Capturing the Gains in Africa:
Making the most of global value chain participation

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This background paper was prepared on behalf of the Organisation for Economic Co-operation and Development (OECD), with the goal of providing insights to policy makers about how African countries can make the most of globalization for inclusive development, examining the risks and opportunities of global value chain participation in Africa. The report is based on the Capturing the Gains research project led by Professor Stephanie Barrientos at the University of Manchester and Professor Gary Gereffi at Duke University. It brought together an international research network of experts from North and South to investigate, research, and promote strategies for fairer trade and decent work in global value chains. It involved sectoral (national) level data and meso-micro-level case study research in twenty countries and four industry sectors: apparel, tourism, horticulture, and mobile phones.
http://www.capturingthegains.org/

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Acronyms

AGOA	United States African Growth and Opportunity Act
AIDS	acquired immunodeficiency syndrome
COMESA	Common Market for Eastern and Southern Africa
CTG	Capturing the Gains
DFID	United Kingdom Department for International Development
EPA	economic partnership agreement
EU	European Union
FFV	fresh fruits and vegetables
FTA	free trade area
GPN	global production network
GVC	global value chain
ILO	International Labour Organization
ITC	International Trade Commission
MFA	Multi-Fibre Arrangement
OECD	Organisation for Economic Co-operation and Development
RVC	regional value chain
SACU	Southern African Customs Union
SACTWU	Southern African Clothing and Textile Workers' Union
SADC	Southern African Development Community
SA-EU FTA	South Africa – European Union Free Trade Agreement
SME	small and medium-sized enterprise
SSA	Sub-Saharan Africa
TO	tour operators
UNCTAD	United Nations Conference on Trade and Development
US	United States
WTO	World Trade Organization
WTTC	World Travel and Tourism Council

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Capturing the Gains in Africa: Making the most of global value chain participation

I. Introduction

Global value chains (GVCs) are the globally dispersed input-output networks that produce final commodities coordinated by lead firms. Increasingly, participation and upgrading in GVCs is seen as a promising approach for promoting development. However, this relationship between insertion into GVCs and development is not automatic and the outcomes can be very uneven. In many cases, economic growth has instead been achieved through a low-road development strategy, in which growth on the business side is associated with the erosion of social protections, rights, and wages for workers and declining market access and bargaining power for small businesses. With OECD's expressed interest in examining these GVC dynamics in Africa, the findings from the Capturing the Gains (CTG) research project[1] offer relevant insights to complement OECD's important work on GVCs across the continent. The main question driving CTG research was: Under what circumstances and to what extent do participation and economic upgrading in GVCs actually translate into better social upgrading outcomes for workers and small producers?

The CTG research project investigated the conditions within GVCs under which business competitiveness and broader social prosperity come together with the aim of promoting fairer trade and decent work, and what role development policy interventions play in that process. More specifically, CTG explicitly examined the opportunities and challenges for simultaneously promoting economic upgrading of producers and social upgrading of workers through participation in GVCs. It integrated the macro-level analysis of regulatory, trade and investment patterns with in-depth meso-micro-level value chain studies in four industry sectors: apparel, horticulture, mobile phones, and tourism.

In terms of the three year research process that generated these findings, CTG brought together an international network of scholars to facilitate cross-country and cross-sectoral analysis. CTG involved 40 researchers from 20 institutions across 15 countries (Capturing the Gains 2012). The research methods were primarily meso-level and qualitative in order to capture the changing dynamics of global production networks (GPNs)[2] across industry sectors and countries, where, in many cases, data limitations inhibit quantitative analysis—especially for social measures. Bernhardt and Milberg (2011a) supplemented the meso-level studies with a quantitative analysis of social and economic upgrading at the sectoral level in selected countries, providing an overall cross-national comparison of sectoral trends. In total, field research was conducted in 20 countries: seven in Asia, four in Latin America, three in the Middle East and North Africa, and six in Sub-Saharan Africa (see Table 3 in appendix). The project was primarily funded by the United Kingdom's Department for International Development (DFID), with additional funds from other sources.[3] Results were discussed in a series of multi-stakeholder workshops and a global summit that involved representatives from civil society, the private sector, government, academia and donor institutions.

This paper provides a synthesis of CTG findings from the African continent as they relate to OECD's interest in GVCs, the central question being: What are the opportunities and challenges for economic and social upgrading within African GVCs so that workers and small producers can capture a fairer share of

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[1]For more information on Capturing the Gains, see the CTG website: www.capturingthegains.org.

[2] GVCs and GPNs are closely related concepts, and they derive from similar analytical frameworks that carry out detailed empirical studies of firms, economic sectors and institutions in developing economies with a few distinct differences. GVCs focus more on firm-level research and the commercial dynamics of value chains, while GPNs view GVCs as the center of a larger network of actors (public, private and social, among others). In CTG research, the GVC methodology is interpreted slightly more broadly than traditionally defined due to widespread application across international organizations like DFID.

[3] Additional funding was received from: the Sustainable Consumption Institute, the Rory and Elizabeth Brooks Foundation, and the Economic and Social Research Council.

the gains from trade and economic growth? Given the complex development challenges in Africa, especially as they relate to policy interventions, this question is particularly relevant and critical to unpack. Of the four industry sectors covered in CTG, this paper focuses on only three: apparel, horticulture, and tourism.[4] The CTG case studies in Africa included Egypt, Kenya, Lesotho, Madagascar, Mauritius, Morocco, South Africa, and Uganda (see Table 3 in the appendix). This means that CTG encompassed a broad range of countries and development contexts within Africa, which makes possible a more nuanced analysis.

Overall, CTG research suggests that upgrading and sharing the gains from participation in GVCs were limited in Africa. Economic upgrading was uneven between the horticulture, apparel and tourism sectors, and social upgrading even more so. CTG sectoral analysis found that economic, and especially social, downgrading were more common than previous research would lead one to expect. In the case of apparel, the cross-national sectoral data reflect both economic and social downgrading for all included African countries. This is not to say that there were no examples of upgrading. In fact, Uganda offers a case where the sectoral-level data demonstrate significant upgrading in both the horticulture and tourism sectors. The case studies in each of the three sectors covered in this paper present some instances of both social and economic upgrading, with important variations and similarities between them. Therefore, it is necessary to examine the nuances in the GVC findings to better understand how different factors influenced the upgrading outcomes between sectors and countries.

The bargaining position and support provided to weaker value chain participants, such as small producers and workers, are important factors in upgrading. These are strongly affected by private governance, public policy and institutional contexts, which vary by sector and country. Hence, policy matters for upgrading, but even more crucial is tailoring the proper policies to specific upgrading strategies.

Recent changes in geographic end markets and trade patterns have brought about new opportunities and challenges for African countries seeking to derive broad development gains from participation in GVCs. In particular, there was a rise of South-South trade and expansion of lead firms within Africa serving African consumers. More specifically, this paper assesses three emerging trends apparent in African GVCs:

- Regionalization
- Informalization
- Consolidation of lead firm market power

These new dynamics will be important to incorporate into future policy interventions and investigations into questions about how GVC participation can be harnessed or blended with other strategies to increase spillovers and enhance shared prosperity.

Based on these findings, we argue that, in the African context, GVC participation in itself is not enough to ensure that small producers and vulnerable workers will be better off. Therefore, multi-faceted and strategic policy approaches (private and public) are necessary to successfully promote more inclusive growth and contribute to poverty reduction.

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[4] Production of mobile phones and related software mainly takes place in Asia. Several African countries, such as the D. R. Congo, play a major role in providing the raw materials for the mobile phone GVC and are deeply affected by this in many respects (e.g., conflict minerals). However, that stage of the chain was not studied in depth for CTG due to resource and safety constraints. Major mobile telecommunications service providers and the developmental applications of mobile phones were studied in Sub-Saharan Africa, but this stage of the value chain is essentially a service sector and was not included in the paper.

The next section of the paper provides background on social and economic upgrading and the contributions of CTG to our understanding of global development (not just in Africa). Sections 3, 4, and 5 review the CTG findings from Africa in horticulture (agro-foods), apparel, and tourism, respectively. In the conclusion, we reflect on the opportunities and challenges for promoting economic and social upgrading and analyze the similarities and differences across industry sectors.

II. Linking social and economic upgrading

The CTG project makes several contributions to our understanding of global production networks and development. The most important of these is linking the economic and social dimensions of value chain studies, given that previous studies had mainly focused on them separately. Examining the linkages challenges the stereotyped assertion found in some recent literature reviews that economic growth and GVC participation will naturally lead to improvements in living standards, workers' rights, and other positive social outcomes[5]. The linkages were first investigated at the cross-national level, based on available sectoral data, and second at a meso and often micro value chain level based on case study research across the sectors in selected countries.

For the purposes of the CTG study, Bernhardt and Milberg (2011a) parsimoniously measured economic upgrading within a given sector, allowing for cross-national variation in terms of: (a) change in world export market share, an indicator of export competitiveness; and (b) change in export unit values, a measure of product upgrading. The caveats were that their analysis was based on narrowly defined measures of upgrading and there were substantial data gaps, especially for social indicators. [6] To assess overall upgrading and downgrading (economic and social), they combined the two variables for each measure into a single indicator, with equal weight assigned to each variable. Then, they plotted the results in a two-by-two matrix (Figure 1). One of their overall findings (for all countries including those in Latin America, Africa, and Asia) was that economic, and especially social, downgrading were more common than previous research would lead one to expect. Except for apparel, they found that positive growth in export market share was associated with economic upgrading, but also that export market share growth led to declines or slower growth in unit values.

This growth in export market share suggests an overall expansion in lower-value product segments. Likewise, for social upgrading, they found that overall trends in employment growth were associated with lower real wages. This indicates that expanding participation in GVCs does not necessarily result in higher paying jobs or, by extension, more bargaining power for workers or overall improved livelihoods. In comprehensively assessing the intra and inter-sectoral linkages, and accounting for inter-sectoral variations, they concluded that economic upgrading can, but does not necessarily, lead to social upgrading. The finding fits well within the explicit framing question of CTG: "when does joint upgrading occur?" (Barrientos, Gereffi, and Rossi 2011). (Where available, the matrices of results for each sector are presented in the relevant industry sections of this paper.)

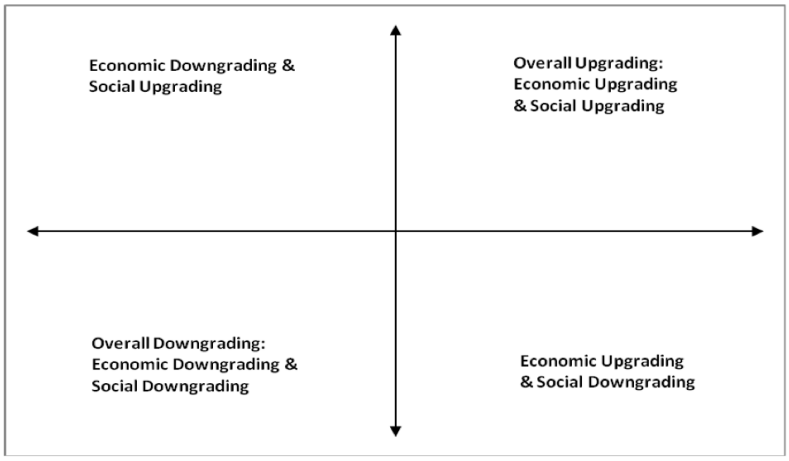
To facilitate further investigation at the meso value chain level and micro firm level, CTG researchers made a conceptual distinction between economic and social upgrading. Economic upgrading is defined as "moving up" the value chain into higher-value activities, which theoretically enables firms to capture a

[5]The original GVC literature did not suggest this natural relationship between economic and social, and only more recently has this assumption been articulated, becoming somewhat of a 'straw man' without much theoretical backing.

[6] These measures were selected in part based on available data, given limited data availability on GVCs at that time. This has since been addressed by the OECD-WTO Trade in Value Added Initiative (TiVA) see: http://www.oecd.org/industry/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm

higher share of value in the GVC overall and enhances competitiveness (Gereffi 2005). There are four dimensions of economic upgrading that are commonly used in the GVC literature: product, process, functional, and chain upgrading (Humphrey and Schmitz 2002). *Product upgrading* refers to making higher quality and more sophisticated products. *Process upgrading* involves rearranging the production process to improve efficiency and productivity. *Functional upgrading* is incorporating additional stages of production, such as adding washing and dyeing to an operation that formerly focused only on garment assembly. *Chain upgrading* means diversifying activities into higher value sectors or end products.

Figure 1: Economic and Social Upgrading Matrix



Source: Bernhardt and Milberg, 2011.

Social upgrading refers to improvements in the rights and entitlements of workers, leading to better jobs (Barrientos, Gereffi, and Rossi 2011). Framed by the International Labour Organization's Decent Work agenda, social upgrading includes two dimensions: measureable standards and enabling rights (Barrientos and Smith 2007; Barrientos, Gereffi, and Rossi 2011). Two dimensions were identified. Measureable standards include aspects that are easier to quantify such as working hours, health and safety standards, and terms of employment (formal or informal). Enabling rights are those which are more difficult to observe or measure, such as non-discrimination and freedom of association. These have been more challenging to implement in GVCs, especially in the African context where the necessary institutional capacity is often limited.

Underpinning the CTG rationale for emphasizing the importance of social up/downgrading within GVCs is the notion of analytically incorporating workers as both productive *and social* agents within production networks, which goes beyond conventional economic theory that positions labor primarily as a factor of production based on productivity and cost (Barrientos, Gereffi, and Rossi 2011). As the CTG sectoral case findings highlight, unpacking the social dimensions of workers in African value chains depicts stark differences in working conditions and access to social upgrading between workers of different work-status, even on the same worksite (factory, farm or hotel).

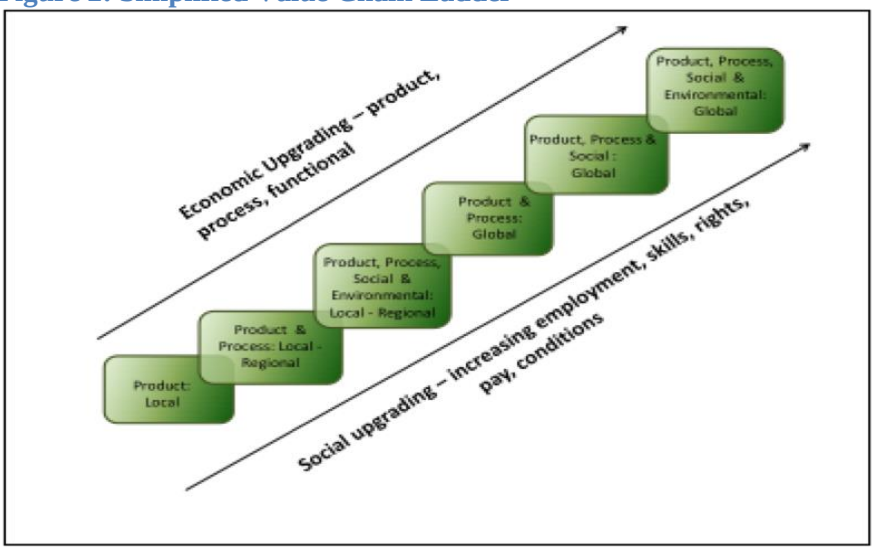
The literature on economic upgrading at the firm level in GPNs has largely overlooked the separate literature on the flexiblization and casualization of work, with little exploration of how they are connected (Barrientos et al. 2011). The research available on this topic suggests that economic upgrading *can* lead to social upgrading. But it does not necessarily do so and may even lead to social downgrading, especially when associated with increased casualization of work and/or production shifts to lower-wage locations (Barrientos, Gereffi, and Rossi 2011; Bernhardt and Milberg 2011a). Therefore, economic upgrading may lead to "immizerating growth" in which firms capitalize by exploiting labor and other "race to the bottom" behaviors (Kaplinsky 1993). The CTG case study research emphasized identifying the

conditions that make it more likely for economic and social upgrading to come together, and in doing so addresses the gap in the research on how social and economic upgrading are linked.

Given that CTG research included numerous countries with a similar set of questions, it was able to highlight inter-and intra-regional dynamics. CTG researchers analyzed South-South trade and the rise of regional value chains (RVCs), as well as the effects that these trends had on firms and workers. For example, South African apparel retailers have expanded sourcing into neighboring countries, which has created jobs in nations, such as Lesotho, but these are often at much lower wages than those in South Africa, where the industry has declined. This so-called "retail revolution" has been facilitated by regional trade agreements that reduce barriers to intra-regional trade. In addition, the sectoral case studies enabled CTG researchers to identify patterns across sectors and differences between them with regard to the dynamics of social and economic upgrading. In this paper, the cross-sectoral analysis is examined in the conclusion, where we synthesize the findings from each of the sectoral case studies.

A key feature of value chains is the increased role of private governance by lead firms of suppliers through the application of standards. These can cover product, process, social and environmental aspects of production. Lead firms within the global South were often found to have lower standards requirements than their global counterparts. As shown in Figure 2, the process of moving from lower standards to higher ones occurs gradually from small-scale improvements in local/domestic value chains, to larger ones in RVCs, and then they are highest in GVCs. Therefore, the expansion of RVCs can be seen as an opportunity for small producers to gain access to global chains in the long run by taking incremental upgrading steps as they move from local to more global participation.

Figure 2: Simplified Value Chain Ladder[7]



Source: Barrientos, 2012.

However, "climbing the ladder", as it is referred to, is not necessarily always desirable, nor the best strategy for producer competitiveness. Findings from horticulture studies reveal that in some instances, suppliers preferred to 'downgrade' from supplying fresh fruits and vegetables (FFV) to European supermarkets (where the costs of applying standards are high) to supplying lower value less demanding domestic and regional supermarkets.

[7] Tables 4, 5 and 6 in the Appendix provide elaborated and specific upgrading pathways for each covered sector.

Several common challenges emerged from the meso-level case study research in African countries, which provides some context for each of the sector case studies that follow:

- **High logistical costs** – One of the most widespread development challenges in African countries, logistical costs, stem from a lack of adequate infrastructure (e.g., poor roads), distance from major markets, port access for land locked countries, and in some cases, security problems or inefficient processes such as corruption. These costs affect industry sectors to different degrees. For example, logistical constraints can especially inhibit participation in perishable food GVCs, given the need for fast and refrigerated movement of goods.
- **Insufficient workforce development** –Educational and workforce development institutions in Africa tend to be poorly linked with industry needs and workforce preferences, especially at mid-level technician or managerial ranges, and this hampers competitiveness and quality. For example, many African youth are not interested in pursuing agricultural careers and the training institutions often have outdated curricula, creating many vacancies in horticulture at the mid-range skill levels (Barrientos 2012; Evers et al. 2014)
- **Gender disparities** – The gendered incorporation of workers into GVCs makes the distribution of gains from upgrading and GVC participation uneven along gender lines. Although there are exceptions, typically women are disproportionately concentrated in 'lower skill', lower paid positions within the chain and they often face discrimination in various forms – not least of which include relegation to low wage sectors such as in apparel. For example, in tourism, it has been difficult for women to break out of so-called "traditional" roles (e.g., housekeeping) to pursue management and entrepreneurial activities (Christian, Gamberoni, and Reis 2013).
- **Mixed outcomes** – It is often not very straightforward to assess whether a particular outcome represents upgrading or downgrading overall, because changes in industry structure can manifest in multiple and contradictory ways, with some producers and workers gaining whilst others lose out (see
- Box 1).

Box 1: Mixed outcomes of social and economic upgrading: the Moroccan garment industry

The Moroccan garment industry is an illustrative case of how complex the relationship between social and economic upgrading can be. In theory, economic upgrading built on skill enhancement and organizational learning promises a high-road development path, compared to low-road economic development strategies based on direct cost minimization, such as cheap labor (Gereffi 1999; Humphrey and Schmitz 2002). Since the mid-1980s, the Morocco garment sector has changed dramatically as it has transformed into a key supplier for fast fashion supply chains, such as Zara. Fast fashion introduced a new logic into garment supply chains, with higher priority placed on just-in-time production (demand sensitive), production in smaller quantities, higher quality, and increased flexibility of suppliers. Under this logic, proximity to market is more highly valued than in low-road strategies, due to the importance of speed and responsiveness of suppliers to meet changes in demand effectively. Therefore, as a country very close to Europe, Morocco has geographical comparative advantages for competitiveness in fast fashion GVCs.

The Moroccan garment sector upgraded into fast fashion GVCs through its partnerships with companies such as Zara and the efforts of the industry association to create a sector-led code of conduct and social label called Fibre Citoyenne, which the fast fashion retailers found attractive. Despite Morocco's successful economic upgrading into fast fashion GVCs, the social upgrading outcomes were more mixed. One of the biggest determinants was worker status, because different types of workers experienced different social outcomes as a result of the economic upgrading. Overall, regular workers did share in the gains from economic upgrading—enjoying skill enhancement, improvements in measureable standards, and increased access to enabling rights. However, focus groups with workers revealed widespread use of an informal, irregular workforce that experienced social downgrading in many respects. These workers were concentrated in lower-skilled, lower paid positions, had low access to social protections, and higher job insecurity. They were largely excluded from capturing gains from the economic upgrading. This case suggests that economic upgrading outcomes are not always straightforward, and there is a need for policy solutions that take into account the differential effects of upgrading on different categories of workers.

Source: Rossi 2013.

Overall, the CTG research revealed that, although there were some opportunities for promoting combined economic and social upgrading, there were also many obstacles to inclusive growth that policy makers will need to address to curtail race-to-the-bottom behaviors. Starting with the next section on horticulture, the paper turns specifically to additional meso-level findings to further unpack the opportunities and challenges for social and economic upgrading in Africa.

III. Horticulture

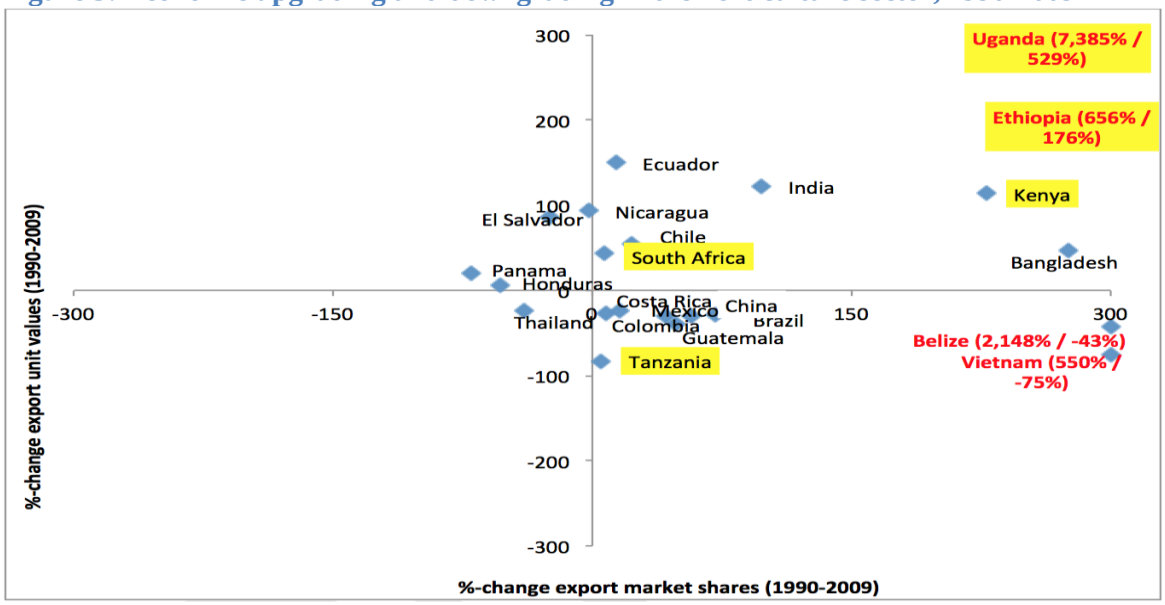
Few sectors are more important to Africa's economic development than agro-foods, accounting for a significant share of employment (especially if accounting for informal employment), food security and GDP for nearly every country on the continent (World Bank 2013). Many GVC related studies have been conducted on agro-foods across Africa analyzing myriad aspects of participation, competitiveness and propensity for economic upgrading (Bamber, Abdulsamad, and Gereffi, forthcoming; Barrientos, Dolan, and Tallontire 2003; Gibbon 2005; Razzaque and Velde 2013; Lee, Gereffi, and Beauvais 2012; Ouma 2010). Overall findings from CTG horticulture[8] studies demonstrate evidence of both economic and social upgrading as well as downgrading. In this light, nuanced case studies primarily conducted in South Africa, Kenya and Uganda shed new light on the dynamics that can generate the various up/downgrading paths that producers and workers experience in these countries.

The Bernhardt and Milberg (2011) analysis, Figure 3, shows that Uganda, Kenya and Ethiopia have experienced marked success with economic upgrading. However, as the authors note, and as the next section will further detail, these were relatively new and 'non-traditional' horticulture exporters starting from a low base in 1990/1993.[9] The rapid increases in exports that have driven this upgrading should be interpreted differently than other countries with a longer history of GVC horticulture participation – like South Africa (Bernhardt and Milberg 2011b). In South Africa economic upgrading has also transpired despite global trade embargos during the early 1990s, albeit less dramatically. Tanzania further offers an intermediate case of economic upgrading. Unfortunately, data limitations across the greater African horticulture sector do not allow for national sectoral-level estimations of social upgrading, nor do the economic data available provide sufficient understanding of the meso dynamics taking place across Africa's horticulture chains. Therefore, further unpacking is required.

[8]Horticulture is a subset of agro-foods. "[It] consists of fresh fruit, vegetables, flowers and other ornamental plants. In Africa, horticulture is generally seen as a high value agricultural export (HVAE) in contrast to traditional agricultural exports such as coffee, cocoa, tea, sugar and rice" (Evers et al. 2014).

[9]The analysis includes flower and cut flowers, which exhibited clearer upgrading than FFVs.

Figure 3: Economic upgrading and downgrading in the horticulture sector, 1990-2009



Note: The first three years for Ethiopia are 1993-1995. Illustration based on data from UN Comtrade database. Percent change in market share and unit values, 3-year moving averages.
Source: Bernhardt and Milberg (2011).

CTG case study research identified important trends across the horticulture sector in Africa as fundamental drivers of economic and social up/downgrading:

- **Concentration of GVC suppliers:** larger suppliers in S. Africa, Kenya and Uganda were better positioned to resist supermarket pressures on prices and quality, and economically upgrade. Concentration is prevalent among GVC-oriented horticulture and floriculture producers in all three countries. Smallholders less able to access GVCs except as outgrowers.
- **Casualisation:** Levels of worker casualization diverged between products/countries (South African fruit greater casualization and use of labor brokers, Kenyan and Ugandan floriculture more permanent labor). Value chain position, CSO campaigns and labor organization important in social upgrading in flowers. Benefits are less like to accrue for workers on smallholder farms.
- **Regionalization** – Expanding RVCs spawned, in large part, through the success and proliferation of South African and Kenyan supermarkets operating across sub Saharan Africa (led by the South African company Shoprite, which operates in 16 countries). These provided openings for organized smallholders.
- **Increasing standards** – The role of standards as a way to strategically promote economic and social upgrading at different levels within global and regional supermarket value chains, and up-skill the workforce, but also pose a challenge for participation by smallholders and less educated workers.
- **Feminized labor** – A highly feminized labor force with largely divergent and deterministic paths for permanent and casual workers depending on how and under what conditions their participation integrates them into horticulture value chains (Barrientos and Visser, 2012; Fernandez-Stark et al., 2011; (Barrientos and Visser 2012; Fernandez-Stark, Bamber, and Gereffi 2011; Evers et al., forthcoming).

Navigating these trends, as CTG researchers stress, is creating new opportunities for producers and workers in the sector to 'climb the value chain ladder' (see Figure 2 and Tables 4-6) (Barrientos 2012). Nonetheless, numerous challenges at the global, meso and micro levels thwart possibilities for broader social upgrading and simple replication. This suggests a need for concerted public-private-social strategies and complementary policy interventions to promote and sustain economic and social upgrading more broadly across the African horticulture sector (Barrientos 2012; Mayer and Posthuma 2012).

Increasing Regional Trade in Horticulture and the Rise of African Supermarkets

Horticulture is the single largest category in global agricultural trade, accounting for more than 20% of world agricultural exports in 2011 (UNCTAD 2012). Growth in horticulture exports has been particularly apparent in Africa over the last decade – as more smallholder producers become integrated into horticulture GVCs. For example, horticulture exports from Africa increased by more than six fold – US$1.51bn (2001) to US$9.74bn (2011) – outpacing global growth averages, and doubling its world share of horticulture exports from 3% to 6% (Evers et al. 2014; ITC 2012; UNCTAD 2012). In many of the CTG studies conducted on African horticulture (primarily, South Africa FFV; Kenya FFV and floriculture; Uganda FFV and floriculture), researchers find growth in export volumes and in export value for many products included in their studies.[10]

Much of Africa's growth in horticulture exports can be derived from the global growth in large retail supermarkets, particularly large European supermarkets. Since the early1990s European-led supermarket GVCs have generated significant global demand for high value horticulture products, and have opened new opportunities for many African farmers to participate. Historically, most African participation in European supermarket GVCs has been restricted to large/estate farmers, providing far fewer opportunities for African smallholders. Concentration amongst European supermarket buyers has long put them in a powerful commercial position when negotiating prices and quality standards with suppliers, who have long complained of adverse European supermarket pressures (Barrientos and Visser 2013).

Developments in recent years, however, created important shifts in the destination markets for African horticulture products: in many instances away from EU and UK supermarkets, towards supermarkets in Asia, Middle East and other African countries (mostly within SSA). Table 1 offers interesting insights into these shifting end markets. Crucial here is that in all products covered, export shares to Africa, Asia and Middle East have increased, while nearly all export shares of the same products to the EU and UK fell (the one exception being grapes to the UK which registered a small increase). CTG studies indicate that this trend has escalated since the 2007 economic downturn (Evers et al., 2014), which fits well with other studies witnessing increasing South-South trade during this time (Akyüz 2012).

Table 1: Export destinations fresh vegetables and fruits, 2001-2011

	Grapes		**Apples, pears & quinces**		**Stone fruit**		**Tomato**		**Onion, garlic, leeks**	
Country	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
EU(Ex-UK)	63.83	49.94	14.13	9.69	46.71	40.94	2.39	0	21.34	14.6
UK	20.30	20.65	32.97	20.66	37.68	32.69	9.04	0	4.33	3.33
AEC*	4.11	19.21	11.93	20.55	3.59	6.43	0	0.96	0.72	1.35
Africa	1.15	2.25	12.45	22.98	2.13	2.66	88.3	98.76	70.28	79.02
Middle East	2.73	5.72	2.51	7.41	9.29	16.38	0	0.9	0.24	1
Other	7.88	2.23	26.01	18.71	0.6	0.9	0.27	0.28	3.09	0.7

Source: calculated from ITC trade database, 2012. Percent value of total exports from South Africa.
* AEC- ASEAN Economic Community – Hong Kong, China, Malaysia, Russia, Singapore, Indonesia, Philippines, Vietnam, Brunei, Japan, Thailand, Rep. of Korea

[10] This does not mean that all horticulture products in Africa have experienced the same level of growth, or that decline has not occurred, but rather that most products covered by CTG have. An example of a product experiencing decline in volume and value is that of fresh flowers in Uganda (Evers et al., 2014).

The expansion of supermarkets across Africa (albeit from a low base) is also helping to prompt the growth of regional supermarket value chains. These are generating new opportunities for value chain integration and upgrading (Barrientos and Visser 2012; Cattaneo 2013; Evers et al. 2014; Evers, Amoding, and Krishnan forthcoming).Within developing regions, Africa has for a number of years been identified as the 'third wave of supermarket expansion', following the previous first and second waves in Asia and Latin America (Deloitte 2011; Reardon et al. 2003; Weatherspoon and Reardon 2003).

CTG research explored this wave of expansion by showcasing how in South Africa, Kenya and Uganda, the supermarket retailing of FFV has experienced notable increases, but this has been uneven between countries.[11] For example, in South Africa, supermarket retailing of FFV increased from a total share of 30-40% in 2000, to 50-60% sold in 2012 (Barrientos and Visser 2012). In Kenya and Uganda, 'wet markets' (traditional, open-air, and often unregulated markets) still maintain a higher share of FFV sales than in South Africa. CTG interviews in Uganda revealed that regional supermarket retailing of FFV had grown by approximately 25% in years 2011 and 2012 – a trend that was expected to continue (Evers et al. 2014). Current data limitations unfortunately make extracting the exact share of horticulture trade specifically channeled through supermarket driven value chains impossible, therefore CTG researchers had to rely on interviews to fill the gaps.

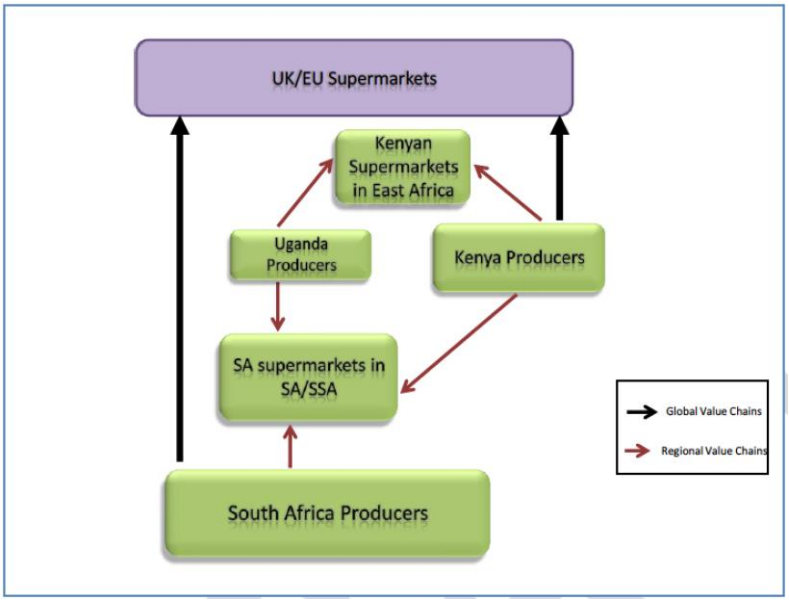
South African and Kenyan firms have largely dominated the expansion of regional supermarkets across SSA. Table 7 in the appendix offers details on current size of the key players compared to the global leader, Wal-Mart.[12] Evers et al. (2014) created a typology of how regional supermarket leaders in Africa are expanding:

- **Phase 1** – Regional supermarkets almost exclusively import produce, often from their home country (South Africa/Kenya).
- **Phase 2** – As local capacity improves, supermarkets increase domestic sourcing.
- **Phase 3** – Occurs when supermarkets begin expanding into multiple countries, while Phase 2 suppliers often act as regional distribution chains to supply numerous stores.

A simple mapping of the simultaneous regional and global flows of horticulture goods for South Kenya and Uganda is shown in
Figure 4. Due to their size or organization (in the case of smallholders) and their comparative advantages in access to things like technological inputs, finance and marketing distribution channels, many South African and Kenya producers have been able to access economic and some social upgrading opportunities via participation in regional supermarket chains. Thus, producers from both countries emerge as Phase 2 and Phase 3 suppliers. Countries like Uganda, on the other hand, which have higher fragmentation amongst smallholders, higher transaction costs and less access to key inputs, are largely restricted to Phase 2 supply. However, case study evidence suggests that this is changing for Uganda, because its share as an East African FFV supplier increased in 2011 and 2012 (Evers et. al., 2014). Emerging trends such as these are expanding access and upgrading opportunities in the value chain ladder in new ways.

[11] The share of floriculture trade (including flowers and cuttings) in emerging regional African supermarkets is noted as very low, with demand for Ugandan, Kenyan and Ethiopian products largely remaining in European end markets (Evers et al., 2014).
[12] In 2011 Wal-Mart made a 51% acquisition of the South African supermarket Massmart, which had outlets in 14 countries in sub Saharan Africa at that time (with plans to expand).

Figure 4: Global and Regional Value Chains: Kenya, Uganda, South Africa



Source: Evers et al., 2014.

Horticulture Standards – Opportunities and Challenges to Economic and Social Upgrading

Standards have been one of them most significant drivers of evolving horticulture GVC and RVC dynamics, in many ways creating the rules for participation and upgrading. Along with the rise of European supermarket GVCs, lead supermarkets have increasingly used standards to govern their supply chains based on Western consumer preferences, such as quality, appearance, hygiene, safety, and traceability (Fernandez-Stark, Bamber, and Gereffi 2011).[13] Adherence to supermarket horticulture standards is often a double-edged sword – especially in Africa (for summary of debate, see Jaffee and Masakure 2005). On the one hand, it offers substantial opportunity for producer upgrading into higher value added activities (examples of product, process, cold chain, and functional upgrading can be found in Kenyan FFV chains), and in some cases, social upgrading for workers through increased social protections (examples of more permanent employment contracts, unionization and collective bargaining can be found in Ugandan floral cuttings chains). On the other hand, it limits participation to only those producers with the necessary investments needed for compliance.

Standards have largely excluded smallholder GVC participation given they are complex and costly, particularly where smallholders are unorganized (Bamber and Fernandez-Stark 2013; Evers et al. 2014; Fernandez-Stark, Bamber, and Gereffi 2011). However, CTG research indicated that smallholders were accessing regional supermarket chains, either directly where organized through Primary Marketing Organizations (PMOs) and often indirectly through larger preferred suppliers.

In South Africa, donor/government support for relatively large commercial export fruit farms has been limited.[14] Instances where donor/government interventions have provided assistance to FFV smallholders abound in Kenya. However, they are often fragmented, rather than far-reaching, assisting only small

[13] See Table 8 in the appendix for a summary of common horticulture standards.
[14] In response to a ruling by the Competition Commission following acquisition by Wal-Mart, Massmart initiated a SA Rand 1 billion programme of smallholder support.

fractions of smallholders (Bamber, Abdulsamad, and Gereffi, forthcoming; Barrientos and Visser 2012; Fernandez-Stark, Bamber, and Gereffi 2011; Evers et al. 2014). In Uganda similar support programs have been less common; therefore, few Ugandan FFV smallholders have been able to access horticulture GVCs, and at most supply ethnic markets in Europe (Evers et al. 2014).

As CTG research affirms, value chain structure and particular governance mechanisms used to implement standards in the chain have important implications for economic and social upgrading (Evers et al. 2014; Gereffi, Humphrey, and Sturgeon 2005 for theoretical discussion). Three Dutch floral cuttings firms operating in Uganda offer good examples of this finding. Through vertical integration these firms have embedded product, process, social and environmental standards directly into their production models. This has helped to disseminate the adherence of complex standards at a faster rate than other foreign owned and Ugandan-owned firms competing in the European cut flower GVCs. As a result, quality and variety of cut flowers (economic upgrading) increased and employment contracts and worker benefits (social upgrading) improved. However, in this case, vertical integration allowed for easier access to the financing needed for standard implementation – an option that has been less accessible to other producers, and that can be considered a form of economic and social downgrading (Evers et al. 2014).

High costs associated with stringent European horticulture standards are currently being cited as a growing contributor to the expansion of South-South horticulture trade, and African horticulture RVCs (Bamber and Fernandez-Stark 2013; Evers et al. 2014). By comparison, standards in these emerging value chains are less stringent, normally cover far fewer elements[15], and thus are generally less expensive and time consuming to adhere to (Barrientos and Visser 2012). For example, Morocco's citrus supply is increasingly shifting from traditional European markets to the Russian Federation where standards are lower and less costly to monitor (Bamber and Fernandez-Stark 2013). Additionally, CTG interviews reveal that South African producers selling to SSA, Asian and Middle Eastern supermarkets who pay lower prices than European supermarkets are often able to secure equivalent margins, taking into account the reduced costs of inputs, audits and monitoring, afforded under less stringent standards (Barrientos and Visser 2012). In this way, lower costs and less strict standards correlate, on the one hand, to downgrading amongst African firms already participating in European GVCs (although downgrading in this way is not always bad; see example in Section 2). On the other hand, it offers easier access for participation to smallholder producers.

What becomes clear through this process is that standards-led RVC dynamics are improving the bargaining position of producers and organized smallholders, who are more able to choose to whom and under what conditions they sell their goods. CTG research reveals that European supermarkets are aware of this, and many are working assiduously to improve supplier relations across their value chain, for example, through regular visits and supplier conferences or having offices in country (Evers et al. 2014). As African horticulture RVCs continue to expand and grow in complexity, and as African consumers begin to demand higher quality horticulture products over time (via the retail revolution), a series of questions for future research can be distilled: Will standards applied by regional supermarkets also increase in stringency and cost over time? If so, by how much? What will the implications be for smallholder producers?

Labor Challenges

CTG offers compelling evidence that vast differences in outcomes exist for different workers in African horticulture value chains. The most significant findings related to access to social upgrading correspond

[15] Woolworths is noted as the only known exception of African supermarkets to require social standards (Barrientos and Visser, 2012).

to gender, employment status (permanent/casual), and skill level (skilled/low-skilled). Underlying each of these factors is the strength of national labor laws, and institutional effectiveness in enforcing and upholding them. Overall, social upgrading outcomes for workers are mixed, with both social upgrading and downgrading occurring across different chains – reaffirming that social upgrading is only taking place under particular conditions. In many instances where social upgrading *is* occurring, workers seldom earn living wages when including inflation (Barrientos and Visser 2012; Evers et al. 2014; Evers, Amoding, and Krishnan forthcoming).[16]

Across Africa the horticulture labor force is largely feminized, as is true in the Global South (Bamber and Fernandez-Stark 2013). For example, women make up as much as 73% of Ugandan floriculture (Evers et al. 2014), and in Senegal women make up as much as 90% of the French bean and 60% of the cherry tomato sectors (Maertens and Swinnen 2009). CTG findings highlight the wide range of roles women occupy across horticulture value chains – from unpaid family labor, to wage labor, to highly skilled packhouse workers, to entrepreneurs and sometimes as managers/supervisors (Christian, Evers, and Barrientos 2013; Evers et al. 2014). They are often preferred or are self-selected for roles that require more dexterity and attention to detail, such as pruning and grading (Bamber and Fernandez-Stark 2013).

On average, women face more barriers to social upgrading than men due to stereotypes of patriarchy, lower comparative wages than men, higher propensity for casual work, sexual harassment, and less access to training and education (Bamber and Fernandez-Stark 2013; Barrientos and Visser 2012). In some cases, however, stereotypes have worked in favor of women, leading to greater employment opportunities and positions of higher pay. For example, women fruit workers in South Africa were favored for pack house and clerical positions that offer better remuneration than field workers (Barrientos and Visser 2012). In Ugandan floral cuttings, many women have experienced significant social upgrading through firm implementation of better female health, sanitary and childcare standards, the establishment of women's committees, and a growing perception amongst management of the superiority of women's skills (Evers, Amoding, and Krishnan forthcoming),

In both Kenyan and Ugandan flowers, there has been a reduction in sexual harassment of workers. The factors contributing to this were: (a) civil society campaigns leading to appointment of gender committees, greater awareness on flower farms, and unionization of workers; and (b) increased use of permanent contracts, reducing the ability of supervisors to demand sexual favors, which often occurred in hiring casual workers.

Employment status in African horticulture value chains can be very influential in terms of the type of jobs workers conduct and subsequently their access to employment protections and benefits (the same can be seen in the apparel and tourism sectors, covered in subsequent sections of the paper). By comparison, permanent employees generally are paid more, have greater job security, and have better access to training and social protections than casual/temporary workers.

Barrientos (2013) found growing casualization (or 'retrenchment') by South African fruit farmers through the use of third-party labor contractors as a way to drive down labor costs, while absolving farm owners of the legal liability to meet national labor standards. Her work uncovers significant instances of social downgrading, whereby unscrupulous contractors exploit workers, in some cases with a complete disregard for their financial/social/physical wellbeing. On the contrary, evidence from Ugandan floral

[16] The combination of casualization, low minimum wage and rising food costs led to an uprising in 2012/13 involving thousands of workers on South African fruit farms in the Western Cape (the strikers and protesters blocked the main N1 and N2 motorways into Cape Town and burned farm equipment). Their main demand was a doubling of the government minimum wage, which was partially acceded to (rising from R75 to R105).

cuttings provides an example of permanent employment increasing by 75% between 2001 and 2011, with significant gains also made in collective bargaining, freedom of association and ethical employment conditions (Evers, Amoding, and Krishnan forthcoming). However, comparisons between countries such as South Africa and Uganda must be interpreted with the important understanding that horticulture, and specifically national labor law, in Uganda is starting from a much lower base than in South Africa.[17]

Lastly, workforce skill deficits were found to be common in all CTG horticulture value chain studies (Barrientos 2012; Barrientos and Visser 2012; Evers et al. 2014; Fernandez-Stark, Bamber, and Gereffi 2011). Skills trainings programs to address these gaps, where they exist, are often low in rigor and under-coordinated at the local, national, and regional scales. As most African horticulture workers are low-skilled when entering the sector, without access to training programs to improve their skill sets, a glass ceiling restricts social upgrading mobility for these workers. In this environment, skilled horticulture jobs have a tendency to go unfilled amidst high unemployment in the local economies (Barrientos and Visser 2012).

In line with other African horticulture research, CTG researchers note the growing challenge of an ageing horticulture population combined with a youth population generally uninterested in engaging in agricultural work and in search for better opportunities in African capital cities (Bamber, Abdulsamad, and Gereffi forthcoming; Evers et al. 2014). These dynamics carry with them important policy implications for the upgradability and sustainability of the horticulture sector, and policy makers must find ways to both improve the quality of and access to agricultural training programs, particularly amongst Africa's youth (Brooks et al. 2013). Many of these labor challenges are not exclusive to horticulture, since the apparel and tourism cases also reflect this.

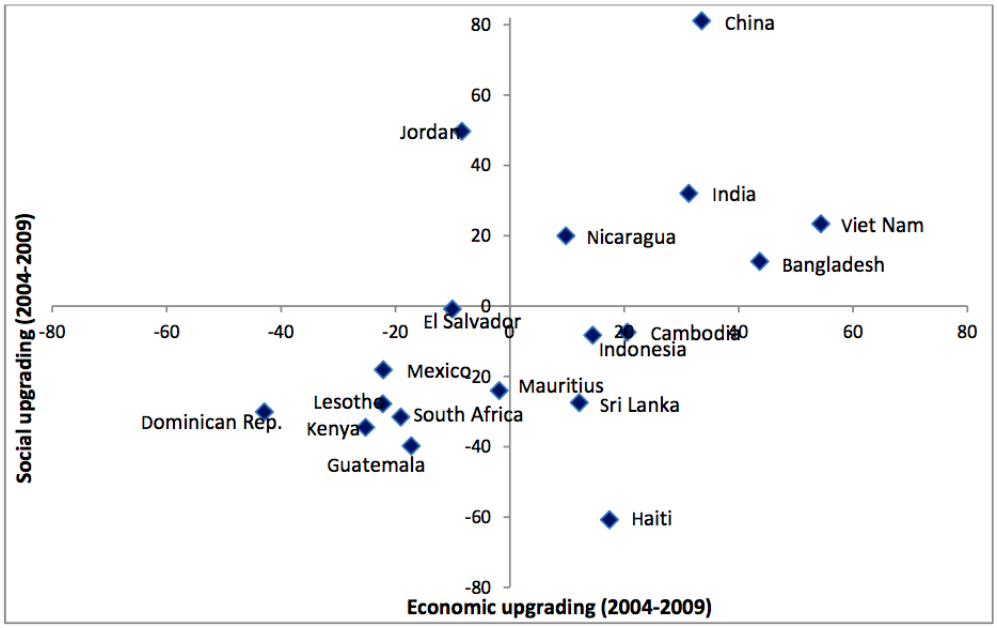
In sum, the horticulture picture is mixed. In flowers there has been clear economic and social upgrading of larger producers and wage workers beginning from a low base, but few smallholders access the sector. In fruit (mainly South African) larger producers have economically upgraded, but less competitive producers are failing to survive. Regular workers have benefitted from social upgrading, but associated with this is an increased casualization and use of labor brokers, which indicates social downgrading. In vegetables (mainly Kenya and Uganda), larger producers have been able to upgrade, with some social upgrading for wage workers (not as great as flowers), but smallholders have struggled to access GVCs. However, the rise of RVCs led most importantly by the spread of lead African retailers provides new openings in all countries for upgrading of some producers and smallholders previously unable to access GVCs, or strategic downgrading for those unable to compete in GVCs. The implications for the upgrading of workers in RVCs are less clear, and they depend on employment status and employer type. A very significant finding from CTG research is that few benefits thus far for workers employed by smallholders have been clearly identified.

IV. Apparel

In general, the story of the apparel sector in Africa is one of social and economic downgrading, which is not to say that there are no instances of upgrading. At the national sectoral-level (See Figure 5), evidence suggests that Kenya, Lesotho, Mauritius, and South Africa all experienced social and economic downgrading overall (Bernhardt 2013). The only evidence of upgrading was economic upgrading in the form of increased unit values in Mauritius, South Africa, and Lesotho, although each of these countries lost market share (downgrading) at the same time. Social downgrading occurred in terms of both employment change and change in wages in all of the African countries in the analysis (Bernhardt 2013).

[17] Thus here the comparison is made to capture current trends rather than suggest accurate

Figure 5: Overall upgrading and downgrading in the apparel sector, 2004-2009



Source: Bernhardt, 2013.

This section synthesizes the case study findings from CTG in Kenya, Lesotho, Madagascar, Mauritius, Morocco, and South Africa.[18] The cases offer more nuanced insights into why downgrading has occurred than the national sectoral-level analysis can provide. More specifically, CTG researchers found three dominant factors in African clothing GVCs that drove upgrading and downgrading trajectories:

- Overdependence on trade preference regimes
- Dynamics of ownership and end markets
- The role of retailers in driving and expanding RVCs

Table 2 provides a snapshot of the case study findings from Sub-Saharan African (SSA) countries.
The CTG countries (except for Morocco) face high cost and speed disadvantages because of the distance from major end markets in the US and EU, and inefficient transportation and logistics infrastructures (Pickles 2013). For example, the cost to export a 20-foot container is US $2,055 in Kenya, $1,680 in Lesotho, and $1,531 in South Africa, while it is only $737 for Mauritius, $577 for Morocco, and $500 for China (Pickles 2013; World Bank 2012). Likewise, export time-to-market from Kenya, Lesotho and South Africa are two-to-three times those of Morocco, which takes 11 days. These logistical and geographical constraints, in the absence of large domestic markets (except for South Africa), are a clear impediment to broader industrialization in the apparel industry and to upgrading into fast-fashion GVCs, which place a higher priority on speed and quality. To some extent, these factors are changeable through upgrades to infrastructure and communications systems, and the South African market represents an opportunity because it has an emerging fast fashion segment. However, distance-to-market places these countries at a competitive disadvantage for the US and EU end markets that will be hard to overcome.

[18] Egypt was also included in CTG, but no working papers have been finalized based on that research at the time of writing.

Trade policy as a barrier or opportunity for upgrading

The landscape of trade preference regimes in Africa has changed drastically since 2000. African countries (as small-scale producing countries) benefited from the quota advantage under the Multi-Fibre Arrangement (MFA), a global system of quotas that curtailed the dominance of large-scale producing countries, such as China. The MFA was phased out in 2005, although safeguards were placed on Chinese apparel imports and they were not fully removed until 2009. In the absence of quotas, bilateral and multilateral trade agreements and preference systems became more important for determining apparel sourcing patterns (Abernathy, Volpe, and Weil 2006; Pickles 2013; Pickles 2006).

Trade liberalization between African countries and major destination markets, as well as with other African countries, has been expanding since 2000. Many African countries have had duty-free access to European markets since the 1970s through the Lomé Convention (1975), the Cotonou Agreement (2000), Everything But Arms (2001), and Economic Partnership Agreements (EPAs) (2008). Likewise, quota and duty-free access to the United States market has been in effect in most SSA countries since the African Growth and Opportunity Act (AGOA) was signed in 2000. Free trade agreements are increasingly common within Africa as well. In 2000, Southern African Customs Union (SACU)[19] countries (Botswana, Lesotho, Namibia, South Africa, and Swaziland) and the Southern African Development Community (SADC) signed a Trade Protocol that created a FTA.

The combination of quota phase-out, regional trade agreements, and trade preference systems has influenced the structure and upgrading trajectories of African apparel sectors in significant ways. South Africa did not benefit as much from AGOA, in part, because it did not qualify for the relaxation of rules-of-origin requirements that less developed countries were granted. In addition, South Africa's once vibrant textile sector has almost entirely disappeared as a result of AGOA and other forms of trade liberalization (except for knitting). In general, the lack of a textile sector in SSA will remain a major barrier to upgrading and RVC integration in the future (see Table 2).[20]

AGOA enabled the apparel industry in several countries (except for South Africa) to grow when MFA was still in place and stay afloat when MFA was phased out, because the sector was dominated by foreign direct investment from China and Taiwan seeking quota-free access to the US market (Staritz and Morris 2013a; Staritz and Morris 2013b). Lesotho's apparel exports to the US grew from $140 million in 2000 to $456 million in 2004, and Kenya's from $44 million in 2000 to $277 million in 2004 (Staritz and Frederick 2014). Chinese and Taiwanese investors generally produced on a large scale, confined activities to assembly, and imported inputs from China and elsewhere in Asia, so integration into the local economy was limited, although a handful of these firms have become more locally embedded over time (Staritz and Morris 2013a). These operations generally had few connections with domestically owned firms or other foreign investors producing for the EU or South African markets, which utilized different production processes and scales of operation (see the next section). If AGOA ends in 2015, these industries are likely to collapse, because doubts about the extension are already causing problems.

The foreign direct investment for MFA and AGOA has resulted in few backward and forward linkages (Morris, Staritz, and Barnes 2011; Staritz and Frederick 2014). As the quota advantage disappeared, there were widespread declines in terms of exports, employment, and firms. From 2004 to 2008, US apparel imports from SSA shrunk overall, from US $1,757 million in 2004 to $790 million in 2010, although they rebounded thereafter to $904 million in 2012 (Staritz and Frederick 2014). This pattern suggests that SSA

[19] Note: SACU has been in existence for about 100 years.

[20] Although several SSA countries produce high quality cotton, this is exported raw and then re-imported as fabric from countries like China. Mauritius is an exception, because it is fully integrated, but it has low capacity beyond serving the local apparel manufacturing sector.

Table 2: Summary of garment sector characteristics in SSA case study countries

	Kenya	South Africa	Mauritius	Lesotho	Madagascar
Employment estimate	Informal, unknown; 20,000 in EPZs	110,000 (formal and informal, rough est.)	39,500 (2010)	35,000 (2010)	55,000 (2012)
Key destination markets	US	Domestic (SA)	UK, EU, US, Some SA	US, SA	EU, US, SA
Domestic market	Very small	Yes, a relatively large one	Very small	No	
Ownership patterns	Chinese, Indian, Bangladeshi, Sri Lankan, Kenyan	Domestic ownership due to ISI policies, but shrinking	Domestic ownership, a mature industry	Taiwanese for the US market, South African for the SA market	Resident EU expats (French), Mauritian, Domestic, Asian
Fabric sourcing	China, India, Uganda	China	Mauritius, India, China, Pakistan	China, only one textile mill in Lesotho	China, Europe, Mauritius
Product segment	Mainly basics	High-end and basics	Midrange to high-end	Mainly basics	Depends on end market: Complex (EU, SA), basics (US)
Major buyers	The GAP, Walmart, Levis, Tesco	Edcon, Foschini, Truworths, PEP, Ackermans, Mr. Price, Pick n Pay	M&S, Next, Zara, Diesel, Armani, H&M, Edgars, Woolworths, many others	US: The GAP, Children's Place, Walmart, Levis, others. SA: Woolworths	N/A
Trade preferences and agreements	AGOA (US), , EAC (EU), COMESA	AGOA (US) but adverse RoO, SA-EU FTA, SACU, SADC	AGOA , Cotonou (EU), SADC, COMESA	AGOA (US), , EAC, SADC , SACU (SA)	SADC, Cotonou (EU), Everything But Arms (EU)
Vertical integration	Low, except for one firm:	Low; declining	Yes, vertically integrated with local spinning, weaving/knitting and dyeing	Little vertical integration, mainly CMT	Low; declining
Economic upgrading	Only one firm—: conversion to lean manufacturing. Limited upgrading in other firms	High road firms upgrading to fast fashion, low road firms downgrading	Yes: firms surviving rising labor costs and labor shortage have process, product, and functional upgrading	Some economic upgrading in South African firms, less among Taiwanese firms	Economic upgrading in firms producing for the EU market, less for US market
Social upgrading	Poor conditions, low compliance, weak enforcement. Conditions in informal firms not known.	Mixed: strong union SACTWU increased formal sector wages, but this led to informalization (downgrading)	Mixed: rising wages and improved working conditions, but de-localization and use of migrant labor with lower standards	Low wages, limited firm-level unions, no social protections	Declining employment, low wages, some training in firms producing for EU market
Other notes	Structural adjustment and 2nd hand clothing imports destroyed the domestic market; more recent threat from Chinese imports	Threat from Chinese imports, regional suppliers; firms downgrading; strong domestic retail sector	Changing gender ratios (more men) accompany increased use of migrant labor	Limited backward and forward linkages; high AIDS prevalence	Lost AGOA in 2009 due to political instability. Access to finance is a problem

Sources: Godfrey, Shane, Summary of Key Issues (Mauritius, Kenya, South Africa, Lesotho), and Staritz and Morris, 2013. *Local embeddedness and economic and social upgrading in Madagascar's export apparel industry*, Manchester, UK: Capturing the Gains Working Paper 21.

countries are overly dependent on trade preference regimes for competitiveness, and uncertainty pervades the sector because the reauthorization of AGOA in 2015 is undetermined. The main factor that has helped the apparel sector in these countries survive the post-MFA decline is growth in production for the regional South African market, which is analyzed further below.

Ownership and End Markets

One consequence of the ways in which liberalization unfolded in Africa was that it manifested in an industry structure in which apparel GVCs had divergent production processes and value chain upgrading trajectories depending on firm ownership and end markets. Broadly speaking, Chinese and Taiwanese investors tended to produce for the US market, made basic products in bulk volumes, were assembly-only operations, made limited investments in workforce training, and had relatively few instances of economic or social upgrading (Pickles 2013; Staritz and Morris 2013a; Morris, Staritz, and Barnes 2011). By comparison, firms producing for the EU and, especially, South African markets were more likely to be owned by European expatriates, South African firms, Mauritian firms, or domestically owned (Staritz and Morris 2013b; Staritz and Morris 2013a). They produced smaller batches, more complex and fashion-sensitive garments, and invested more in upgrading workforce skills. These firms were also more likely to be locally embedded, vertically integrated, or engaged in subcontracting relationships with each other (Staritz and Morris 2013b). Although there were exceptions, these general patterns cut across countries. It suggests that trade preference systems are influential beyond the national sectoral-level of generating employment and exports, because they shape the incentives for investors to integrate into the local economy and, therefore, they influence opportunities for upgrading in particular ways.

Mixed upgrading outcomes were observed in Morocco and Mauritius, which generally were in a more competitive position compared to the other countries in CTG. Morocco, especially, benefits from comparative advantages in logistical costs due to proximity to the EU market and port access. Morocco has strong exporting relationships with Spain and France due to proximity, an Association Agreement with the EU, and historical ties (Rossi 2013). In response to MFA phase-out, the Moroccan apparel industry successfully upgraded economically into fast fashion market segments, which has led to higher unit values (Rossi 2013). However, economic upgrading has not translated into social upgrading for all workers in Morocco. It has led to a growing segmentation of the labor market through which regular and irregular workers have different access to rights and social protections (Box 1).

Retail Revolution: De-localization of South African firms and growing regionalization

Another consequence of trade liberalization is the restructuring of production networks for the South African apparel market, coordinated by South African retailers, which previously had been served by a large domestic sector within South Africa. Starting in the early 2000s, the domestic apparel sector in South Africa began to face numerous challenges, including increased consolidation of retailers, import competition from China and other low-cost countries, and rising wages due to successful union campaigning (Godfrey 2013). With the liberalized trade policies, some South African apparel manufacturing firms began to relocate to Lesotho and Swaziland, and South African retailers increased sourcing from Mauritius, Madagascar, and other countries (including China)—a pattern of de-localization within the value chains (Godfrey 2013). Many of the remaining domestic apparel manufacturers, which had not sufficiently modernized, downsized, closed, or embarked upon an informalization strategy—changing their legal classification to a co-operative to qualify for lower wages, without workers knowing that this transformation had occurred (Godfrey 2013). Non-compliance with labor regulations increased, while informal home working operations expanded. Some apparel firms also transformed into design houses that then acted as intermediaries between smaller assembly firms, many of which were informal home working operations. Therefore, this pattern of South African retailer-driven de-localization and regional integration in southern Africa has led to an overall retrenchment and decline in the South African apparel sector and to informalization (social downgrading), although there has been social upgrading in

the remaining formal sector as a result of a well organized union and strong collective bargaining structures (Godfrey 2013). The informal sector in South Africa now employs roughly the same number of workers (55,000) as the formal sector.[21]

Regionalization in southern Africa has, to some degree, offset the losses from quota phase-out that eroded the AGOA advantage in Lesotho and Madagascar (Staritz and Morris 2013a; Staritz and Morris 2013b). For example, Mauritian firms operating production facilities increased exports to South Africa, which also helped them cope with the seasonality of producing summer clothing for US and EU markets, because South Africa has opposite seasons (Staritz and Morris 2013b). In addition, the regionalization of apparel GVCs in southern Africa appears to be offering a production model that is more locally embedded and promising from an upgrading perspective. However, labor standards and enforcement remain major challenges in the countries supplying South African markets—wages are much lower and working conditions are worse than in South Africa (Godfrey 2013; Staritz and Morris 2013b; Staritz and Morris 2013a; Pickles 2013). For example, wages in Madagascar are extremely low and workers put in long hours on intense shifts (Staritz and Morris 2013b). So while increased RVC integration has the potential to generate economic upgrading, social downgrading is occurring and will continue without significant policy and governance reforms.

Overall Apparel Findings

Overall, the CTG study emphasizes that trade preference regimes have powerful effects on the geography of apparel production in Africa, not only in terms of luring particular kinds of investors and creating (and later extracting) jobs, but also in more indirect ways by creating incentives for particular product types, production processes, and inter-firm networks. In general, GVCs owned by EU, Mauritian, and South African firms and those producing for EU or South African markets had a tendency to be more locally embedded. These GVCs have some potential to be more sustainable in the long-run than those owned by Asian investors that are producing for the US market; however, the possible loss of AGOA and growing competition from China remain serious threats to the sector overall. The role of buyers, retailers, and large first-tier suppliers is also important in explaining the conditions that were favorable for product, process, and functional upgrading.

Regionalization in Southern Africa has been an important diversification strategy for AGOA-dependent countries, but it contributed to a significant decline in domestic manufacturing in South Africa. In the AGOA-dependent countries, it has presented the potential for developing a more locally embedded apparel production system in countries such as Lesotho, Swaziland, and Madagascar than had been the case when AGOA exports dominated production. However, social downgrading has been an overarching theme and there is little evidence that workers are capturing the gains from economic upgrading in the cases where it has occurred—except perhaps for those in the formal sectors in South Africa, Mauritius, and Morocco. Increased use of informal and migrant labor in those countries means that the overall outcome is mixed. Even in the best instances of economic upgrading, the terms of employment for informal workers are highly precarious, usually leading to social downgrading. Moreover, the lack of a textile sector in SSA is a major barrier to upgrading in the future as the RVCs expand.

V. Tourism

Over the last three decades the use of global tourism as an economic development model has generated considerable debate (Kadt, Bank, and Unesco 1979; Britton 1981; Honey 2008; Sinclair and Economics 1997), especially in Africa (World Bank 2010). However, few studies have been conducted on Africa's

[21] Estimate obtained via email correspondence with Shane Godfrey, 13 January 2014.

expanding tourism GVCs. CTG researchers offer new insights into the commercial and social dynamics of tourism in Africa by analyzing how the sector is interacting with a destination country's economic, political and social history to shape participation and economic rewards (Christian 2012). Findings from studies conducted in Kenya, Uganda and South Africa offer diverse results. More similar to the horticulture sector rather than apparel, evidence of both economic and social up/downgrading exists simultaneously in African tourism, with upgrading only occurring under certain conditions. Furthermore, case studies reveal that the majority of gains are generally captured only by a select few, with limited horizontal distribution.

Bernhardt and Milberg (2011) note that none of the African countries yet play a leading role in global exports of tourism services, and to date, the tourism sectors remain relatively small in size. Figure 6 shows that during 1990-2007, only Uganda has experienced both a growth in market share and export earnings (+ 185% and +117%, respectively), albeit this is beginning from a low base, while Kenya has a longer history in the tourism sector and has seen its share of both decline significantly (-62% and -34%). South Africa has the longest history of tourism (albeit the apartheid period until 1994 limited its involvement in the sector) and it represents a more intermediate case, but still tourism is declining there (-11% in market share and -49% in export earnings). Due to data limitations in wage earnings, Berhardt and Milberg were not able to plot social up/downgrading movements – similar to horticulture.

Figure 6: Economic upgrading and downgrading in the tourism sector, 1990-2007

Note: Time span covered is 1993-2007 for Uganda and 2003-2006 for Vietnam.
Source: Berhardt and Milberg, 2011. Percent change in market share and unit values, three-year moving averages.

More recent CTG case study research revealed nuanced outcomes that reflect a more positive trend than the analysis by Berhardt and Milberg. As shown in Table 3, both the number of tourists and total earnings from tourism increased during 2006-2010 in all three countries, and only in South Africa have earnings per tourist declined. Uganda is still the biggest gainer, reflecting its more recent entrance, but also it has growing competitive appeal amongst international tourists, with a 75.8% growth in tourist numbers (Christian and Nathan 2013). Kenya's minor increase in the number of tourists combined with large increases in total earnings and earnings per tourist reflect processes of economic upgrading (Christian 2012). South Africa demonstrates a mixed case of upgrading with large increases in the number

of tourists combined with overall increased earnings, but falling earnings per tourist (Christian and Nathan 2013).

Further supplementing these data, Table 4 assesses the changes in employment and earnings from 2006-2010, and value added (GDP per worker) in 2011.[22] In all three countries, the data reflect positive growth in earnings and employment. Increased worker wages would suggest social upgrading (Christian and Nathan 2013). However, as data on earnings per worker at the sectoral level are insufficient to determine this, it is necessary to examine the case study findings in more depth to interpret these outcomes.

Table 3: International tourism – number of tourists and earnings

Country	2006			2010			% Increases: 2010 over 2006		
	No. Tourists (m)	Total Earnings ($m)	Earnings per Tourist ($m)	No. Tourists (m)	Total Earnings ($m)	Earnings per Tourist ($m)	No. Tourists	Earnings	Earnings per Tourist
Kenya	1.601	$1,181	$738	1.609	$1,620	$1,006	0.5%	37.2%	36.3%
South Africa	8.5	$9,211	$1,084	11.3	10,308	$912	32.9%	11.9%	-15.9%
Uganda	0.539	$347	$643	0.946	$762	$805	75.8%	119.6%	25.2%

Source: UNWTO [http://www2.unwto.org/], Basic data and indicators

Table 4: Direct Contribution of Travel and Tourism to employment

Country	2010		% Increases: 2010 over 2006		2011		
	Total Employment ('000)	Foreign Earning per Worker ($)	Increase in Employment	Increase in Foreign Earnings per Worker	Total Employment ('000)	Total GDP Contribution ($bn)	Per Worker Total GDP
Kenya	300	$5,400	11.1%	23.45%	778.4	$4.5	$5,784.1
South Africa	600	$19,823	15.4%	12%	1,188.2	$34.7	$29,208.8
Uganda	200	$3,819	33.3%	64.7%	522.7	$1.7	$3,256.7

Source: UNWTO [http://www2.unwto.org/], Basic data and indicators.

In synthesizing African findings related to economic and social upgrading within the tourism sector, this section is organized by the following key drivers of upgrading outcomes:

- **Lead firms** – The relative power of a firm depends on its position within the chain and whether or not it has direct marketing access. Further, access to upgrading is segmented largely by firm position with disparities in upgrading separating larger dominant firms (usually 'mass' tourism) from smaller less dominant firms (usually 'community/ethnic').

[22] These data are drawn from an authoritative data set from the World Travel & Tourism Council (WTTC). The data, however, relate not just to tourism, but also to the connected sector of travel. Thus, travel and tourism's (T&T) contribution to employment includes employment by hotels, travel agents, airlines and other passenger transportation services. It also includes the 'activities of the restaurant and leisure industries directly supported by tourists'(WTTC 2011).

- **Labor Force Stratification**– Divisions between permanent, contract, and casual employment status lead to very different outcomes for workers, which are also shaped by racial and gender inequalities and have led to exclusionary practices. Insufficient coordination between various actors (institutions, donors, communities, etc.) complicates possibilities for chain wide social upgrading.

Lead Firms: Market Power and Chain Dominance

The tourism sector in Africa is heavily dominated by elite global tour operators (TOs), such as Thomas Cook or Abercrombie and Trent (Christian and Nathan 2013; Christian, Gamberoni, and Reis 2013; Christian 2012). These global TOs wield the greatest power within African tourism GVCs because they have the most control over the distribution channel of services offered to tourists. As CTG research confirms, most tourists visiting Africa originate from outside the continent, unlike in Asia where national and regional tourism play a larger role (Christian and Nathan 2013). This creates a dynamic whereby outbound tourists from abroad (usually Westerners) seek inbound services provided within African destination countries from global TOs. Beyond controlling market access to foreign tourists, the global elite TOs consolidate their power over the chain by bundling a large share of the inbound services (e.g., travel, accommodation, entertainment), which they either provide themselves through direct ownership (although this is still somewhat rare in Africa), or by contracting with national and independent/smallholder TOs (the dominant model in Africa). The degree to which African countries rely on these global elite TOs and the amount of concentration amongst national and smallholder service providers, thus, influences the possibilities for economic and social upgrading.

Box 2: Comparative global TO reliance and domestic concentration of African countries

CTG researchers discovered that reliance on global regional elite firms and concentration of national elite TOs is greatest in Uganda's Murchison Falls National Park (MFNP). In MFNP only very small number of primary elite national TOs contract with the global elite TOs. Through vertical integration of services, hotels and TOS control the majority of sought services by international tourists (Christian and Mwaura, 2012). Research in Kenya's Mombasa (mass beach tourism) and Maasai Mara (nature/ethnic tourism) areas showed a larger number of national and smallholder TOs and less vertical integration than in Uganda – which can be attributed to its relative maturity and overall comparative market size – as well as lower levels of national and smallholder concentration (more competition). Researchers noted, however, significant reliance on global elite TOs is still present in Kenya, especially for large Mombasa hoteliers (Christian et al., 2013; Christian, 2013). In South Africa, CTG research in Cape Town and the Eastern Cape uncovered the least amount of reliance on global elite TOs, combined with the most aggregate number of national TOs and smallholder TOs compared to Kenya and Uganda. This is reflective of South Africa's longer history and market maturity as a tourism provider in Africa, in addition to its more pronounced domestic tourist base than is found in either Kenya or Uganda (Christian and Nathan 2013).[23]

Global over-reliance on TOs heavily influences the upgrading opportunities of national and local/ethnic TO providers (Christian and Nathan 2013; Mayer and Milberg 2013). For example, expatriate ownership of large tourism operations such as hotels, safaris and other smaller TOs control the sub-set of TOs that actually receive bookings (Christian and Nathan 2013; Christian, Gamberoni, and Reis 2013; Christian 2012; Christian and Mwaura 2012). In this way, market access is preferential, which makes the GVC susceptible to exclusionary practices (Mayer and Milberg 2013). The perception that foreign-owned providers are better suited to meet the preferences and standards of foreign tourists distinguishes them from the larger pool of national and local TOs, who have a difficult time establishing trust and are often forced to compete on price alone (Christian and Nathan 2013).

Many international tourists, themselves, give preference to global TOs over African-owned firms because

[23] At least within SSA, South Africa exhibits the largest amount of domestic tourism; however, aggregate ratios remain below other developing countries like India and China (Christian and Nathan, 2013).

commonly held Western media perceptions of political and market uncertainty within Africa serve to exacerbate segmentation of providers along nationality and class lines (Christian and Nathan 2013; Euromonitor International 2010). This also hinders overall growth within the tourism sector.

The two most common forms of economic upgrading in the African tourism sector are product upgrading at the accommodation segment of the chain (which includes the addition of rooms, gyms and other amenities and/or upgrading the level of luxury), and functional upgrading at the national TO segment of the chain (diversifying or bundling the types of services – tours, excursions, tribal visits – or moving from one type of service function into another, such as TOs moving into the safari business). As the above power and chain positioning dynamics suggest, economic upgrading is most apparent amongst the large dominant TOs and dominant domestic service providers.

Specifically, CTG researchers found that 'mass' tourism sites like Kenya's large sun and sand branded hoteliers in Mombasa are more likely to experience product upgrading than smaller scale providers like the many local/ethnic operators in Maasai Mara (Christian 2012). However, mid-range hotels in Mombasa are also downgrading due to intense price competition. Additionally, dominant national TOs are found to experience more functional upgrading than other TOs with less favorable chain positioning (Christian 2012). This is not to suggest that there are no examples of upgrading outside the large dominant firms. A common model among tour guides is to work for TO companies and then open up their own businesses, functionally upgrading into niche services (Christian and Nathan 2013). In fact, CTG researchers stressed that the evolving maturation of the tourism sector in the case study countries is directly related to upgrading of both large and small firms (Christian and Nathan 2013). However, market saturation and hyper-competition on price amongst smaller providers was found to be a driver of economic and social downgrading (Christian 2012).

Two critical and often related determinants to economic upgrading have been identified in CTG case studies of tourism. The first lies in the ability to secure concessions (permits) for tourism operation (Christian, Gamberoni, and Reis 2013; Christian and Nathan 2013; Christian 2012). Since much of Africa's tourism is marketed towards its vast wildlife, which tends to be located on protected land (national parks/preserves), concessions from government wildlife ministries are usually required. The second determinant is firm access to financing. Providing tourism services usually requires large capital investments, and the ability to secure investments plays a large part in the ability to upgrade (e.g., new amenities or new services).

Importantly, financing is often a precondition for obtaining government concessions. This further supports the case that larger firms (usually with more capital) are able to economically upgrade more than small firms (usually with less capital) (Christian and Mwaura 2012). An important finding in the African tourism sector has been the emergence of national/regional brands that are becoming suppliers of choice within Africa. For example, South African and Kenyan brands like Southern Sun, Protea, and Serena are expanding regionally into other SSA countries, and with their considerable influence and market access, are shaping the development of African urban and state parks within and beyond their national borders (Christian and Nathan 2013).

Position in Labor Force: Stratification and Social Upgrading

Labor stratification into permanent, contract and casual working groups is apparent across the African tourism sector. Similar to the horticulture and apparel sectors, worker classification strongly affects access to social upgrading, and where evidence of upgrading exists, it is almost exclusively reserved for permanent workers. CTG researchers uncovered large heterogeneity in labor structures applied across firms – even amongst firms of similar relative size and positioning (large/small; dominant/non-dominant). For example, in both Uganda and Kenya, some dominant hotels may employ all, half or substantially less

than half of their workforce in the permanent category, while others even employed no permanent workers (Christian and Mwaura 2012; Christian 2012). This makes classification of an overall trend for social upgrading problematic (Christian and Nathan 2013; Christian and Mwaura 2012).

Permanent workers in large hotels are gaining disproportionately over other tourism workers (Christian 2012). The emergence of hospitality unions in Kenya and Uganda[24] support this process by helping enforce labor standards for permanent and some contract workers (like maximum working hours, compensation and benefits) through collective bargaining agreements with the Hotel Owners' Associations. Similar unions were not found to be present amongst other sub-sectors, which researchers attribute to their lower frequency of social upgrading (Christian, Gamberoni, and Reis 2013).

Beyond accommodation providers, CTG researches sought to understand to what degree local/ethnic communities are able to participate and access social upgrading as the tourism sector continues to expand in their locales. Generally, little evidence of community access or social upgrading was found amidst the several ethnic tribes who are often central elements of attraction for tourists. Communities in and around Uganda's MFNP and Kenya's Maasai Mara offer the most prominent examples of this trend. For instance, ethnic groups that live on these protected lands receive a portion of the entrance fees collected for park entry; however, there is poor oversight in collection and payments are very low (Christian and Mwaura 2012; Christian 2012). The Maasai are much more incorporated into the production network, however, the economic and social gains captured from incorporation appear to be minimal.

While tribal groups are included as part of guided tours, they usually are paid on a casual basis and not as permanent or contract employees. This creates a reliance on TOs and other service providers for attracting tourists, which weakens their bargaining position, and limits both value capture and the ability to improve their relative social status. Similar observances of produce providers trying to access hotel and restaurant chains commonly found downward price pressures from dominant firms, making it nearly impossible for smallholders to turn a profit. Furthermore, sustainability of land use, such as overhunting and poaching, is raising concerns for the longevity of the sector in some communities. A few private conservations are operating that might lead to more sustainable land use. However, most cases revealed that foreign ownership still dominates and the ability to more fairly and more fully incorporate ethnic communities is still a great need (Christian 2012; Homewood, Kristjanson, and Trench 2009; Rutten 2007). Studies on Aid for Trade interventions similarly address challenges to positively distribute gains to producers at the bottom of the chain.

These examples, however, only paint part of the story. Christian and Mwara (2012) stress the complexity of upgrading trajectories in the tourism sector, which is heavily constrained by pre-existing social stratifications, excessive market power of global providers, and stereotypes. They propose six key determinants of social upgrading in the tourism sector:

1. **Structure and implementation of the national labor code.** In all three countries, national labor codes exist but enforcement is often restricted to the strength of institutional capacity. For example, in Uganda the absence of a functioning Industrial Court has led to the perpetual exploitation of casual workers who are often indefinitely relegated to casual status, despite clauses that guarantee their right to permanent employment after a fixed period of time (Christian and Nathan 2013).
2. **How employee and community relations are addressed in concessions on protected land.** Ethnic, racial and gender tensions are commonly cited as exclusionary practices throughout the tourism GVC in Africa. While CTG researchers note some examples of positive inclusion, they are often limited, and cases of black Africans, ethnic/tribal persons and women being victim of discriminatory job placement at the lower rungs

[24] For example, the Kenyan Union of Domestic, Hotel, Educational Institutions, Hospitals, and Allied Workers (KUDHEIHA) and the Uganda Hotels, Food and Tourism Allied Workers' Union (UHFTAWU).

of employment provide the most common narrative in Africa (Christian, Gamberoni, and Reis 2013; Christian and Nathan 2013; Christian 2012).

3. **Union representation.** As evidenced by the above examples in Kenya and Uganda, union representation in the tourism sector is very limited. Unions in South Africa are, however, noted as more effective and representative than those found in Kenya and Uganda, but representation amongst other sub-sectors and especially for casual workers is extremely limited.
4. **Individual private labor decisions made by firms.** International and national standards specific to the tourism industry have received very little penetration in Africa. CTG authors highlight the existence of some forms of standards like Eco Tourism Kenya and Fair Trade Tourism South Africa, but case studies reveal that little demand exists for these models and therefore they currently have little effect on tourism value chain dynamics. Fair Trade Tourism South Africa is also the only label that actually measures labor conditions as Eco Tourism Kenya focuses on the environment. Furthermore, independent codes of corporate social responsibility (CSR) are piecemeal and poorly enforced (Christian and Nathan 2013).
5. **Availability of public and private training facilities.** Very few training programs outside some formal university degree programs are found across Africa, and these are usually located in capital cities. For workers living in or near national park tourism destinations, access to even basic education can be problematic (Christian and Mwaura 2012; Christian 2012).
6. **Donor and non-governmental organization support.** CTG researchers stress that while various donor programs have been developed, they are mostly disjointed with under-coordination across public private and social actors (Christian 2012). These programs must become more effective in order to bridge gaps between gender, ethnic and national divisions of labor (Christian, Gamberoni, and Reis 2013).

VI. Conclusion

Synthesizing the patterns of CTG meso-level research findings by sector confirms that economic and social upgrading are especially challenging to achieve in Africa. Inadequate infrastructure (high logistical costs), skill deficiencies, and gender disparities continue to be common barriers to upgrading across industry sectors.

- **Labor Skills**– There are clear skill and training gaps in each of the industry sectors that would need to be addressed to unleash greater opportunities for economic and social upgrading. For example, the lack of quality formal training centers for horticulture workers significantly reduces sector productivity and competitiveness (Bamber, Abdulsamad, and Gereffi, forthcoming).
- **Infrastructure and logistics** – Logistics are a barrier to competitiveness in apparel and horticulture by delaying transport of goods and increasing costs relative to competitors in addition to reducing the growth potential of a large regional market that would drive development. In the tourism sector a lack of infrastructure increases overall costs for tourists, limits market growth, an in rural tourist attractions, it makes it more difficult for smallholders and local workers to access opportunities to engage in the GVC.
- **Feminization** – The gendered incorporation of workers into each of the GVCs such that women tend to occupy lower paid and more insecure positions remains a barrier to social upgrading in all three industry sectors as well.

A summary of policy implications from CTG reports (Box 3) includes numerous recommendations that address these factors.

Box 3: Policy Implications and Recommendations from Capturing the Gains on How to Combine Economic and Social Upgrading in GVCs

The findings from the CTG project speak to several policy implications and recommendations for promoting combined economic and social upgrading in GVCs. Taking stock of the OECD's organizational interests in Aid for Trade programs, the below summary of key policy implications are grounded by the understanding that Aid for Trade programs do not necessarily improve workers' capabilities nor necessarily evenly distribute upgrading potentials at the lower end of value chains unless specifically designed to do so (Mayer and Milberg 2013). Therefore it is stressed that any policy actions taken consider the ways in which all actors can benefit, especially those at the bottom of the chain.

Skills Enhancement

- Align education programs and training curricula with skills deficiencies in each target sector
- Enhance overall access to education and training; especially sector specific training (e.g. technical and vocational schools, and technical university diplomas)
- Increase training opportunities for women, especially in non-traditional (male-dominated) occupations) and include mentorship
- Training producers on links between productivity, quality, and social compliance to improve effectiveness and competitiveness

Infrastructure Improvement

- Improve transportation infrastructure, including safe transport for female workers in remote areas after hours
- Build logistics capacity and export processing administration to make exports for horticulture and apparel goods more competitive and the process more efficient
- Enhance access to affordable housing and health facilities
- Improve cool chain infrastructure for horticulture products, containerized freight options for apparel, and public transport options for tourists
- Provide sector specific supportive services for target GVCs at all, or specific segments of the chain (e.g. from farm to processing facilities, or from farm all the way through airport)

Promoting Measureable Standards and Enabling Rights for Labor

- Promote the ratification, implementation, and enforcement of the ILO conventions; improving government enforcement capacity, with adequate resources, is essential
- Improve worker access to freedom of association; support union organization and collective bargaining across all three sectors (e.g. in tourism unions need to be beyond hotels only)
- Promote the formation of producers associations and farmer collectives, with a focus on organizational learning, enhancing access to markets, and improving awareness of standards
- Buyers incentivize improvements in social compliance, incorporate living wages into pricing practices, and provide better contractual terms to well performing suppliers, such as longer-term contracts Develop strategies to enhance social protections for irregular workers and to quell the informalization trends in certain sectors
- Governance should be coordinated at public private *and* social levels, per sector (e.g. government inspectors, CSR managers and CSO groups should be reinforcing a coordinated agenda)

Industrial and Trade Strategy

- Promote economic upgrading in target GVCs, such as fostering development of upstream and downstream linkages
- Improved buyer relations with suppliers, with prices negotiated to factor in payment of living wages to workers and living incomes to smallholders
- Link trade and competitiveness strategies to workforce development initiatives in each sector
- Improve access to business information and technology systems, market information, and training in their use
- Enhance access to finance for small producers and farmers
- Negotiate more favourable trade agreement rules, such as opposing rules of origin for apparel (which has trapped countries in low-value segments of the value chain)
- Promote and enforce social clauses in bilateral and multilateral trade agreements
- Extend Aid for Trade strategies that currently focus 'at' and 'behind' the border to reach 'beyond the border' to deliver greater benefits to poorer smallholders and workers
- Promote stronger alliances between private, public, and civil society actors, including farmers and workers

Sources: (Lee, Gereffi, and Barrientos 2011; Barrientos 2012; Pickles and Godfrey 2013; Christian, Evers, and Barrientos 2013; Christian and Mwaura 2012: Mayer and Posthuma 2012; Mayer and Milberg 2013).

Beyond this set of integrated development recommendations, the GVC case study research revealed three additional trends that are emerging in Africa that also are playing an important role in shaping upgrading outcomes:

- **Regionalization** – Trade liberalization, local labor market conditions, and the retail revolution in Africa have contributed to a growing trend of regional economic integration, particularly in SSA countries that participate in regional free trade agreements. In turn, this has led to the expansion of RVCs. Of the countries studied in CTG, South Africa and Kenya emerged as host countries for emerging regional lead firms across all three sectors; horticulture, apparel and tourism.
- **Informalization** – Increasing consolidation, market trends (such as fast fashion and fruit), and rising competition from trade liberalization have led to downward pressure on retail prices. This has resulted in a growing pattern of informalization across industry sectors, which is problematic because informal workers have much lower access to decent work, secure employment, and social protections than formal workers. This stratification of the labor force has contributed in significant ways to the challenges of assessing whether social upgrading or downgrading has occurred, because the outcomes are highly dependent on worker status.
- **Consolidation of lead firm market power** – As competition and volatility has increased with trade liberalization, the market power of lead firms has increased. Large retailers and tour operators have expanded, while SMEs have struggled to stay competitive. This has exacerbated the uneven power dynamics within GVCs and RVCs, resulting in a tendency of social downgrading due to lower bargaining positions for labor and smallholders.

These trends offer new opportunities and challenges for the goal of harmonizing economic and social upgrading in Africa. For example, regionalization presents opportunities for small and medium-sized horticulture producers to scale up and experience organizational learning as they adapt to increased standards when moving from national to regional to global chain participation, as evidenced in the horticulture section of this paper. The cases also suggest that promoting worker unionization and organization among farmers and worker groups enhances opportunities for social upgrading because it can improve their bargaining position. On the other hand, in a regional context, unionization in one country, such as South Africa, can also accelerate the trend towards outsourcing to cheaper labor cost countries nearby.

Regionalization has generated economic growth and increased employment in several African countries, such as Lesotho's apparel industry. At the same, these jobs are often just shifting out of higher cost countries and into lower ones (or employing more informal sector workers at lower standards and wages), so the overall effect suggests that if labor standards do not improve at the regional level, it could lead to a race-to-the-bottom phenomenon. This is an area of need for future research

In summary, the upgrading effects are not straightforward. The growth of South-South trade changes the mix of requirements and standards such that the emerging value chains are likely to have different upgrading or downgrading trajectories depending on the geographic end market or firm ownership dynamics. In apparel and horticulture, these differences in end markets are very pronounced and shape the degree of spillover effects from participation in GVCs. Thus, in some market segments, upgrading may hinder a firm's competitiveness more than it would boost it; while in others, like tourism, economic and social upgrading will tend to enhance competitiveness (e.g., higher quality market segments).

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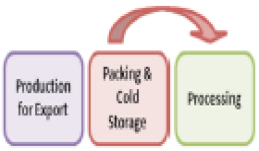
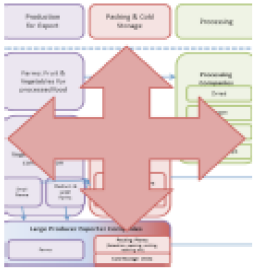
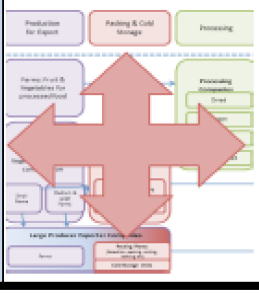
VIII. Appendices

Table 3: Country Cases for Capturing the Gains

	Horticulture	Apparel	Tourism	Mobile Phones
Asia – 7 countries				
Bangladesh		✓		
Cambodia		✓		
China	✓	✓	✓	✓
India	✓	✓	✓	✓
Indonesia			✓	
Sri Lanka		✓		
Vietnam		✓		
Latin America – 4 countries				
Brazil	✓			
Dominican Republic		✓		
Haiti		✓		
Nicaragua		✓		
Middle East and North Africa – 3 countries				
Egypt		✓		
Jordan		✓		
Morocco		✓		
Sub-Saharan Africa – 6 countries				
Kenya	✓	✓	✓	✓
Lesotho		✓		
Madagascar		✓		
Mauritius		✓		
South Africa	✓	✓	✓	✓
Uganda	✓		✓	✓
20	6	17	6	5

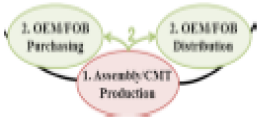
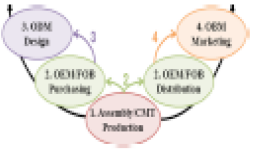
Source: Authors

Table 4: Upgrading Trajectories in the Horticulture Value Chain

	Diagram	Description
Production (Entry in the value chain)		• Entry point for the fresh and processed fruit and vegetable value chain. • Opportunity for low-income countries to export higher value added agro products.
Packing & Cold Storage (Functional Upgrading)		• Countries looking to increase the value of their exports and to improve supply for their clients will improve their packing and cold storage systems. • This can include sophisticated packing for fresh fruit and vegetables, such as ready-to-eat products, that are pre-washed, cut, and bagged.
Processed Fruit & Vegetables (Functional Upgrading)		• To enter in this segment, countries have to master the production stage. • Countries need new infrastructure and a workforce prepared to engage in this activity.
Product Upgrading		• Improve the product characteristics. This can happen in all the stages of the value chain—production, packing and storage, and processing. • Some of the standards that have been adopted by the industry, such as GAP standards, focus on product upgrading, as well as ensuring that the sanitary and phytosanitary conditions of the product are met.
Process Upgrading		• Introduction of new technologies in the production system or the restructuring of the existing system to generate services more efficiently. • Companies implement more efficient systems in the search to improve productivity and remain competitive.

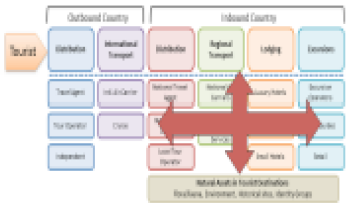
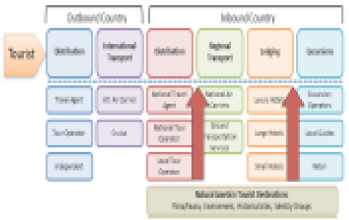
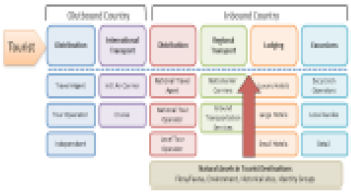
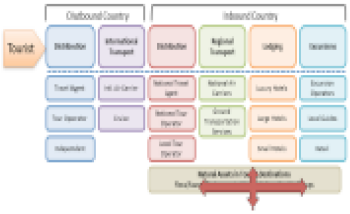
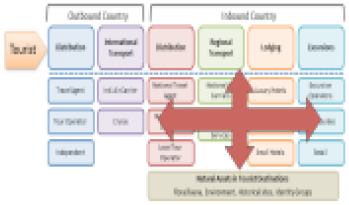
Source: Fernandez-Stark, Bamber, and Gereffi 2011.

Table 5: Upgrading Trajectories in the Apparel Value Chain

	Diagram	Description
Assembly/ CMT (Entry in the value chain)		• Assembly (CMT): The focus of the supplier is on production alone; suppliers assemble inputs, following buyers' specifications. • Inputs—such as textiles, accessories, and packaging—may be imported due to limited availability and quality concerns over local inputs. • Product focus may be relatively narrow.
Full Package/OEM (Functional Upgrading)		• Firm takes on a broader range of tangible, manufacturing-related functions, such as sourcing inputs and inbound logistics, as well as production. • The supplier may also take on outbound distribution activities.
Product Design (ODM) (Functional Upgrading)		• Supplier carries out part of the pre-production processes, such as **design** or product development. • Design may be in collaboration with the buyer, or the buyer may attach its brand to a product designed by the supplier. • In many cases, ODM firms work with designers from the lead firms to develop new products.
Product Brand (OBM) (Functional Upgrading)		• Supplier acquires post-production capabilities and is able to fully develop products under its own **brand** names. Two options: (1) Supplier maintains a relationship with the buyer and develops brand collaboratively. (2) Supplier establishes its own distribution channels by establishing a new market channel that is typically more profitable and allows the firm to expand skills. These are often local or regional markets.
Product Upgrading		• Increase unit value by producing more complex products, which requires increasing the capabilities of the firm. • Countries must move from low-cost commodities to higher value-added fashion goods that warrant higher returns as labor rates increase.
Process Upgrading		• Machinery: Improving *productivity* through new capital investments. • Information and Logistics Technology: Improving the way the firm carries out these activities. Benefits both the firm and the chain because it reduces the total time, cost and increases the flexibility of the supply chain process.

Source: Fernandez-Stark, Frederick, and Gereffi 2011.

Table 6: Upgrading Trajectories in the Tourism Value Chain

	Diagram	Description
Entry into the Value Chain		• Countries become a destination for incoming tourists. • Firms or individuals in another industry shift to tourism. • Firms that catered to domestic tourism add international tourism.
Upgrading within the Tour Operator Segment (Functional Upgrading)		• Firms move along the tour operator segment. • The lowest segment is as a guide, upgrading to excursion operator, local arranger or national arranger for an incoming agent
Upgrading within the Hotel Segment (Product Upgrading)		• Countries offer larger and higher quality hotels • Hotel that started as small or budget accommodation upgrades in size and/or luxury. • Local hotel "brand" is created/expanded into a chain or a hotel management company.
Adding Tourism Types (Product Upgrading)		• Countries expand offerings by developing tourism in different regions or by cultivating a particular tourism product such as "sea, sand, and sun" or "medical" tourism.
Adopting ICT (Process Upgrading)		• Firms, country marketing boards adopt IT such as website design and computer reservation systems.

Source: Christian et al. 2011.

Table 7: Global and Regional Supermarkets operating in Africa (2010)

Supermarket	Country of Origin	World Retail Ranking*	Total Countries Operating	Total Number of Stores**	Group Revenue (US $ m)
Wal-Mart	USA	1	16	?	421,849
Shoprite Holdings Ltd	S. Africa	92	16	1,204 in RSA and 204 in rest of SSA	10,362
Massmart Holdings Ltd	S. Africa	126	14	381 total stores in RSA and SSA	7,589
Pick n Pay Stores Ltd	S. Africa	133	8	937 in RSA and 104 in SSA	7,212
Woolworths Holdings Ltd.	S. Africa	222	16	320 in RSA and 80 in SSA	3,704
Nakumatt	Kenya	n/a	4	40 in East Africa	350***
Tuskys	Kenya	n/a	2	52 in East Africa	193***
Uchumi	Kenya	n/a	3	28 in East Africa	104***

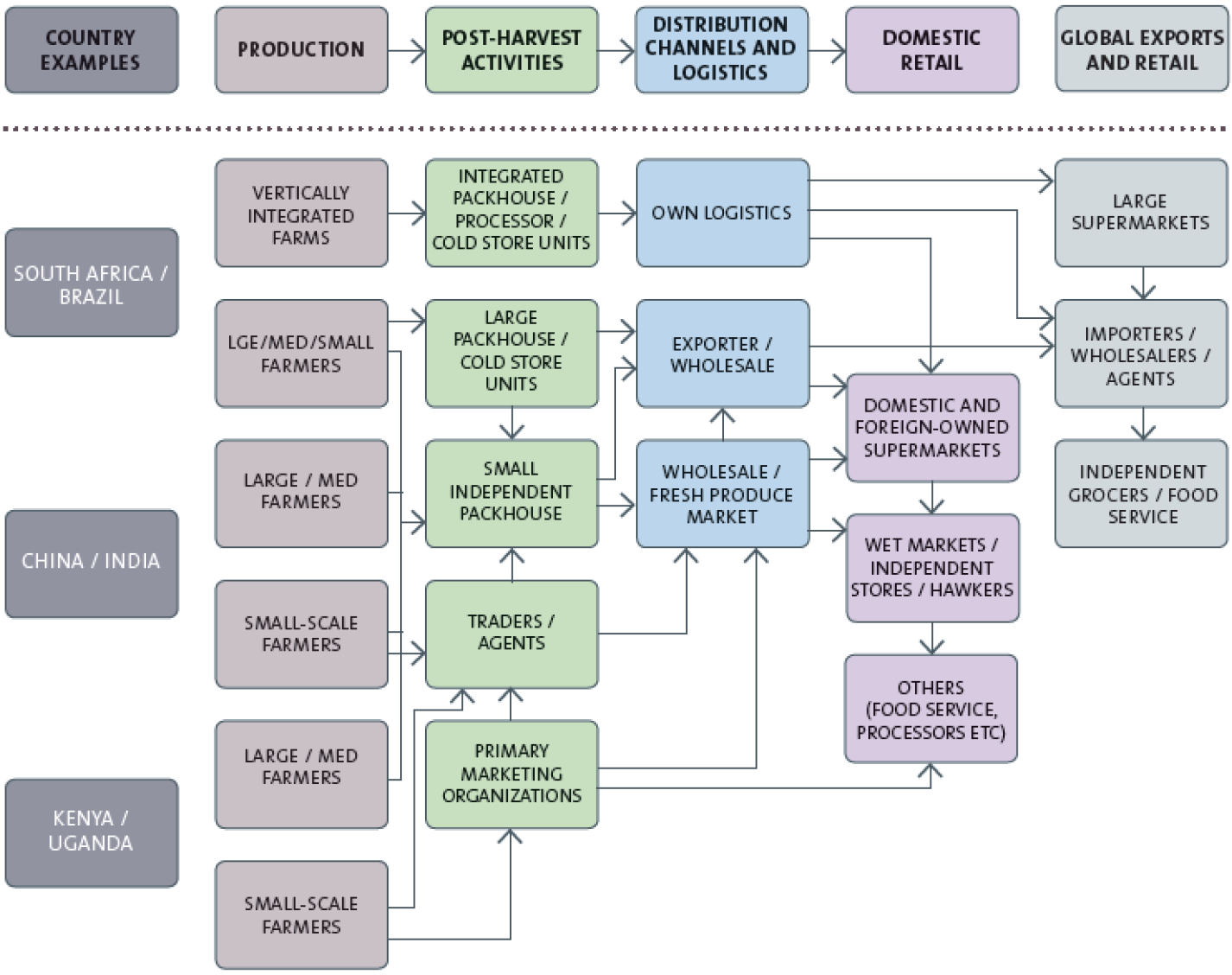
Sources: Deloitte 2011; Dihel 2011. * Ranking of all retailers; ** Company websites; *** Revenues for 2007.

Table 8: Prominent Standards in the Horticultural Industry

	Public		Private	
	Mandatory	Voluntary	Individual	Collective
National	• National legislation (pesticide use, labor regulations, sanitary inspections, and so forth) • USDA standards	• HACCP certification • USDA National organic program	• Nature's Choice (Tesco) • Field-to-Fork (Marks & Spencer) • Terre et Saveur (Casino) • Conad Percorso Qualità (Italy) • Albert Heijn BV: AH Excellent (The Netherlands)	• British Retail Consortium (United Kingdom) • Assured Foods Standards (United Kingdom)
Regional	• European Union Regulations		• Filieres Qualite (Carrefour)	• EurepGap • Dutch HACCP • Qualitat Sicherhiet (QS)—Belgium, Holland, AustriaInternational Food Standard (German, French, Italian)
International	• World Trade Organization	• ISO 9000 • ISO 22000	• SQF certification 1000/2000/3000 (United States)	• GlobalGAP • Global Food Safety Initiative • Social Accountability International, SA8000® Certification • IFOAM Standard

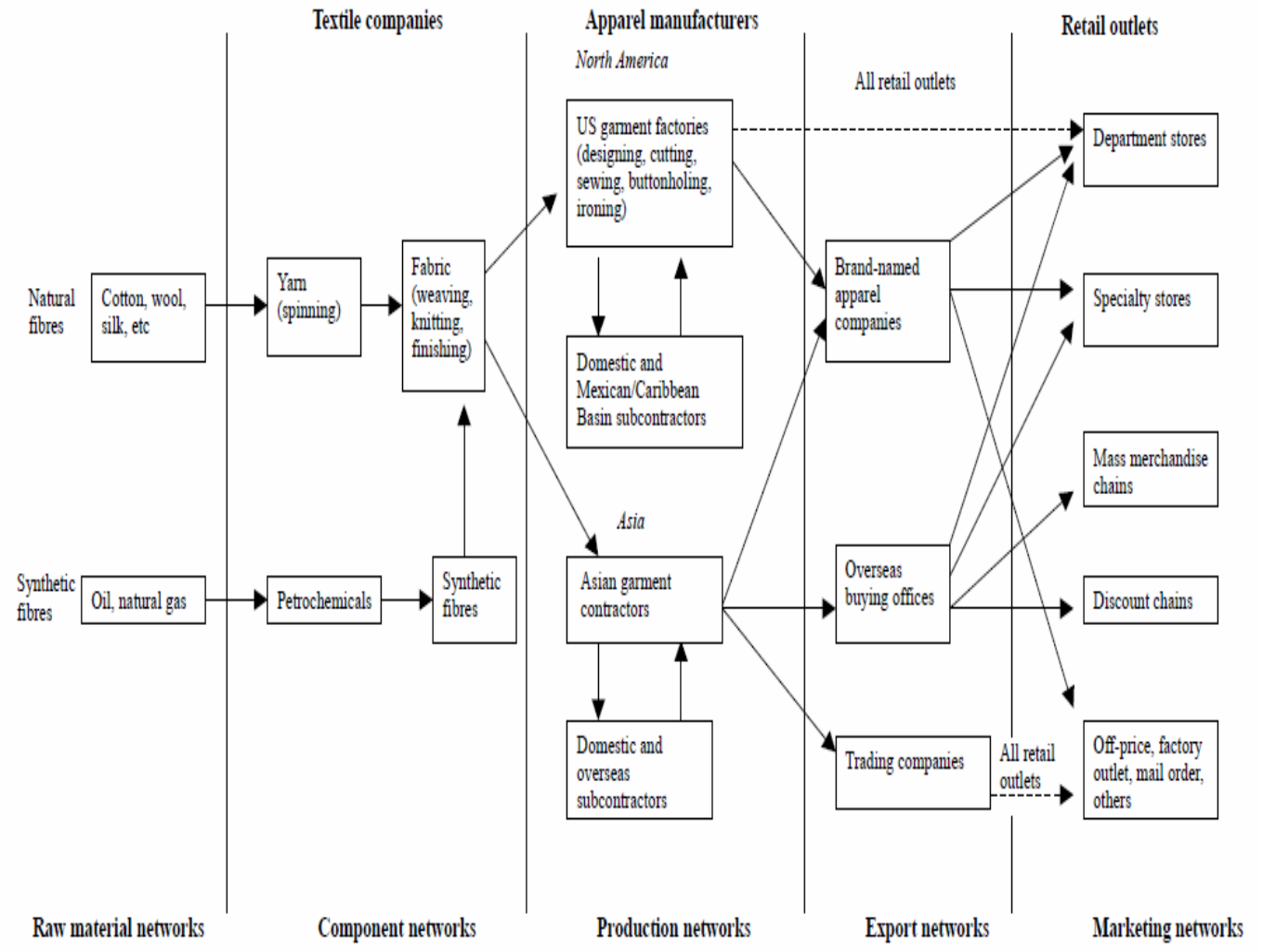
Sources: Gereffi and Lee 2009; Henson and Humphrey 2009; Jaffee and Masakure 2005.
Note: HACCP = Hazard Analysis & Critical Control Points; IFOAM = International Foundation for Organic Agriculture; ISO = International Organization for Standardization; SQF = Safe Quality Food; USDA = United States Department of Agriculture.

Figure 7: Global apparel value chain



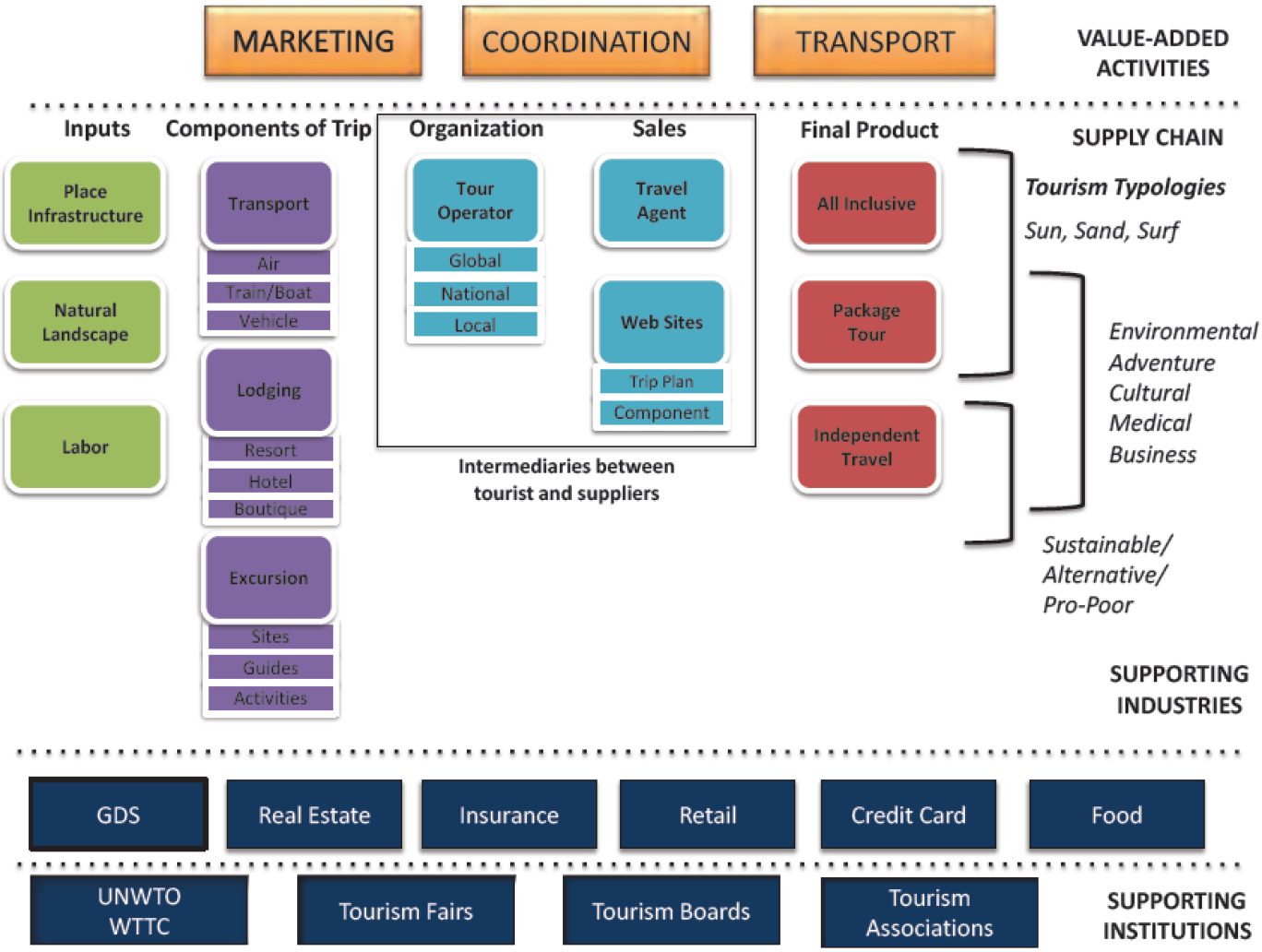
Source: Barrientos 2012.

Figure 8: Global apparel value chain



Source: Gereffi and Memedovic, 2003.

Figure 9: Global Tourism Value Chain



Source: Christian 2012.