

Integrated Value Chain Development as a Tool for Poverty Alleviation in Rural Mountain Areas

An analytical and strategic framework

ICIMOD

FOR MOUNTAINS AND PEOPLE

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Executive Summary

Value chains in mountains are different from those in plains areas and require a different interpretation. Mountain value chains are influenced by a set of mountain specificities which provide comparative advantages, but at the same time present challenges in reaping the higher returns. These specificities, such as the availability of unique and niche products and services, limited accessibility, fragility, diversity, and marginality, have a strong impact on value chain analysis and the selection of value chain development options. The value chain approach has already been implemented in mountain areas, but with a lack of contextualisation to the mountain environment. The generic value chain framework lacks understanding of the socioeconomic and environmental imperatives of mountains, which greatly shape the ways in which interventions function. The disregard of mountain specificities makes value chain interventions less successful and can expose mountain communities to even more vulnerability. Hence, there is a pressing need to adapt the generic value chain approach to the mountain specific context.

The majority of the people of the Hindu Kush-Himalayas (HKH) depend on subsistence agriculture and natural resources for their livelihood. About 90 per cent of the farmers in mountain areas depend on marginal and small landholdings, where they typically cultivate less than one hectare per household. In many cases, they augment their income by using other natural resources, which provide additional food and services. The great diversity afforded by high mountain conditions (biodiversity, climate, topography, culture) gives these areas a comparative advantage in the production of a variety of 'niche products' for their own and lowland consumption. However, in the Hindu Kush-Himalayan region, collection, processing, and marketing processes suffer from a multitude of problems, which in most cases prevent mountain people from benefiting adequately from the resources they are endowed with. Markets are often secretive and disorganised, and small producers and service providers lack the capacity to interact actively and negotiate with more experienced buyers and traders. Most mountain production is based on agriculture or non-timber forest products (NTFPs), and products are sold in their unprocessed form. The same holds true for service value chains, such as tourism, for which the full potential for poverty reduction has so far been unrealised. A lack of value chain coordination, weak institutional and policy support, and the limited market capacities of mountain producers and service providers, cause 'leakages' of locally generated income. Local value addition is rare, and mountain value chain stakeholders receive a meagre share of the value of the final product or service. Much of the benefit accrues to people and places far away.

The value chain approach offers a way of addressing these deficiencies. It has the potential to highlight pathways for inclusive economic growth by identifying leverage points along the chain, be it upstream or downstream, which, if addressed, yield the highest positive outcome for small producers, traders, and processors. But the approach requires adaptation for mountain areas if it is to be successful.

Mountain economies have common opportunities and challenges derived from the unique mountain characteristics. The structure and functioning of these characteristics were identified in the course of a series of value chain development pilots conducted by ICIMOD and its partners across the HKH region. In total, almost 20 different product and service based value chains were piloted and reviewed. Based on these pilots, a strategic framework for pro-poor value chain development in mountain areas was developed. The specificities of mountain value chains and the imperatives of the mountain context for value chain development were identified and analysed as a basis for adapting the generic value chain conceptual framework to the HKH environment. Field learning was compared with current literature to ensure all aspects were covered and identify the most suitable value chain framework. This learning was shared in several events and the resultant framework presented to an external panel of experts for finalisation.

This publication presents the results of this process: i.e., an analytical and strategic framework for value chain development in the HKH mountain areas. The first part looks at the need to adapt the generic value chain framework to the mountain context, and examines the mountain specificities (unique/niche production, limited accessibility, fragility, marginality, and diversity). The adapted framework provides an opportunity to better comprehend and reflect upon the specificities of mountain value chains. It is crucial to have an understanding of the magnitude and integrated aspects of the mountain specificities of value chains in order to select the right chain to develop, and the right strategic focus, to actually achieve an improvement for mountain stakeholders. The second part looks at the analytical and strategic framework for value chain development in the mountains, presents various case studies from the value chain pilots, and provides guiding questions for practitioners. The specific value chain strategies for mountains are elaborated and prioritised according to prevailing mountain specificities. The regional value chain pilots identified these strategies as particularly relevant when working for improved and sustainable returns to poor mountain producers and service providers. Together, Parts I and II offer an orientation to, and decision-making aid for, the design and implementation of value chain development projects in mountain and hill areas.

This framework will support the informed decision making of mountain communities and regional stakeholders from the public, private, and civil sectors in developing value chain strategies that leverage or neutralise the imperatives of the mountain context. The mountain specific value chain framework lays the ground for new regional programmes and scaling up initiatives by regional and international partner organisations, development organisations, and government institutions. In the changing socioeconomic and environmental context, which has strong consequences for HKH communities, this informed and contextualised approach to improving mountain livelihoods can have direct benefits for mountain people.

Five take home messages

1. Value chain analysis and development can be a significant tool for poverty reduction, particularly for mountain areas. Firstly, mountain communities' profitable participation in value chains is weak and can be improved rapidly through functional and process upgrading. Secondly, mountain products and services offer substantial potential for niche and unique marketing by product diversification at the upstream level.
2. Mountain value chains require a specific contextual analysis, as mountain products and services are impacted by mountain specificities such as poor accessibility, marginality, fragility, and diversity. Hence, an adapted value chain approach is required for mountain areas.
3. Interventions in mountain value chains are interventions in an interrelated and fragile environmental and social system. Mountain people are closely interwoven with, and dependent on, their diverse natural environment. Interventions need to follow an integrated approach that reflects upon the effect of each action on the mountain system, be it economic, social, or environmental.
4. Selection of the right value chain is one of the most important steps. It requires not only a thorough analysis of the chain, but also an in-depth understanding of the wider mountain context to determine whether or not the intervention is sustainable in the long term. One must first understand what the mountain specific challenges of a selected chain are in order to select the right mix of mountain specific strategies to address them.
5. A significant difference between mountain value chains and other value chains is the heterogeneous and scattered nature of production in mountains areas, which results in difficulties in realising economies of scale. Hence, a central strategy is to focus on a basket of products or services that can be supplied along the same market chain (economies of scope), rather than on the development of one single product or service.

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