chains. This will develop skills, help build stronger economies and lead to more sustainable supply chains."

A win-win scenario

Early findings of DFID-funded research suggest that global retailers are facing serious challenges to the future security of their supply chains in Africa and Asia. In some countries and sectors, low wages, poor working and general living conditions are

threatening the supply of skilled labour as the better skilled, more educated workers find alternative, more attractive work.

Some retailers have started to invest to meet this challenge, motivated not by corporate social responsibility commitments, but by concern for long-term profitability. A more holistic approach, incorporating coalitions of actors, including government and civil society, will tackle problems along the whole supply chain and in the communities in which they are situated. Working together can help to speed and scale up these efforts in what is a win-win situation for business and development.

The Waitrose connection

The first project to be supported by the TGVCI will be a partnership between DFID and the Waitrose Foundation, which will increase youth skills and employment in the horticulture value chain in South Africa.

The project will give 16-25 year olds training in the vocational skills that are critical for increasing their job prospects in the sector. It will also help them to develop their leadership skills, provide work placements and help them to develop their own businesses.

The Secretary of State was joined on stage by Mark Price, the Managing Director of Waitrose, who said: "I am delighted that the Department for International Development is supporting the Waitrose Foundation's youth leadership development programme in South Africa. The Waitrose Foundation has raised more than £5.5 million and funded over 300 such projects since it launched seven years ago and I am extremely proud of what it has achieved in that short time."