

# Pro-Poor Value Chains in Mountain Areas



## Piloting the Value Chain Approach in the Hindu Kush-Himalayas to Secure Livelihoods and Reduce Poverty

In recent years, new economic growth, shifting population dynamics, and climate change have increased the need for mountain communities to evolve adaptation measures to enhance their resilience. Mountain people must be empowered to cope with, adapt to, and benefit from the changes they are experiencing so that they can enjoy enhanced livelihoods together with increased social and environmental security.

### Introduction

Innovative rural income generation strategies are needed to help mountain communities to adapt to the effects of globalisation and climate change. The value chain approach is attracting global attention as one option, particularly among development experts. Value chain analysis is an innovative way of looking at the actors and functions involved in developing a commodity or service from its conception, through the different stages of production, to final consumption. The approach is used to identify leverage points that can be improved and upgraded to increase the economic returns to the producers, thus supporting pro-poor economic growth.

### The mountain context

Intensive consultations between ICIMOD and its regional member countries identified poverty reduction and sustainable livelihoods as the primary challenge in mountain regions. Stakeholders identified the value chain approach as a potential method for tackling the mountain specificities of remoteness and inaccessibility; sparse infrastructure; and scattered production sites with low volumes, poor economies of scale, and inefficient market linkages. ICIMOD has responded by adapting the value chain approach and testing it in mountain economies.



service providers. ICIMOD and its partners jointly engage in value chain analysis to identify leverage points and formulate upgrading strategies. The focus is on detailed upstream-downstream analysis of process stages, monetary flows, governance, and information-knowledge networks. Downstream governmental and business stakeholders are gathered to brainstorm on the value chain characteristics. Upstream actors are approached in order to understand their needs and expectations. With this approach, partners have the opportunity to apply concepts and sensitise primary

## ICIMOD's Approach

The main challenge in improving livelihoods in the mountains is the remote and disaggregated production, which lacks volume and downstream market access, as well as a lack of knowledge, technology, and opportunities for further processing and value addition. Non-timber forest products (NTFPs) such as medicinal and aromatic plants (MAPs) and indigenous honey, selected agricultural products, and mountain tourism, have the potential to improve the livelihoods of people at higher altitudes, if their value chains are upgraded. ICIMOD focuses on sustainable marketing of the high value products and services available in the Hindu Kush-Himalayan (HKH) region by building partners' capacity to apply the value chain approach. HKH high value products have a unique selling position in national and international markets where they attract premium prices.

ICIMOD introduces partners to the value chain concept and assists them to select products and services with a high potential for socioeconomic and environmental benefits to upstream actors, particularly poor farmers with small landholdings, local traders, and small-scale processors and

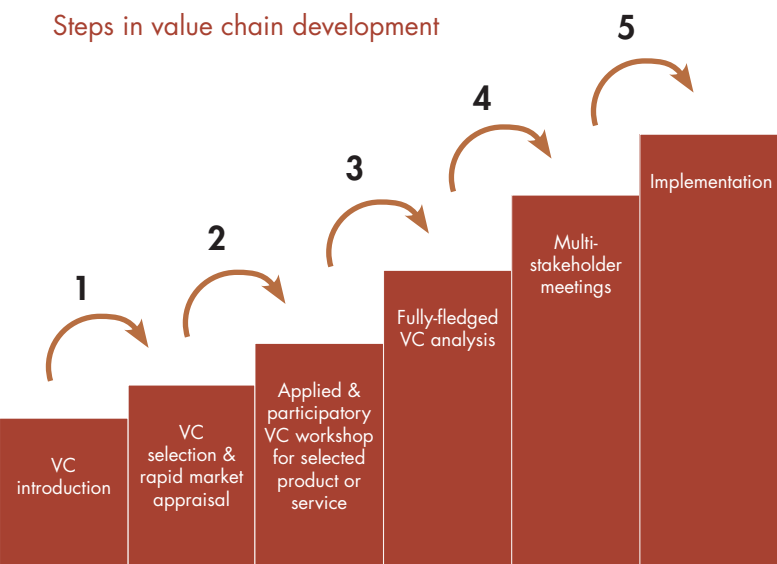
ICIMOD scrutinises its value chain interventions to ensure that they meet mountain specificities such as the conservation of biodiversity and farming-forestry-livestock linkages. Socio-cultural and gender equity are fostered in the sharing of benefits.

stakeholders. Once the analysis is complete, ICIMOD and its partners facilitate multi-stakeholder meetings to discuss findings and identify pro-poor upgrading strategies.

This participatory approach secures the commitment and ownership of the various stakeholders to contribute jointly to a more competitive value chain that generates benefits for all stakeholders. Particularly at the upstream level, participation is of the utmost importance to raise community awareness of market mechanisms. The value chain approach strengthens the capacity of communities to successfully interact with markets through different technical and institutional innovations.

ICIMOD takes the lead during the inception phase to raise interest and ownership among actors and gain the full involvement of stakeholders. As trust in the project builds, ICIMOD gradually withdraws from its leadership position and assumes a facilitating role. In the last stage, the responsibility for implementation is transferred to the stakeholders and ICIMOD's proactive involvement diminishes. ICIMOD backstops and monitors the entire process, documents good practices in different sub-sectors, and at the end uses its regional competence and network to disseminate the lessons learned and encourage scaling up in other regions.

## Steps in value chain development





## Entry points for value chain interventions

ICIMOD identifies leverage points along the value chain with the greatest potential to benefit the upstream stakeholders, the rural mountain poor.

### Improved and diversified mountain products

The **medicinal and aromatic plants (MAPs)** currently available are often of poor quality, preventing collectors and farmers from receiving better prices. Traders manipulate prices based on non-descriptive quality parameters and exploit producers who do not have access to information about such parameters. Interventions to improve products focus on soil nutrient management, quality control during primary processing (such as minimising microbial contamination), labelling protocols, and storage conditions. Standards, protocols, and institutional mechanisms for low cost certification systems are promoted in pilot areas.

**Indigenous honey production** for income has been a focus area of ICIMOD for many years with interventions mainly at the level of production. ICIMOD helps regional member countries to develop quality parameters as part of a holistic framework including national monitoring plans for residues, a national beekeeping census for traceability, a national honey sample policy, organic standards, and guidelines for good manufacturing practices.

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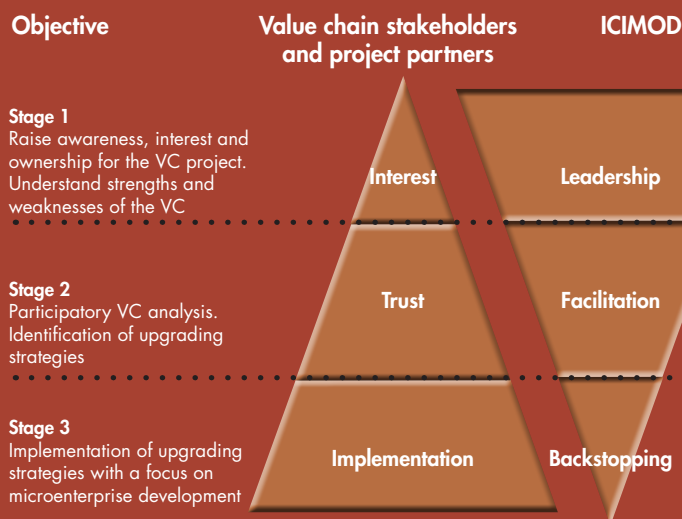
Interventions focus on strategies to upgrade pro-poor products, processes, functions, and markets. High priority is given to fostering an enabling institutional environment and policy framework.

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### Empowering the mountain poor through transparent processes

The primary focus of value chain interventions is on improving processes. Mountain producers are constrained by a lack of transparency in market mechanisms. They are unorganised and lack production volume, and thus have little bargaining power. Horizontal integration of producers in

## Participatory market chain approach



Adapted from Bernet T., Thiele G., Zschocke T. (2006) Participatory Market Chain Approach - User Guide. Papa Andina (Peru): International Potato Center (CIP)

institutional models like cooperatives, small processing enterprises, and common facility centres reduces their dependence on ad-hoc and opportunistic buyers. Non-transparent trading systems are counteracted by introducing pricing mechanisms and market access regulations. Value chain analysis and mapping are major mechanisms for achieving market transparency and identifying pro-poor intervention opportunities.

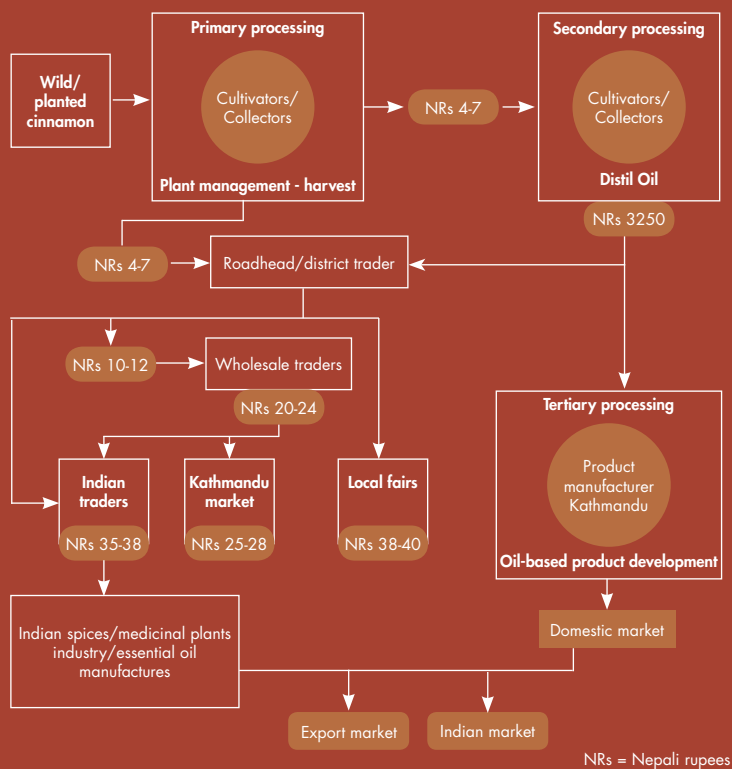
### Generating employment and increasing margins through functional upgrading

ICIMOD develops local value addition strategies jointly with national partners and upstream stakeholders. Collectors and producers are trained in different aspects of processing and in value addition for selected products, as well as being exposed to markets. In India, Malta oranges are sold at prices that barely cover production and transport costs. Local value addition interventions will result in product diversification. Oranges can be used to make beverages, peel oil, peel powder for colouring, jam, seeds, and pectin. Women self-help groups and common facility centres undertake the product diversification creating a large number of new employment opportunities for local households.

### Market linkages and public private partnerships (PPP)

Linking upstream producers with markets is a particular challenge. Interventions in the tourism sector link the tourism market to the local production system by fostering demand for local goods and services. Domestication of NTFPs has been shown successfully in pilot projects in the remote and marginalised highlands of Western Nepal. Once the production volume is increased, strong up and downstream linkages can be established with private companies such as Darbur Nepal. In North East India, ginger and

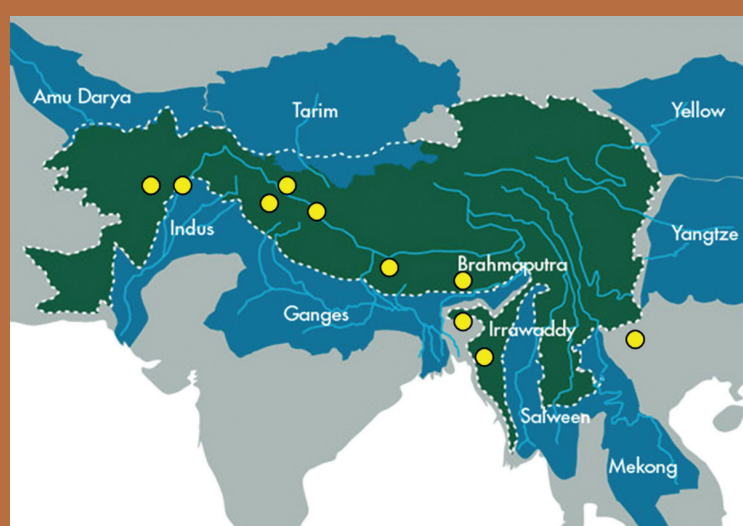
## Example of a value chain



a rare type of turmeric with unusually high levels of curcumin have been identified as having potential for pilot public private partnerships with the food and pharmaceutical industry.

## An enabling institutional environment and policy framework

ICIMOD interventions have targeted ongoing natural resource management programmes like community-based natural resource management (CBNRM) in Bhutan, joint forest management (JFM) and management of the transformation of shifting cultivation in India, and community forestry in Nepal to enable communities to access natural resources. An important component is the capacity building and empowering of community institutions such as self-help groups and federations engaged in improving access to credit facilities, markets, and microenterprise development.



The map shows both the mountain areas and the major river basins of the Hindu Kush-Himalayan region. The marked areas show the project sites where ICIMOD analyses livelihood constraints and pilots poverty reduction measures through value chain interventions.

The Hindu Kush-Himalayan region is one of the most fascinating regions on Earth with unmatched social and cultural riches. However, it is also one of the most remote, fragile, and vulnerable areas of the world, with a large part of its over 200 million people living in poverty.



## For further information contact

Michael Kollmair: [mkollmair@icimod.org](mailto:mkollmair@icimod.org)  
 Dyutiman Choudhary: [dchoudhary@icimod.org](mailto:dchoudhary@icimod.org)  
 Brigitte Hoermann: [bhoermann@icimod.org](mailto:bhoermann@icimod.org)

Photos: Dyutiman Choudhary, Brigitte Hoermann, Michael Kollmair, Brigitte Leduc

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International Centre for Integrated Mountain Development  
 GPO Box 3226, Khumaltar, Lalitpur, Kathmandu, Nepal  
 Tel +977-1-5003222 email [info@icimod.org](mailto:info@icimod.org) [www.icimod.org](http://www.icimod.org)

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