

Pro-poor value chains

How do we ensure that our value chain interventions are going to make a difference to the poor?



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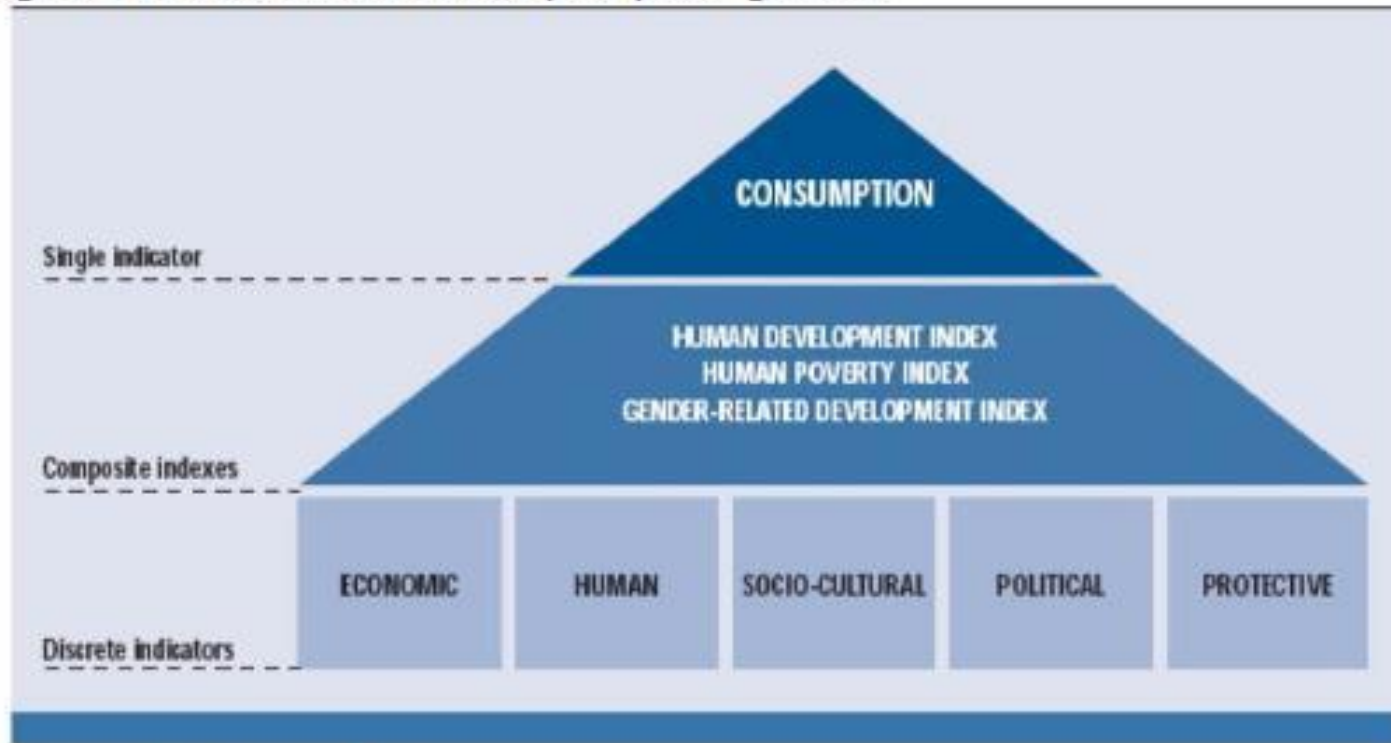
- Food production and food distribution are key factors for the social inclusion of the poor, as they create small-scale business activities and impacts on the access of the poor to food commodities.

What is pro-poor growth ?

- **Absolute definition:** «Poverty line» approach :
 - ✓ considers the increase in the income of poor people
 - ✓ any growth is pro-poor as long as the income of the poor grows
- **Relative definition:** Growth is pro-poor only if :
 - ✓ incomes of the poor grow faster than those of the population as a whole.
- Absolute definition: Is any growth good? Poverty reduction can be left to the private sector alone? Are additional efforts unnecessary?
- Relative definition: Focuses only on income growth. What about:
 - ✓ Non-economic dimensions?
 - ✓ Enhancing capacities of people to sustain their well being = access to housing, transport, health, education, skills, knowledge, level of organization...

Look beyond the top of the iceberg

Figure 1: Measurement of pro-poor growth



Source: OECD, 2001

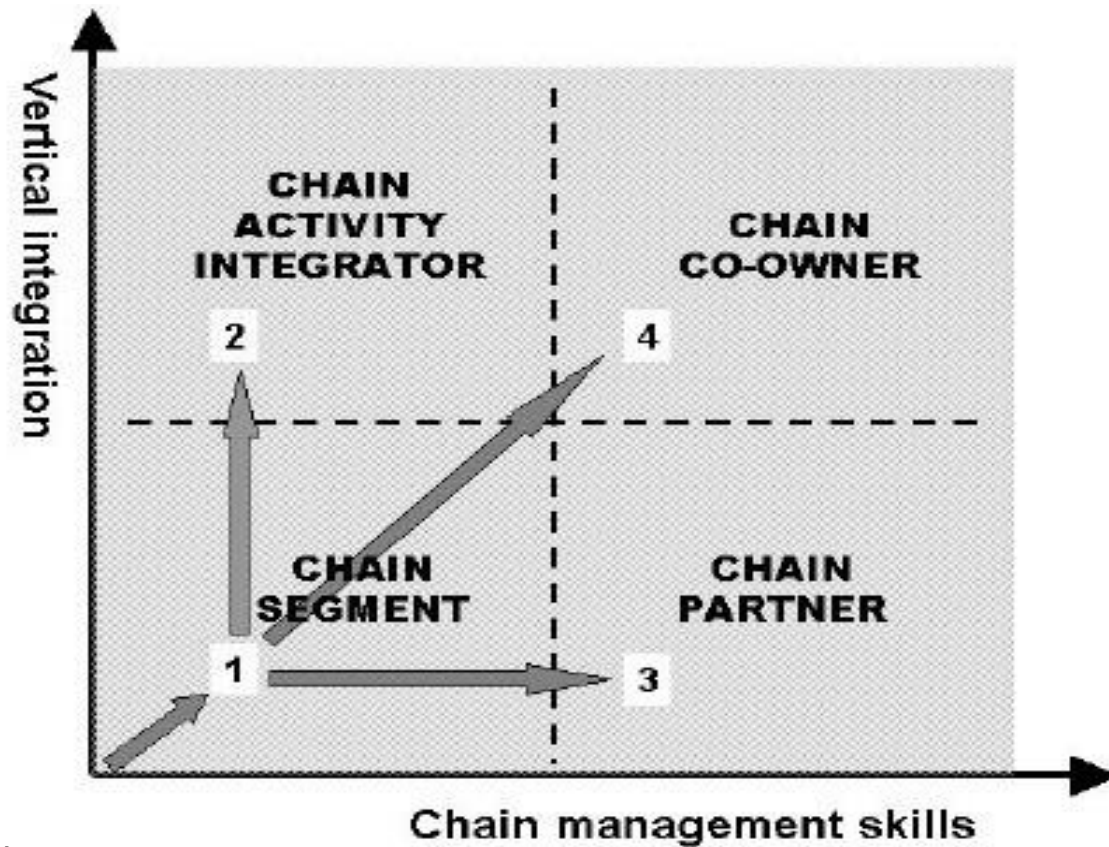
Market development is pro-poor if:

- It has impact **beyond** income, on economic control.
- It strengthens eco, soc, organ. **capacities** of the poor.

What is Pro-poor chain development ?

- Assessing changes in the position of poor farmers in the value chain.
- Two dimensions are key:
 - ✓ the type of activities that farmers undertake in the chain
 - From production only, to other activities
 - ✓ the involvement of farmers in the management of the chain
 - Exclusion or participation?

Monitoring farmers' position in the value chain



(Peppelenbos 2008)

Before intervention

- Where are the poor?
- Who are the poor?
- What are their main constraints?

Case 1: Pro-poor project design

Case 2: Project design not focused on the poor:
The pro-poor tools/guidelines can still be used.

Who are the poor?

- Poor producers

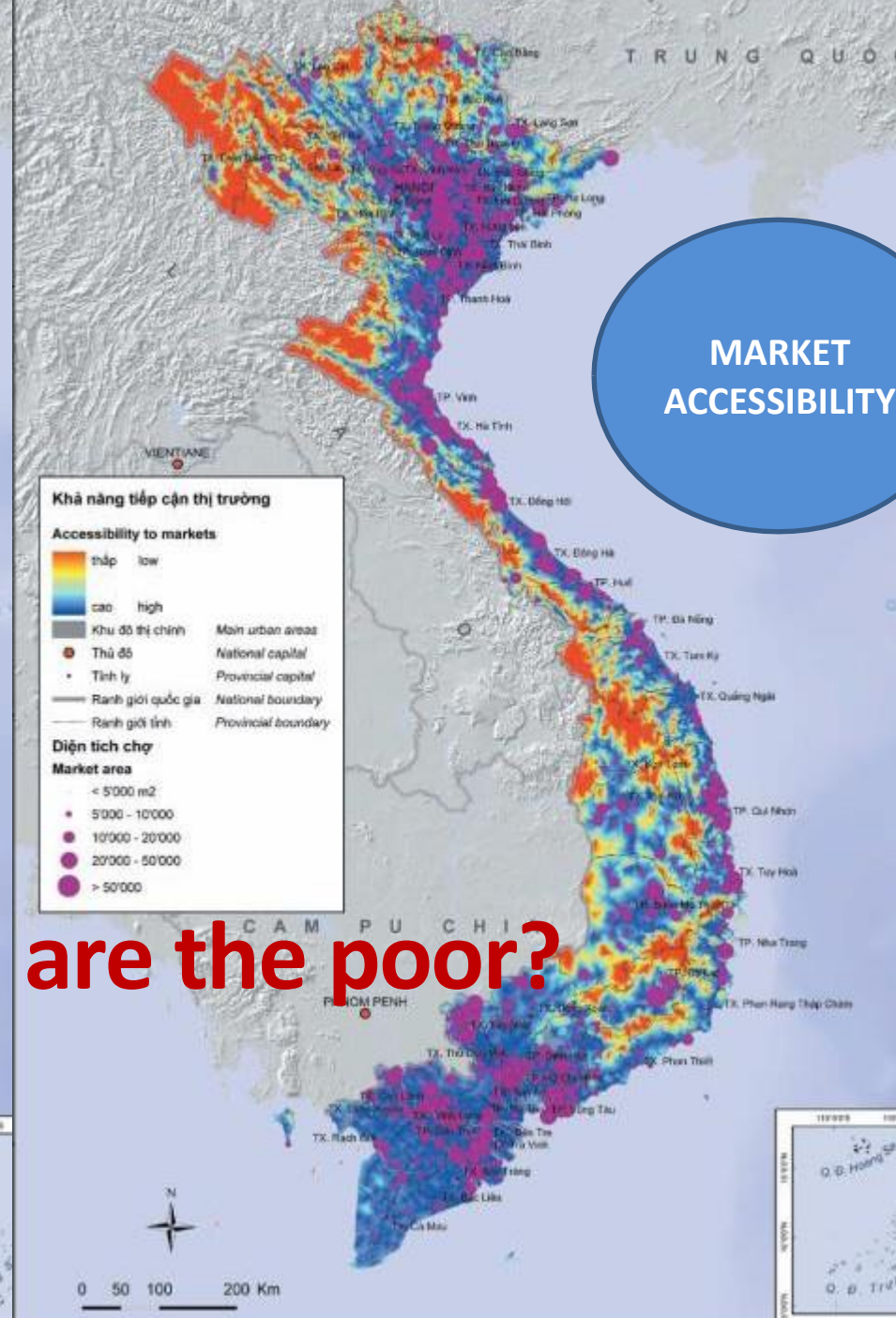
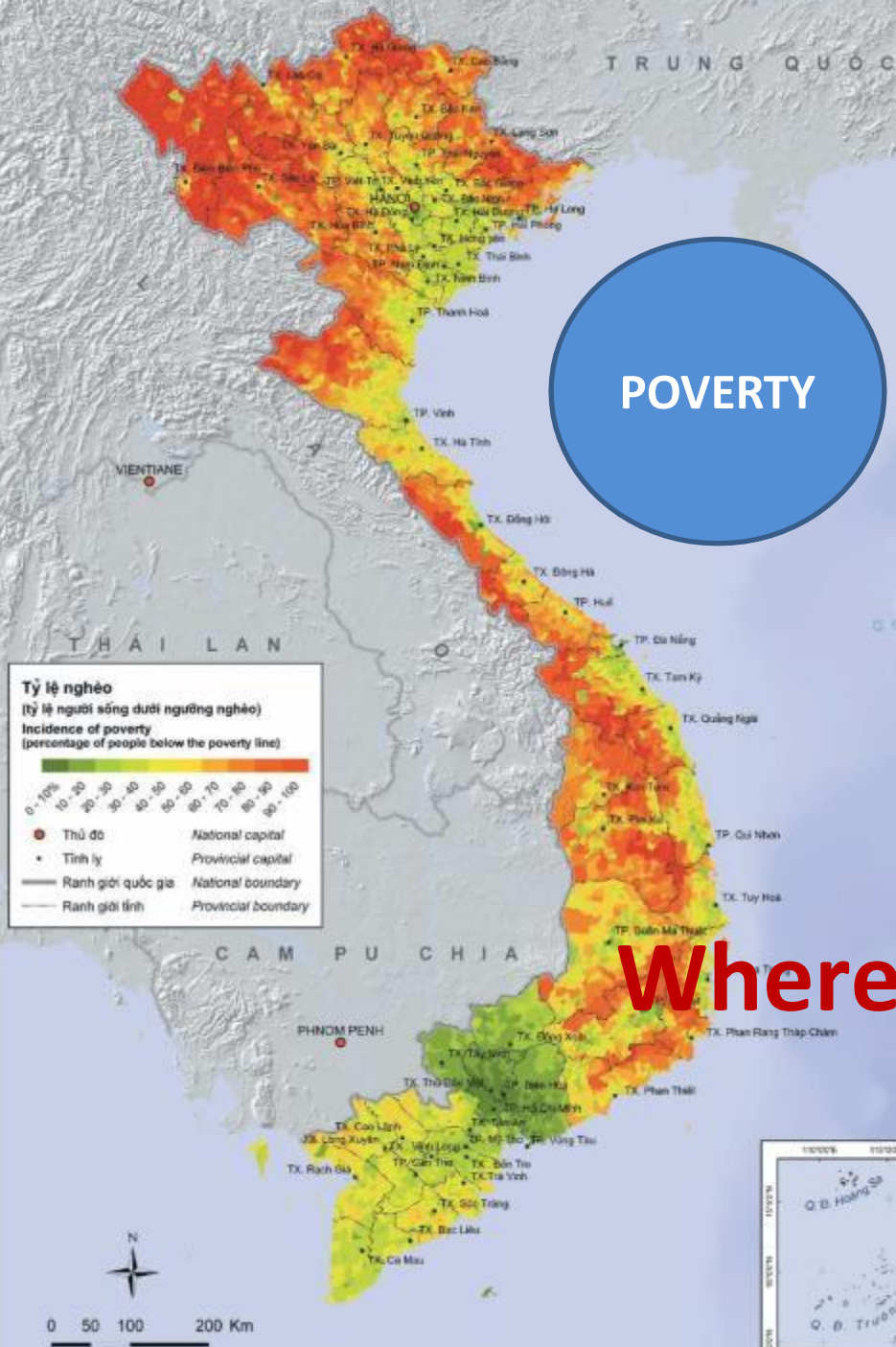
Poor traders / retailers

Poor consumers

The poor are rarely considered as consumers!

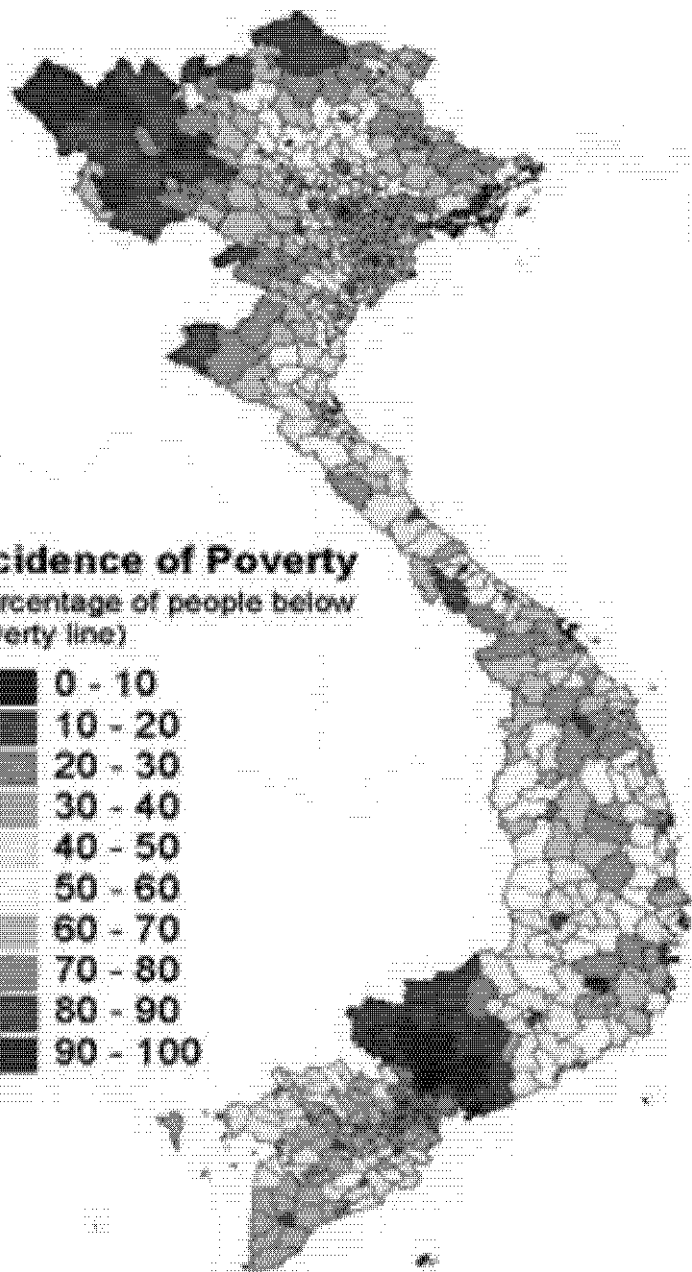
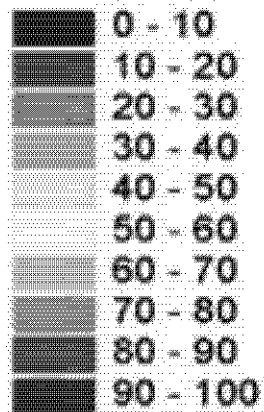
Most studies on purchasing habits in VN focus on potential for expanding modern distribution systems. Thus, they focus on middle- or high-income consumers.

Reports from other countries show that supermarkets have brought about a number of changes that are challenging for small-scale farmers to meet. (e.g. food quality standards)



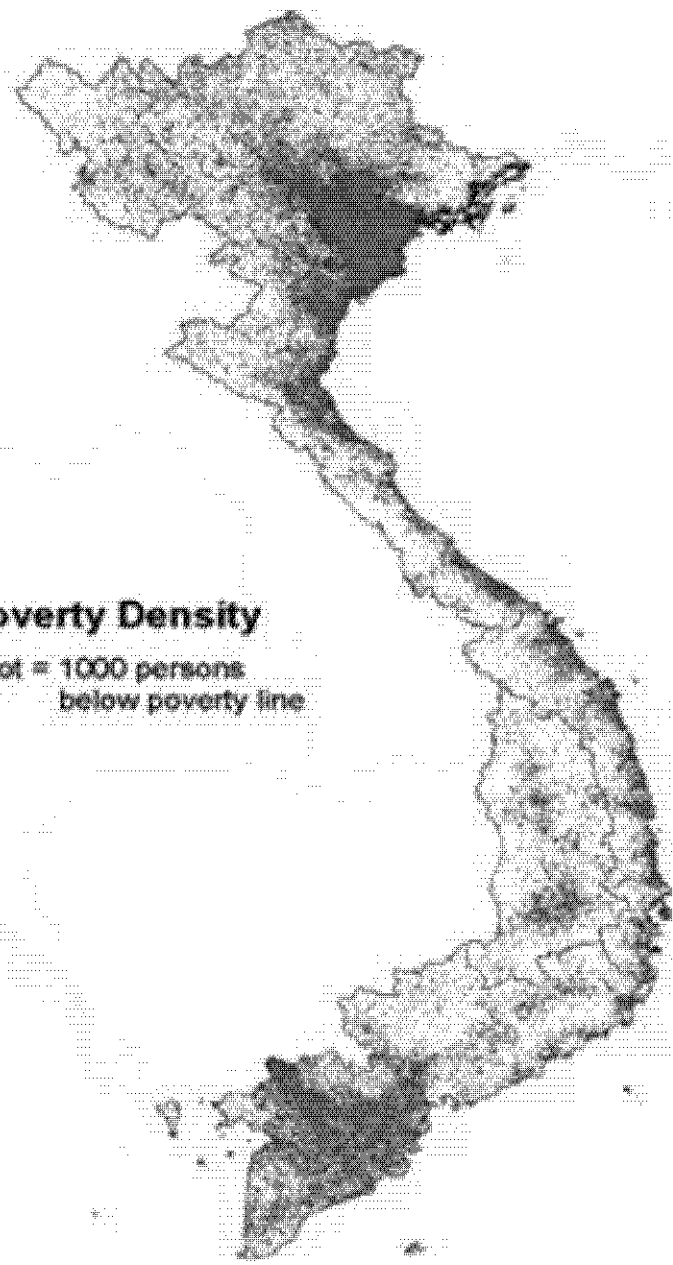
Where are the poor?

Incidence of Poverty (percentage of people below poverty line)



Poverty Density

1 dot = 1000 persons
below poverty line



Which chain innovations, with which impacts ?

- Innovations are rarely neutral relative to factors of production; they are generally biased in favor of capital (Ellis, 1988).
- The problem with labor-saving and scale-biased innovations is that they have a negative impact on employment of the poor.
- An important approach to poverty reduction may be to develop capital-saving and scale-neutral innovations

Define your poverty-related hypothesis

Example of “Supermarkets and the poor” project

- In order to build food distribution policies consistent with poverty reduction objectives, the Vietnamese authorities should promote a diversified food distribution system, based on stakeholders of various scales, rather than providing unidirectional support to supermarkets.
This will benefit poor consumers, traders and producers.
- Poor producers are excluded from supermarket supply chains unless they join farmer associations which can support them in achieving the requirements established by supermarkets: large scale supply, quality insurance and delays in payment.

Think ahead: What is your up-scaling strategy?

Limited access to supermarkets by poor consumers:

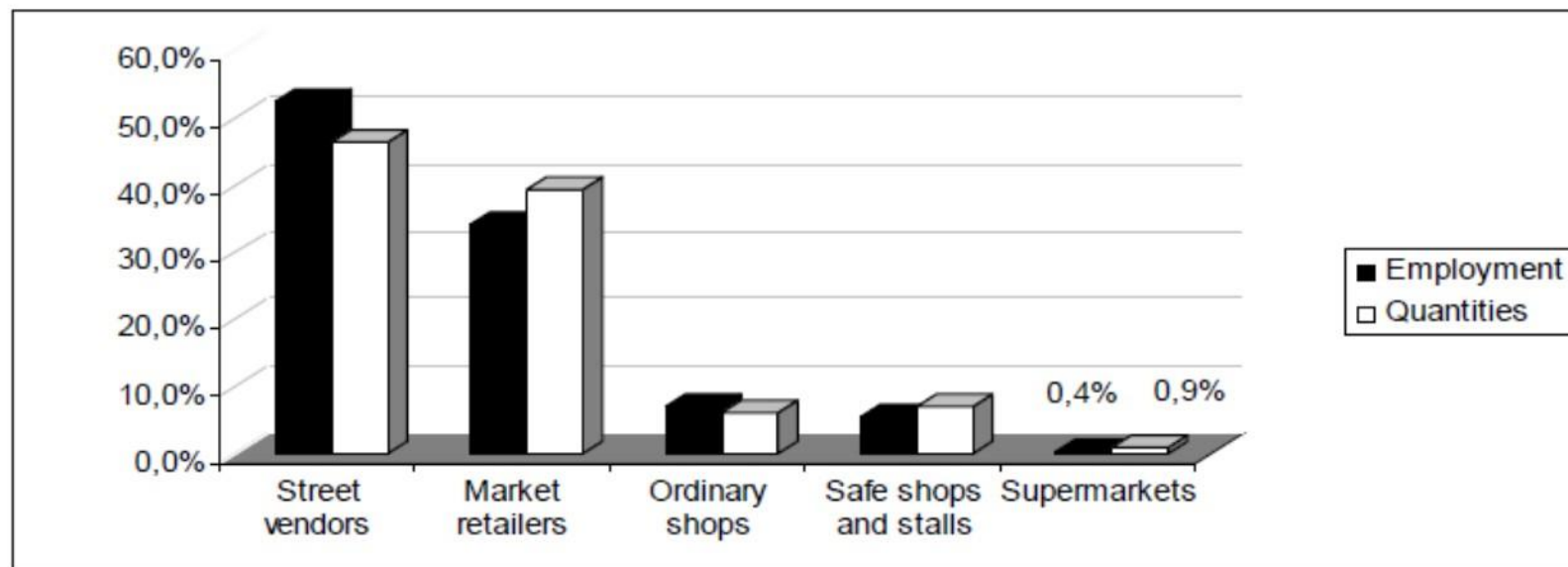
- High Price
- Distance,
- « No habit »

The social role of markets and street vending

- Supermarkets create less employment in a geographical area and per unit of volume sold than markets and street vending.

Results

Figure 1-Share of Hanoi vegetable retail points in employment and quantities



Source: Son et al, 2006

Table 4-Employment by volume of trade

Retailing one ton of vegetables in a day gives employment to....

13 street vendors

10 retailers

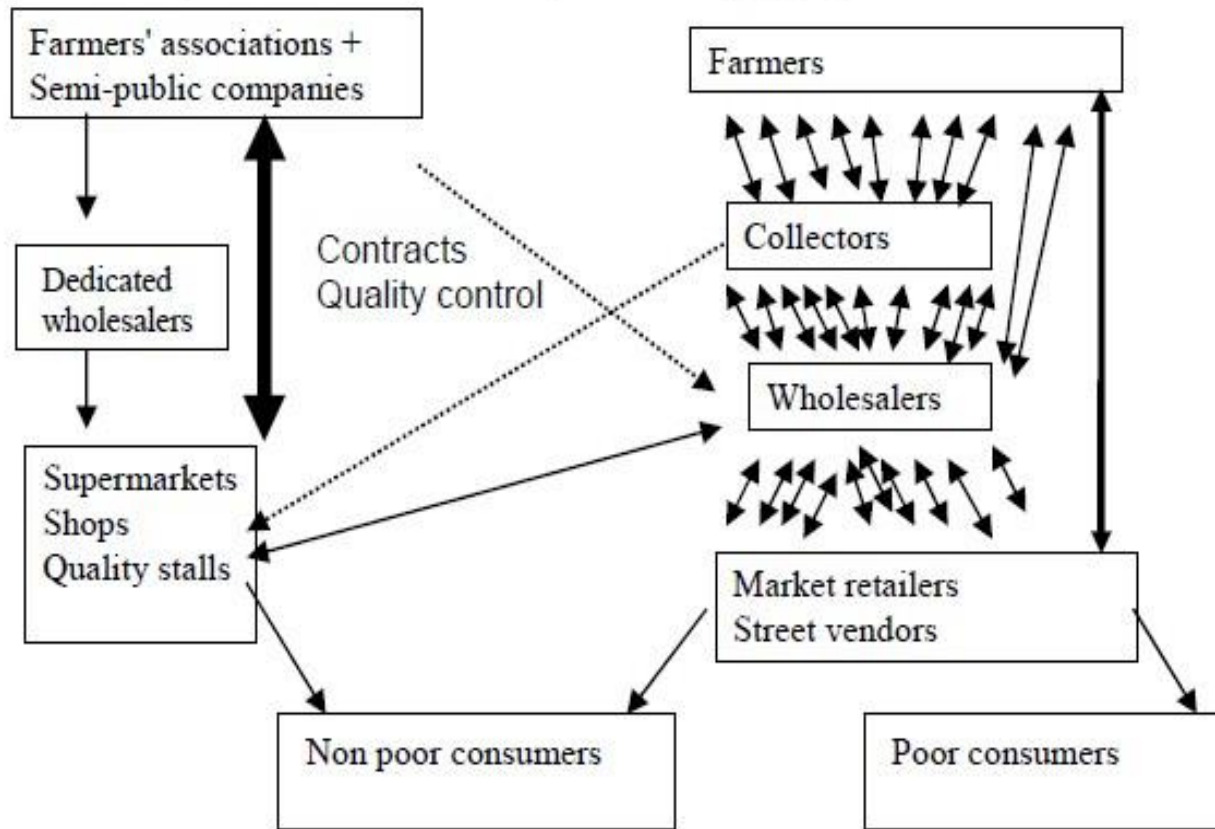
8 shop vendors

5 employees of medium-scale supermarkets

4 employees of Big C

Limited access of poor farmers

Figure 2-Simplified food commodity chains supplying Hanoi and Ho Chi Minh City



- Food safety should be accessible for **all consumers** in all type of outlets.
- Avoid « food apartheid » through segmentation of the market (if quality products sold through supermarkets are for rich consumers only).

Take home messages

1) Take a broad view of pro-poor growth :

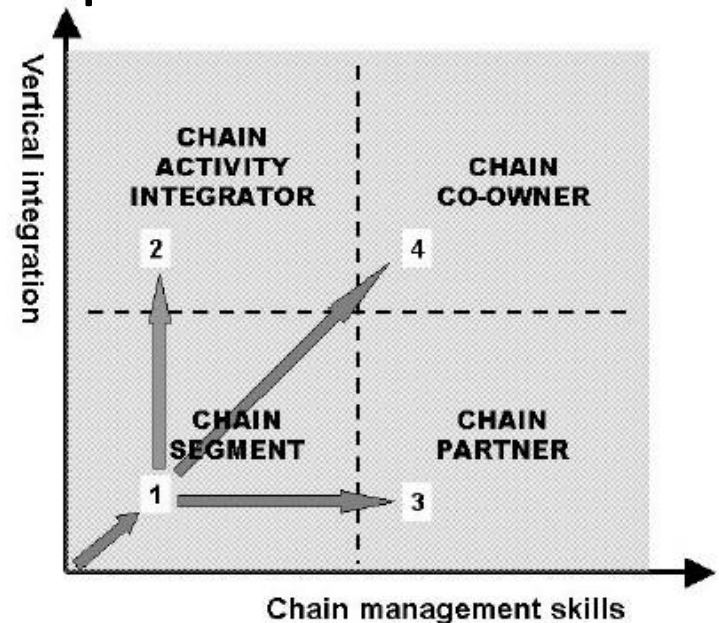
	Poor producers	Poor vendors	Poor consumers
Absolute income			
Relative Income			
Employment			
Empowerment			
Voice			

2) Focus on the poor:

- If possible from the start ;
- Or else, introduce this thinking at any point during the intervention process and in the upscaling strategy

Discussion: in your previous experiences

1. Did you assess « who and where » were the poor ?
2. What was the position of the poor in the chain:
 - Before intervention ?
 - After intervention ?



3. What could have be done better for the poor ?

Sources :

- M4P website
- Moustier P. et al. (2007) *The Participation of the Poor in Supermarket-driven chains in Vietnam*. 106th seminar of the EAAE, Montpellier , France.
- Peppelenbos, L. (2008) *Pro-poor market development: an approach and quick-scan screening tool for pro-poor business propositions*. KIT Working Papers Series C1. Amsterdam: KIT.