



# Value Chains for Mountain Products and Services

INFORMATION SHEET #3/11

A value chain describes the full range of activities needed to bring a product or service through the different phases of production and delivery to the consumer, and also to final disposal after use. By carefully analysing the value chain for a product or service – the overall structure, the people involved, the profit margins at different stages, and so on – it is possible to identify steps where improvements can be made that can benefit specific groups. Improvements can mean anything from obtaining more equitable agreements with buyers based on better knowledge of downstream market value, to deciding to carry out upgrading or further value-adding activities close to the source of the raw product.

ICIMOD is especially interested in changes that increase benefits for mountain stakeholders. Mountain value chains are influenced by the specific situation in mountains, which offers comparative advantages but at the same time poses challenges. This information sheet looks at the adaptation of the generic value chain approach to the mountain situation, and some ways in which this approach can benefit mountain farmers, particularly in the Hindu Kush-Himalayas.

The mountains of the Hindu Kush-Himalayan region are endowed with a wide variety of resources that can be grown, harvested, and/or processed into high-value, low-volume products. These include non-timber forest products, such as medicinal and aromatic plants and honeybee products, and cultivated temperate and off-season crops. However, the mountain people who collect and produce these products generally receive a relatively low share of the total returns, for reasons that include lack of knowledge of market chains, lack of processing facilities, and inadequate quality control. The same is true for mountain tourism, which despite its enormous potential, remains largely underdeveloped and rarely benefits local people to any great extent. National and regional policies could help mountain people obtain greater benefit from the growth of trade in such products, but they have not been adequately developed, adapted, or implemented in the region. Development of new livelihood options and value-adding processes for products and services offers significant scope to help people generate more income. Value chain analysis enables us to identify specific leverage points that can help in reducing mountain poverty.

## The mountain-specific value chain approach

The specific characteristics of mountain areas, such as the availability of unique and niche products and services, poor accessibility, fragility, diversity, and marginality, have a strong impact on value chain analysis and the selection of development options. The mountain specificities offer comparative advantages for some products, but they also present challenges. Mountain people are closely dependent on their natural environment, and interventions need to follow an integrated approach that considers the effects of each action – economic, social, or environmental – on the mountain system.

ICIMOD carried out a series of pilot projects in different parts of the Hindu Kush-Himalayan region in order to analyse how mountain specificities influence sustainable, pro-poor value chain development. The results were used to adapt the generic value chain framework to mountain specificities. The mountain-specific framework (see Figure below) can be used to analyse mountain value chains and to identify situation-specific value chain development strategies to increase the gains by mountain people.

The pro-poor bias and integrated perspective of the value chain approach makes it particularly significant for mountain development, as production and socio-environmental factors are closely integrated. Value chain analysis enables us to identify value chains that have a particularly high potential for benefiting mountain communities while maintaining the environment, and to identify the actors in existing chains

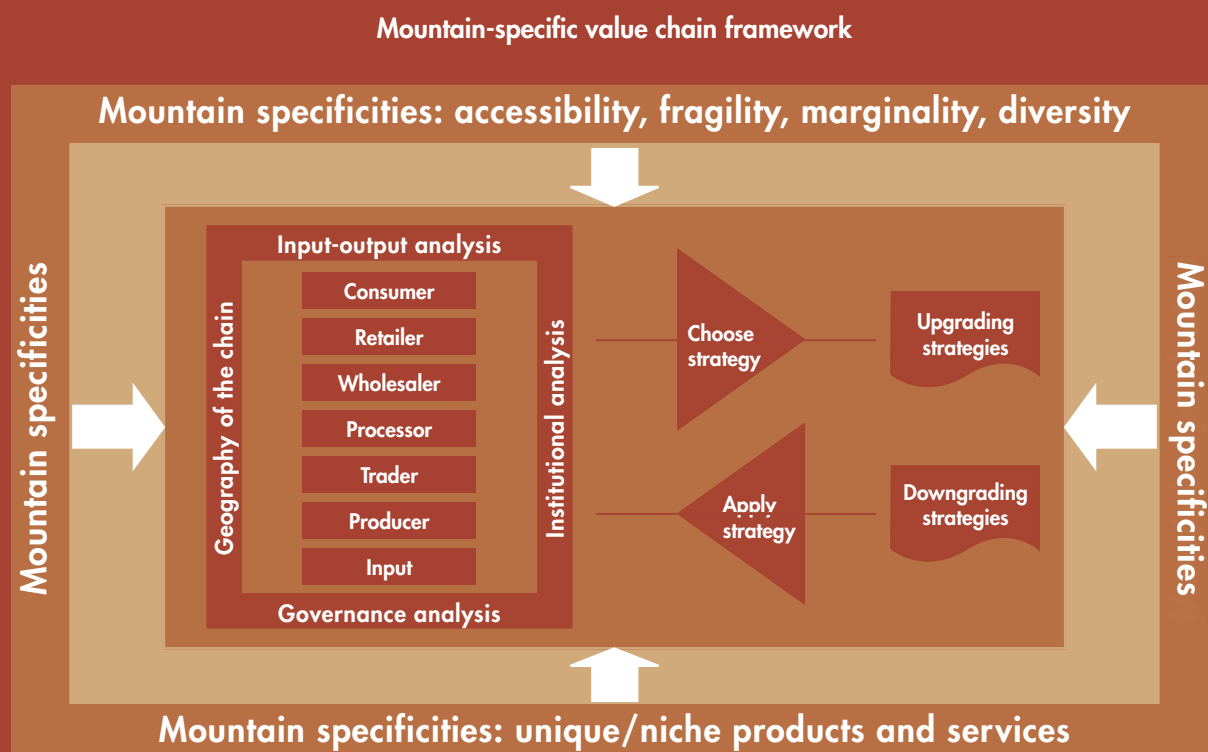


who reap the greatest and least benefits. By analysing the underlying reasons for inequalities in gaining benefits, it is possible to formulate more equitable strategies.

### Mountain-specific advantages and challenges

**Unique and niche production.** Mountain areas have a range of ecosystems, specialised habitats, and climatic conditions which favour the production of niche and mountain-specific products, off-season vegetables, mountain-specific services, and others. However, these comparative advantages often remain unexploited. For example, farmers only benefit from niche products if they are linked to markets. Commercial and sustainable harnessing of high-value products and services presents a significant opportunity for mountain communities to generate employment and income.

**Accessibility.** Accessibility is crucial for mountain value chains. The potential for exploiting niche and unique products is strongly affected by the remoteness and isolation of



mountain areas. Since markets are distant and transportation is costly, the focus should be on high-value and low-volume products.

**Environmental fragility and conservation.** Mountain landscapes are often fragile and easily destroyed. Intensification of agriculture can lead to land degradation, as can overharvesting and overgrazing. This fragility poses challenges in meeting market demands in terms of volume, quality, and environmental sustainability. To ensure

**Diversity.** There is immense variation among and within eco-zones in mountain areas. Factors such as elevation, altitude, geological conditions, steepness and orientation of slopes, wind and precipitation, and mountain mass and relief lead to an extreme degree of heterogeneity, not only of mountain products, but also of mountain people and their cultures. This high geophysical, biological, and cultural diversity offers interesting opportunities if value chains are steered correctly, particularly for the non-timber forest product and tourism sectors.

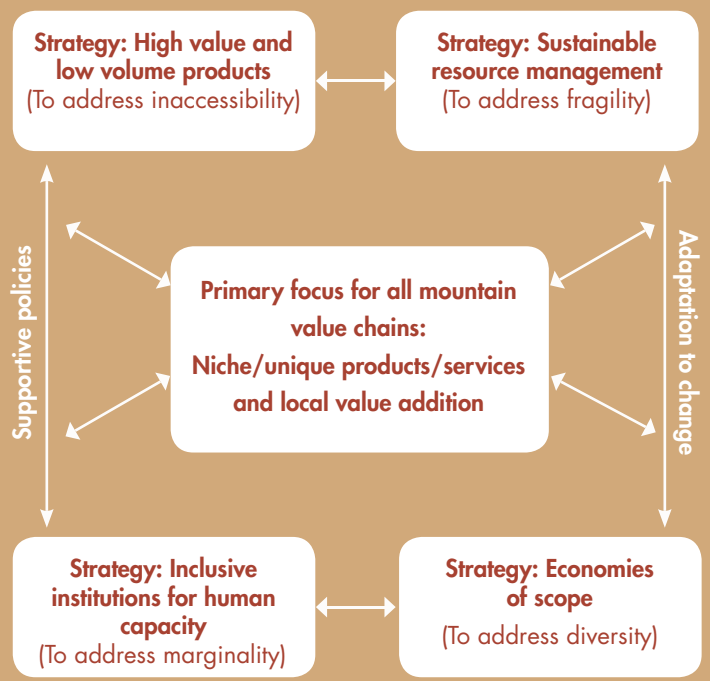
## Prioritising strategies according to the mountain-specific context

The core strategy for any mountain value chain development, regardless of the main challenges involved, is the focus on niche or unique products or services with a potential for local value addition and opportunities for pro-poor growth. The research results indicate four main strategies in line with the four main mountain challenges, as shown in the Figure with the common opportunity at the centre.

For example, if inaccessibility is pronounced, the core strategy is to focus on high-value, low-volume products such as seeds or dried mushrooms. For fragility, the primary focus is on the sustainable management of natural resources and improved earnings through local value addition. For marginality, the optimal strategy is to build people's capacity, awareness, and visibility by facilitating enabling and inclusive institutions. Finally, for diversity, the most promising strategy is to focus on economies of scope (for example multiple products from one resource, or multiple products using the same market mechanism) rather than economies

### Mountain-specific strategies

#### Supportive business environment



a sustainable and stable flow of high-value products and services in the mountains and hills, it is necessary to produce them sustainably, without degrading or depleting the long-term potential of the environmental resources.

**Marginalised mountain communities.** Mountain communities tend to be marginalised from mainstream society as a result of their remoteness and isolation. For service value chains such as tourism, this marginalisation represents a major benefit, or niche element, in the form of a uniquely preserved traditional and subsistence-oriented way of life with vast cultural variety. However, it also means that the communities may be less able to benefit from tourism activities, as their linkages to the organisers of the activities and their knowledge of the market are weak. Value chain development can help decrease the marginalisation of mountain communities by raising awareness of market mechanisms and building the capacity of people to engage with markets.

## Gender Analysis in Value Chain Development

Gender issues must be integrated in any value chain activity if all members of the community are to benefit equitably, particularly in mountain areas. Gender aspects must be integrated from the beginning. The collection of disaggregated information related to gender should be an integral part of value chain analysis. Similarly, gender aspects must be included in the analysis of potential impacts and benefits of value chain interventions. Questions may include who will have an increased workload, who will receive and control cash benefits, who may lose existing resources, who may lose existing sources of income in cash or income generating opportunities, and who controls decision making.

Integrating gender issues implies a need for collecting and analysing disaggregated gender data; ensuring gender inclusive concepts; including non-market activities for a full picture of the value chain; analysing inequalities in power relations and capabilities; and considering the effects of gender inequalities at different levels.

of scale (producing more). In all cases, it is important to use an integrated strategic approach that includes elements of different strategies tailored to meet the needs of the specific situation.

## Take-home messages

1. Value chain analysis and development can be a significant tool for poverty reduction in mountain areas. Mountain products and services offer substantial potential for niche marketing, and the participation of mountain communities in value chains can be improved rapidly through processing improvements, product diversification, and functional improvements that lead to a stronger position in the chain.
2. The value chain approach must be adapted to take into account the mountain context and specific characteristics such as poor accessibility, marginality, fragility, and diversity.
3. Value chain interventions in mountain areas need to follow an integrated approach that considers the effect of each action – economic, social, or environmental – on the mountain system, taking into account the close relationship between people and their environment, and avoiding damage to the fragile environmental system.
4. An in-depth understanding of the wider mountain context is needed in order to determine whether or not an intervention will be sustainable in the long term. The mountain-specific challenges of a selected chain must be identified in order to select the right mix of mountain-specific strategies to address them.
5. As a result of the heterogeneous and scattered nature of production in mountain areas, mountain value chains differ greatly from other value chains. In general, it is better to focus on developing a basket of products or services that can be supplied along the same market chain (economies of scope) than developing larger amounts of a single product or service (economies of scale).



## The way forward

ICIMOD and its partners are using the mountain specific value chain framework in developing value chain strategies that help mountain people make the most of the advantages and reduce the difficulties presented by mountain locations. The approach will help inform decision making by mountain communities and regional stakeholders from the public, private, and civil sectors.

This information sheet is based largely on the publication *Integrated value chain development as a tool for poverty alleviation in rural mountain areas: An analytical and strategic framework*, by Hoermann, B; Choudhary, D; Choudhury, D; Kollmair, M, published by ICIMOD in 2010 and available at [www.icimod.org/publications](http://www.icimod.org/publications)



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