

# The 8th Annual Seminar on developing Business Service Markets and Value Chains



## Multi-stakeholders Approach for Value Chain Development: Experience of the Local Market Development Project in Kyrgyzstan and Tajikistan

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# Content of the presentation



- Brief Information about Countries and Project
- Multi-Stakeholders Approach (MSA) for Value Chain Development
- Efficient and Approved Working Tools for using of the MSA
- “+” and “-” of the MSA for Value Chain Development

# Brief information about the countries (1)



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## Brief information about the countries <sup>(2)</sup>

	Kyrgyzstan	Tajikistan
Population, million people (2006)	5,2	6,5
Rural population, % (2006)	66	72
GNP per capita, US\$ (2006)	490	390
% of population earning <US\$ 2,15 per day (2005)	70	74
Share of the agriculture in the national economy, %	54 (2006)	22 (2005)
Inflation rate, % (2006)	5,6	7,5
HDI out of 177 countries, (UNDP 2005)	111	122

# Key problems



- The core problem of local producers and traders in Kyrgyzstan and Tajikistan is a lack of access to potential markets, a lack of financial resources and production know-how
- Lack of reliable information about markets, BDS and financial resources
- Small production volume of individual local producers and processors
- Lack of trust and relationship between producers, processors and potential buyers

# Brief Information about LMD project <sup>(1)</sup>



LMD Project aims to **improve market access** for local producers by **strengthening the product value chain** (producer-processor-trader-consumer) in the fruit & vegetable processing and dairy sectors.

The project has been working in Kyrgyzstan since January 2005 and in Tajikistan since October 2006. Annual budget for two countries is 450'000 Euro. 1 536 small agri-producers (48 % are women), 17 processing and trading companies and 41 local SPs involved in project activities in both countries.

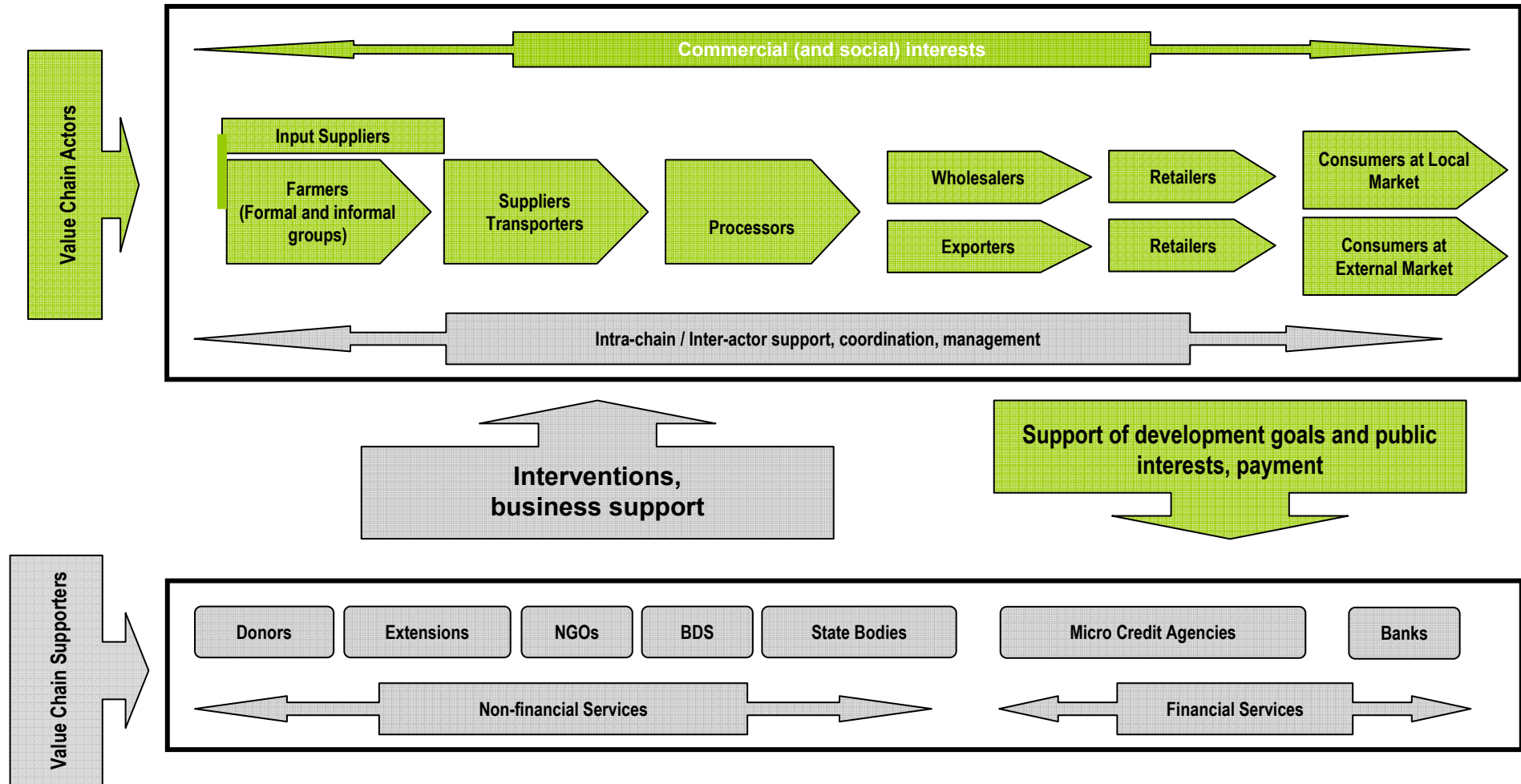
# Brief Information about LMD project <sup>(2)</sup>



## Working approaches:

- Sub-sector focus
- Working along value chain
- Customised multi-stakeholders technical support
- Facilitation
- Linking and Learning for experience exchange

# Value chain management

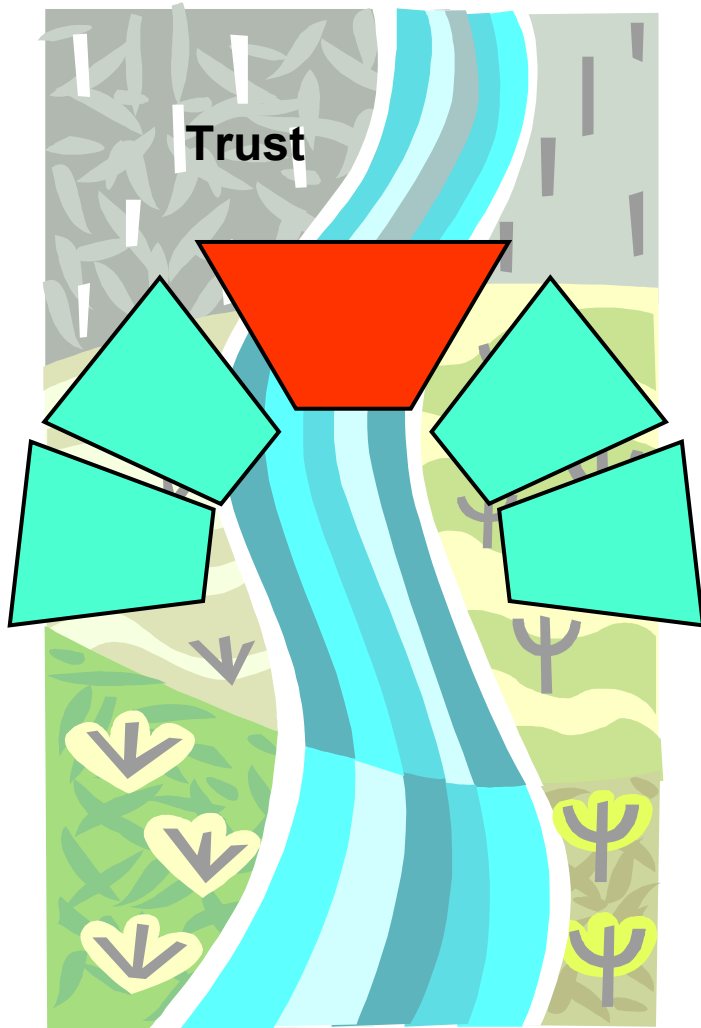


# Role of NGOs and Donors for VC Development



- Lack of commercial interest in VC development
- Balance between development agenda and private business objective
- Facilitation (no market distortion) – analysis of situation, generation ideas, involvement of stakeholders in implementation and monitoring
- Provision of demanded information (market info, info about SP, etc.)
- Innovations (new technologies and products, small mechanisation, etc.)
- Monitoring of changes among VCA and VCS and impact assessment

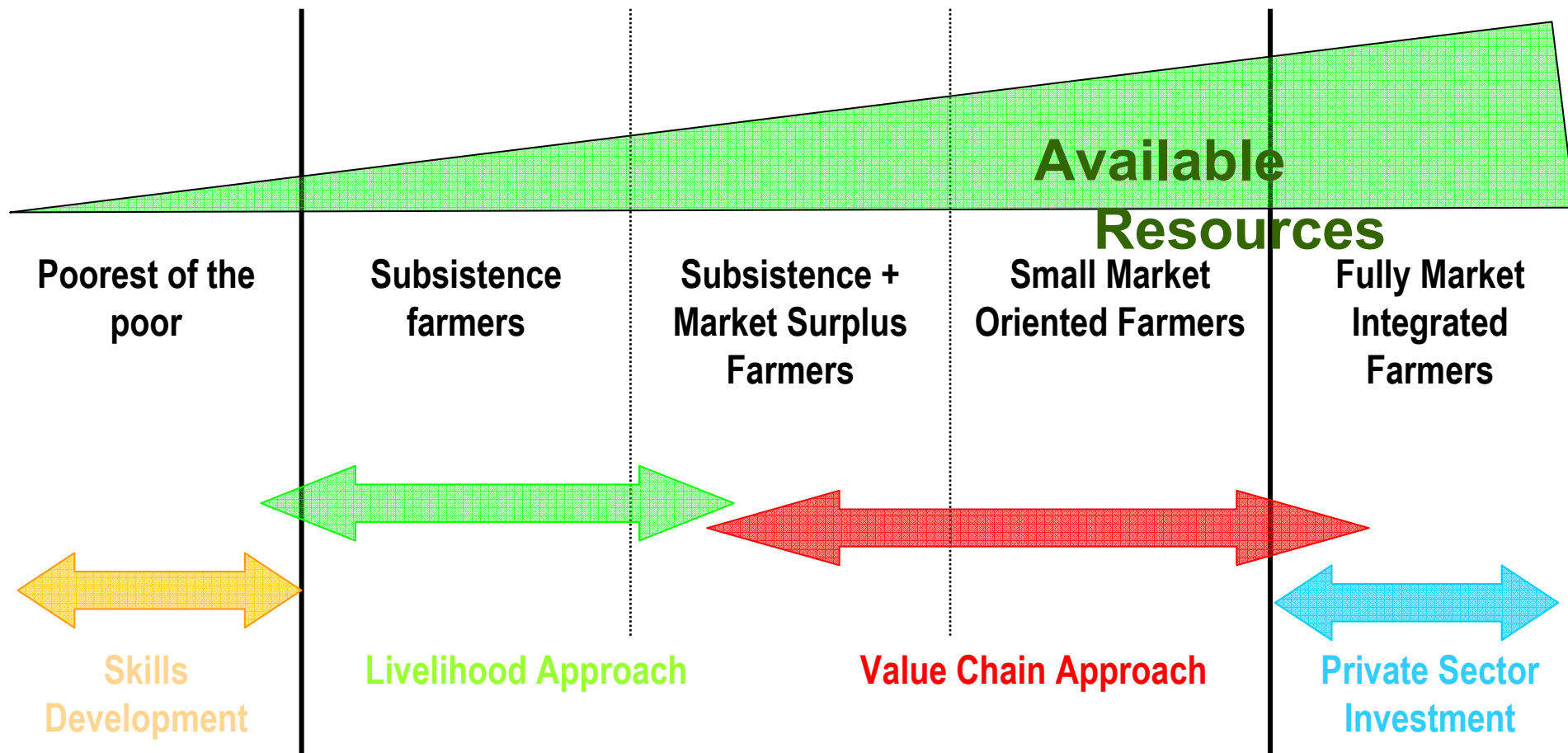
# Lesson learnt: Trust is Key



Trust is the keystone to bridge the gap between producers and markets.

Donors may provide the scaffold to let grow trustful relationships among stakeholders in the value chain.

# Approaches and Availability of Resources

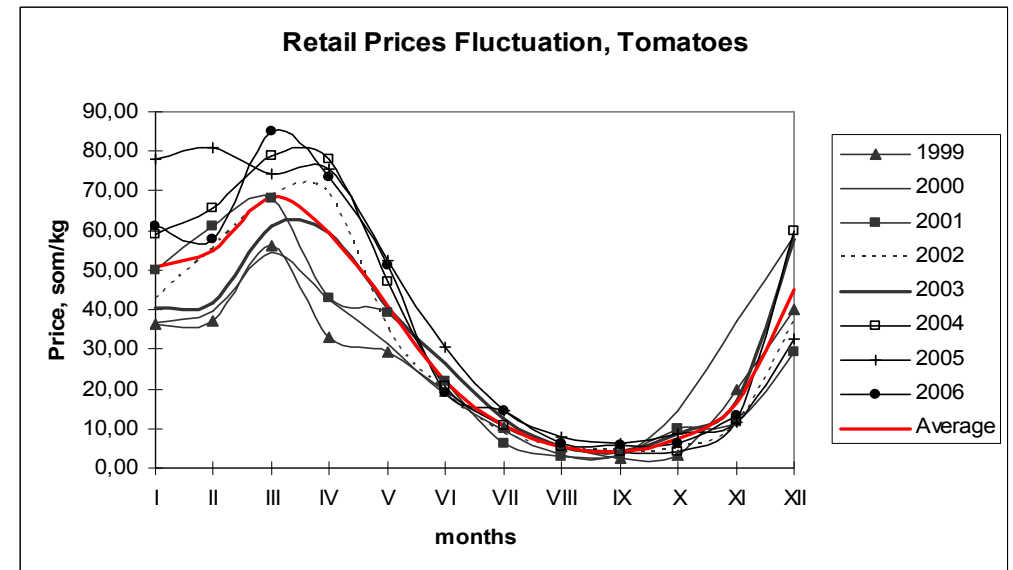
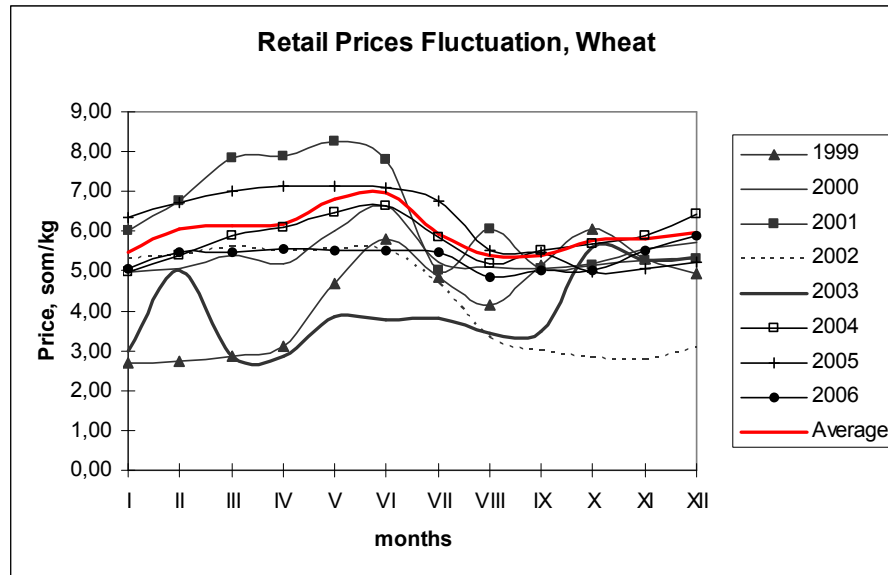


**Program (Project) Interventions**

# Available Land Resources: Kyrgyzstan

Farming category	Households	Private Farms	Agri Enterprises	Project Supported Farmers
Number of units	881 713	251 526	1 326	1 536
Average area of arable land holdings in ha	<b>0,1</b>	<b>3,8</b>	222	<b>0,15</b>
Share of total arable land	5%	71%	13%	
Share of employment in agriculture	35%	52%	13%	
Share in agricultural value added	38%	59%	3%	
Share of total agricultural output	55%	40%	5%	
Agriculture added value in USD per ha	<b>2 582</b>	<b>373</b>	63	<b>3 572</b>
Agriculture added value in USD per worker	<b>877</b>	<b>619</b>	112	<b>1 190</b>

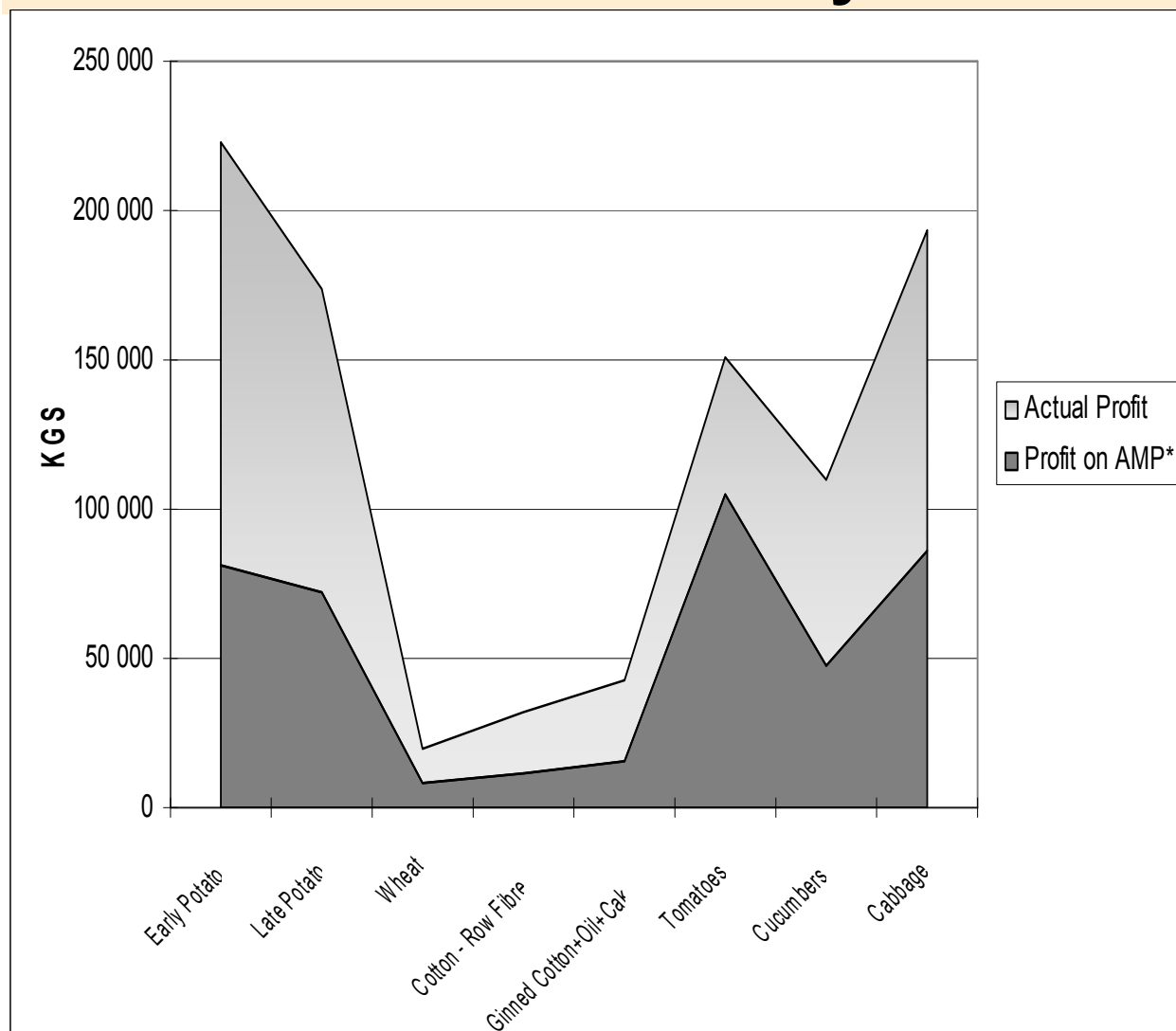
# Retail Market Price Fluctuation, 1999 - 2006



## Conclusions:

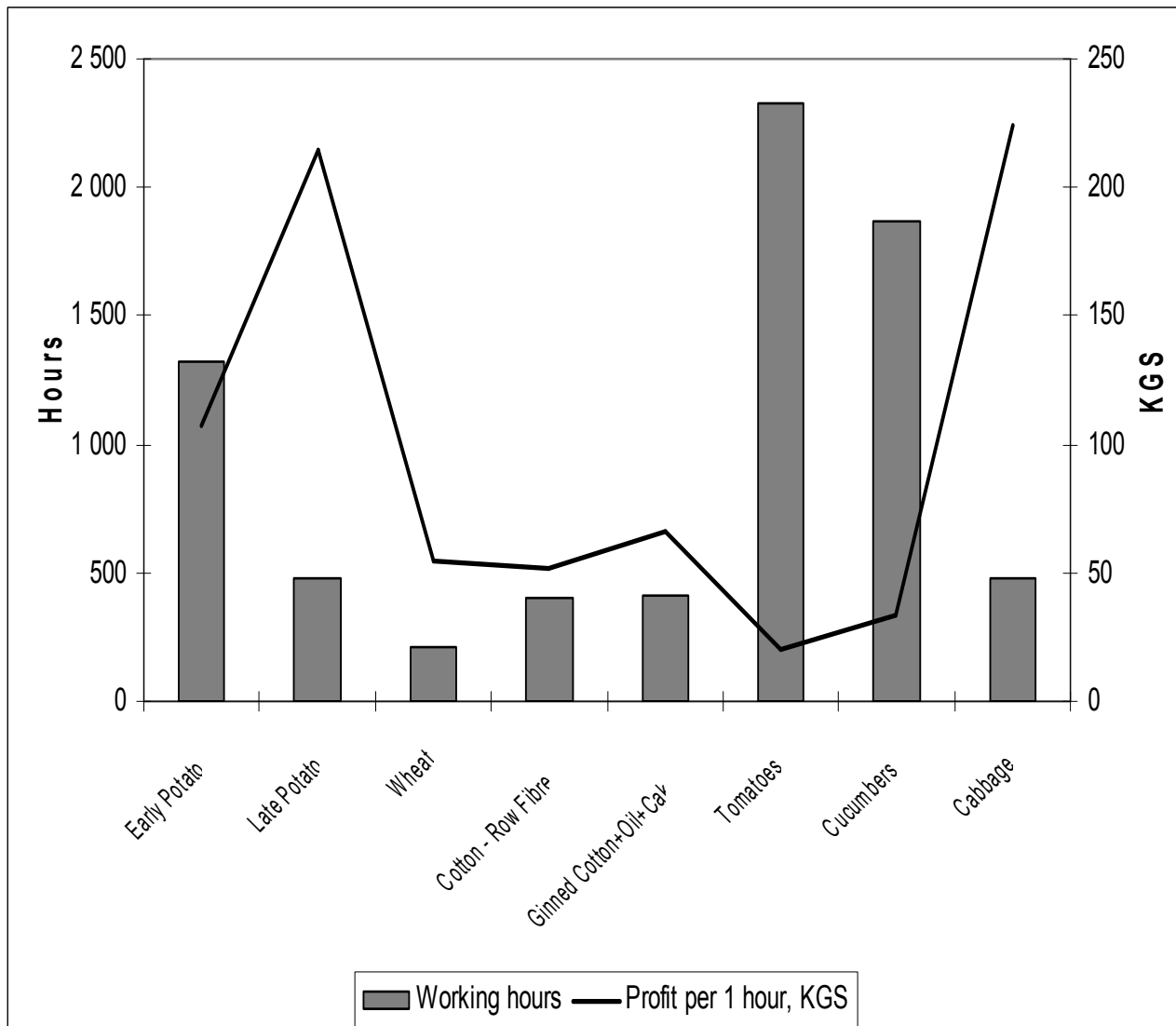
- Farmer's Gross Margin = Income (market price \* yield) - Expenses
- Market Price fluctuation essentially influences on fulfillment of contracts between VCA
- Regularly updated information on market prices is important for decision making

# Profitability of Different Crops



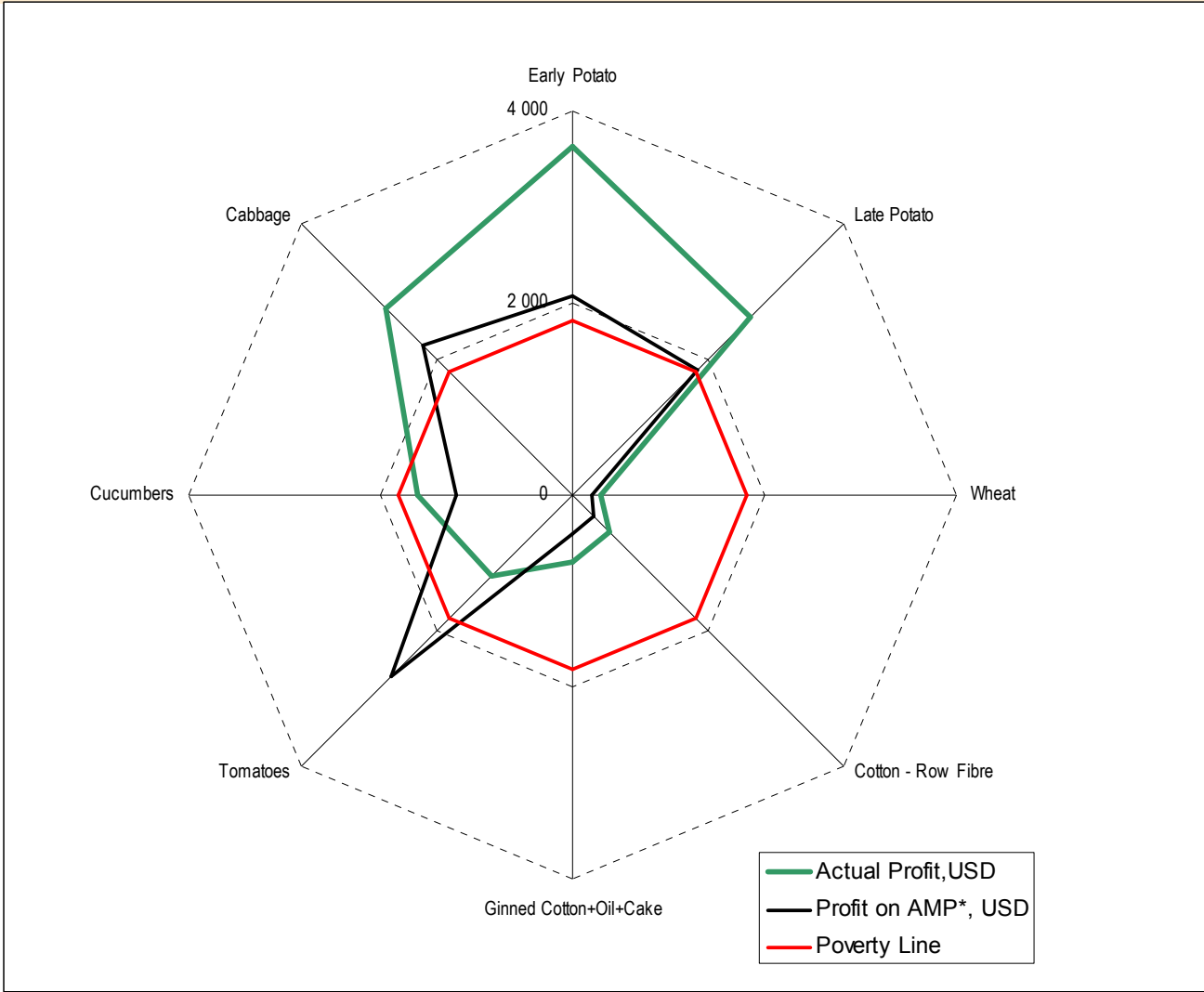
- Limited land resources should be used for high-profitable crops
- Vegetables and potato are high profitable cash crops
- It is possible to have 3 harvests of cucumbers (short vegetation period)

# Required Labour Resources

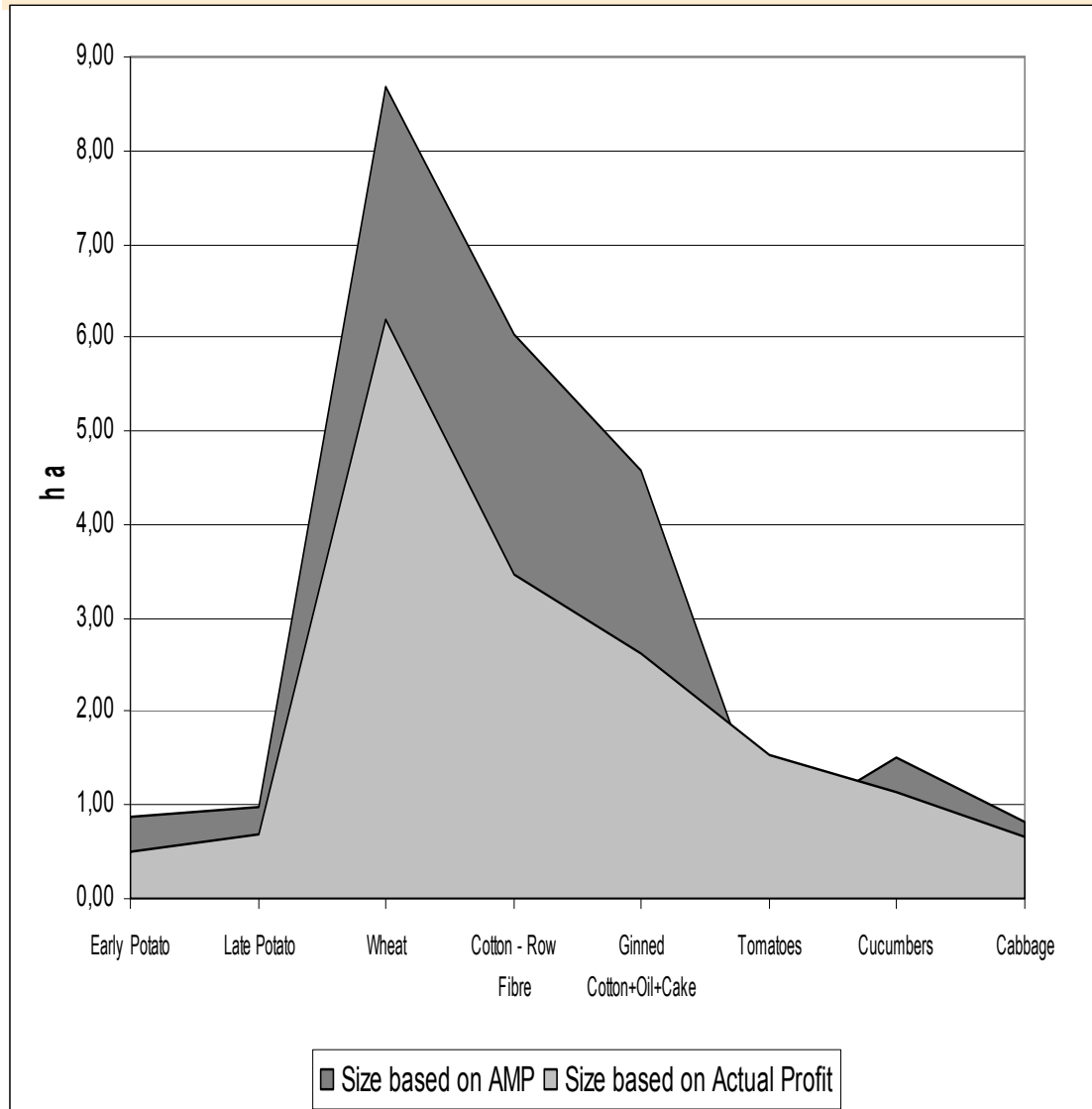


- Vegetables are labor-intensive crops
- HH does not have enough working members=> Employed workers=> Increased labor costs=> Focus of development projects on small mechanization

# Income and Poverty Line



# Requested Land Resources



- HH's food security vs. Available Land Resources (wheat yield  $\sim 2.2$  t/ha, Yearly consumption by the HH of 5 members is  $\sim 800$  kg of flour or 1 100 kg of wheat, which equal to 0,5 ha of land)
- Production of vegetables at 0,5 ha of the land allows buying of 7 500 kg of flour

# Efficient and Approved Tools for MSA <sup>(1)</sup>



- **Yearly Planning Multi-Stakeholders workshops** for each value chain (or regional)
- Processing company – Total Demand
- Producers (FGs) - Total Supply
- Price, delivered volume and time negotiation
- Work Plan elaboration
- Creation of Working Groups

# Project Efficiency, 2005 - 2007



	2005	2006	2007
Number of supported HH	109	608	1 534
% of Women	33	49	52
Gross Income, USD	26 700	297 500	107 000*
Gross Income per HH, USD	244	489	535*
Gross Income per HH/ Project Interventions, USD	0,31	2,34	0,93*

Note: \* Date only for Tajikistan (200 HH), harvest in Kyrgyzstan is not yet finished

# Efficient and Approved Tools for MSA <sup>(2)</sup>



- **Monthly Working Group Meetings** of each (or 2-3) value chain
- Fixed date (e.g. last Tuesday of the month)
- Fixed place (better at the office of the processing company)
- Reporting about work done
- Discussion of difficulties and problems
- Finding solutions for the problems and division of responsibilities

# “+” of the MSA for Value Chain Development



- Involved parties with different background
- Sharing and taking of responsibilities
- Common interest of VCA (e.g. profit, long-term relationships)
- Customized services from VCS based on individual need of VCA (VC)
- Pragmatic and practical solutions
- Sharing of experience and learning from each other
- Provide opportunities for initiatives and entrepreneurship

# “-” of the MSA for Value Chain Development



- Insufficient understanding of VCD among stakeholders
- Peers misunderstand each others as competitors
- Takes time for development of trust between stakeholders
- Sometimes VCS take over role of VCA
- Works only with a professional facilitator
- Money-driven stakeholder(s) harm(s) final results



**THANK YOU !**