

Linking the Poorest to Economic Growth: Value Chain Approach Enhances Food Security

By Ruth Campbell

Food security frequently is defined solely in food supply or production terms, a conception that can lead to ineffective policies or even harmful long-term results if it inhibits commercial development. Yet even when broad-based economic growth is a priority, it still is not sufficient to ensure food security. Rather, vulnerable populations must be purposefully linked into market-led economic growth opportunities, especially in agricultural production.

Enterprise development projects that target poor and food-insecure populations often offer a package of training and small business start-up grants. Unfortunately, such projects often have minimal impact. Brief training courses are insufficient to develop technical and entrepreneurial skills. Moreover, food-insecure populations are the least able to undertake the risks of starting a business. When they do start businesses, they often do so without any analysis of market demand and choose industries like poultry production, food preparation and tailoring that have low entry costs. This pattern generally leads to rapid market saturation, low levels of productivity and competition that drives down returns to the business owners.

To avoid these pitfalls, ACDI/VOCA uses its value chain approach to enterprise development to sustainably raise the incomes of food-insecure populations. This approach identifies and develops industries with the potential to (1) be competitive in local, regional or global markets; (2) benefit micro and small enterprises; and (3) create substantial employment opportunities in food-insecure areas.

In some industries, larger and more powerful firms have economic incentives to source from or employ the poor. By working through such firms, technical assistance and services can be provided to the poor in a way that directly meets the needs of the private sector and, therefore, increases the value of the poor as suppliers or employees within the industry.

Having identified appropriate industries, ACDI/VOCA's approach then seeks to facilitate industrywide change through engagement with food-insecure communities, private sector businesses and public sector service providers such as schools, clinics, and research and extension offices.

Figure 1: Value Chain Approach



ACDI/VOCA's value chain approach deals systemically with constraints to developmental challenges such as food security, poverty reduction and conflict mitigation. We identify economic opportunities in end markets (represented here by global and national retailers) and look throughout the market system to locate and mitigate key constraints to exploiting these opportunities.

Positive relationships with public and private entities can increase the well-being of whole communities, including the poorest and most food-insecure people.

Projects that provide assets and services directly to communities tend to drive out the private sector, hindering the development of a range of relationships needed in sustainable, competitive industries.

ACDI/VOCA seeks to provide more targeted support that works with and through the private sector and builds the capacity of vulnerable populations to access public sector services. We help the private sector become involved in the delivery of social services to build goodwill and trust with a potential future consumer base. We also facilitate private sector involvement with food-insecure communities as a way to foster behavioral change that in time leads to the development of more competitive industries (see sidebar on Liberian schools).

Bottom-line: Our value chain approach facilitates mutually beneficial relationships that make

good business sense for the private sector while strengthening food security.

Changing Behavior Along Value Chains

Many development projects that promote improved practices or technologies are disappointed by the low level of uptake. For example, agricultural extension agents may convey the same messages year after year with only limited impact. One reason for lower uptake is that people act in response to a range of interacting and often conflicting social and economic incentives. In many poor communities in Africa, for example, farmers will not buy inputs in bulk, despite the cost savings that result, because they are reluctant to show any kind of wealth for fear of a negative community response.

As a result, enterprising development activities require that we address the incentives that drive certain behaviors. At ACDI/VOCA, we study these incentives by mapping and analyzing the relationships between communities, firms and public sec-

tor entities. With this information, we are able to design interventions that reduce economic and social risks that prevent vulnerable populations from changing their circumstances. In sum, we lower the cost and risk of adopting behavioral changes by introducing appropriate services; transparent information flows; and temporary, strategic subsidies.

Benefits That Reach Everyone

ACDI/VOCA seeks to move carefully selected industries from being noncompetitive—they lose market share, are unprofitable and depend on subsidies—to a more competitive position—they create lasting employment and generate a healthy profit margin for everyone in the industry, including the poorest. To do this we must affect three things: (1) inter-firm relationships, (2) the value placed on innovation and learning, and (3) the distribution of benefits (see figure 2).

1 Relationships: In uncompetitive industries, there is a limited and unvaried network of commercial relationships between enterprises. These relationships are often short-term and adversarial. We facilitate the development of a broad range of long-term, mutually beneficial relationships and strategic alliances.

2 Learning/innovation: Food-insecure populations are highly risk averse and often hesitant to experiment with or adopt new ideas. Through

