TOWARDS A DECENT STANDARD OF LIVING FOR SMALLHOLDER FARMERS

Session 3

15:15 - 17:00 BST/GMT +1 (105m)

Part I: Status of Living Income Benchmarks (30 min)

Part II: Taking an Integrated Approach to Living Income (45 min)

Discussion in breakout groups (25 min)









Housekeeping Rules

HOW CAN I ASK A QUESTIONS/COMMENT?

You will be kept muted throughout main session so,

- 1. Raise your virtual hand (organizers shall unmute you) OR
- 2. Pop the question in the chat or Q&A box (there will be a follow workshop report that aims to address as many questions as possible)

WHAT HAPPENS IF THE NETWORK FAILS?

Try to reconnect. If after 5mins it does not work, please refer to your emails for any updates from the organizer.

HEARD SOMETHING NOTEWORTHY? Share in on twitter or LinkedIn using the hashtag #LICOP2020event

TECHNICAL DIFFICULTIES? Helpline +49 30 235911618 (Reach out to <u>rita@isealalliance.org</u> OR <u>m.muensch@conpolicy.de</u>

Part I Current Status of Living Income Benchmarks

LICOP Moderator



Stephanie
Daniels
Sustainable
Food Lab

Stephanie Daniels

LICOP Speakers – Part I



Friederike
Martin
Advisor Sust. Ag.
Value Chains
and Standards
GIZ



Kristin Komives Director, Impacts ISEAL Alliance

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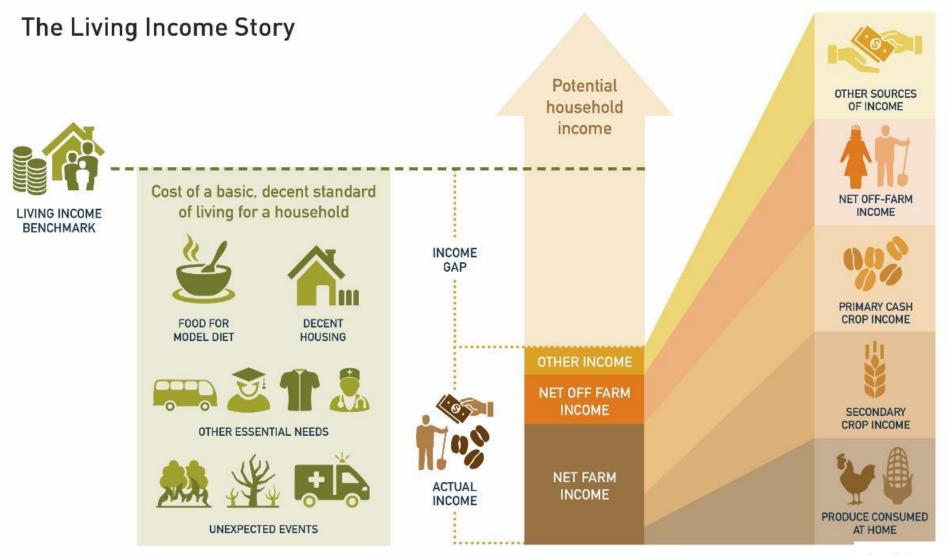
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What is a Living Income Benchmark?



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What exists and where to find it?



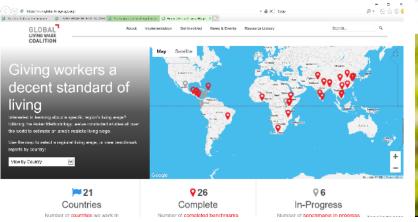








Where can I find benchmarks?







www.globallivingwage.org www.living-income.com www.align-tool.com/











"ALIGN helps agri-food companies build intelligence, connect with key organisations and facilitates decision making through action"







Functionalities

1. Source map

Informs on living wage / living income topics per country and commodity

 Provides easy access to relevant initiatives, projects, organizations & key resources in a specific context

2. Action process

Step-by-step guide to conduct living wage and living income due diligence

Facilitates linkages with expert organisations and best practices

Country page



31%

Population in A poverty

66%

Agricultural Agriculture share workforce of GDP

31% not by law

National minimum wage



Context

Ethiopia has a population of roughly 109.2 million people with 79.2% living in rural areas and 20.8% living in urban settings. Agriculture is central to the Ethiopian economy, representing around one third of Ethiopia's GDP, and the majority of Ethiopian exports.

> Read more

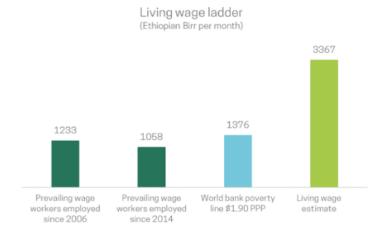
Wages

Ethiopia has no statutory minimum wage. Yet some government institutions and public enterprises set their own minimum wages. Public sector workers have a minimum wage of around 615 Ethiopian Birr (US\$22) per month.^[8]



Living wage

The Global Living Wage Coalition conducted a **living wage study** of the Ziway area in Ethiopia using the Anker Methodology. Ziway receives the largest foreign investment in its flower industry. Hence, the study focusses on flower farms, estimating that the prevailing wages of the flower workers in the Ziway region are 2,5 to 3 times lower than the living wage estimate. [6]



Adapted from 'Living Wage Report Non-Metropolitan Urban Ethiopia Ziway Region: Context Provided in the Horticulture Sector', by Melese, A. T., 2017, p. 42. Prepared for: The Global Living Wage Coalition

Working conditions

Child labour

According to a 2015 survey, nearly 16 million children aged 5 to 17 are engaged in child labour. [13] Agriculture is the dominant sector for child labour, with children engaged in planting and harvesting apples, bananas, coffee, cotton andkhat, and herding livestock and fishing. Worst forms of child labour are reported in the cattle and gold industries. In addition, children who harvest and sell khat are at risk of addiction to the stimulant. Ethiopian law does not set a compulsory age for education, leaving children vulnerable to the worst forms of child labour. [13]

Labour rights issues

The ITUC Global Rights Index, which assesses workers' rights violations, gives Ethiopia a score of 4 out of 5, based on systematic violations of labour rights. The ITUC index describe collections are right to opian law restricts opian law restricts.







Overview of relevant income and poverty data

									Da	ata base	e incl	udes:				Assessment	
Country									-	29 cour	ntries					Indicat	ors
	Poverty headcount ratio at	Poverty headcount ratio at	Poverty headcount at \$5.5 a day	Rural poverty headcount ratio	Urban poverty headcount ratio	Headcount Ratio				Poverty	heac	l countr	y (rura	al and		M	onthly
	\$1.90 a day (poorest	\$3.2 a day (lower middle income	(upper middle income countries)					Per perso	mra	urban)			Per work for				
	<u>countries)</u>	countries)		(at national poverty lines)	(at national poverty lines)	(at national poverty lines)	Year	National currency	in 2	Nationa	al pove	erty line)			National currency	in 20
Bangladesh	2016 14,8% 23.379.684	2016 53,0% 83.724.545	2016 85% 134.275.214	N/A	N/A	2016 24,3% 38.386.914	2016		UPL -	 Living Income Living Wage → Per person, work force, household 					8.000 BTD		
Belize	1999 13,9% 33.219	1999 28% 66.917	1999 53% 126.664	N/A	N/A	N/A			\rightarrow						644 BZD		
Brazil	2018 4,40% 8.996.758	2018 9,20% 18.811.403	2018 19,90% 40.689.882	N/A	N/A	N/A	2016	70 BRL / 2,3 BRL						Rio Grande do Sul		998 BRL	
Cambodia	N/A	N/A	N/A	N/A	N/A	2012 17,70% 2.616.140	2009	124.132 KHR /4078 KHR	75 /2,5	331.019 KHR	200	496.528 KHR	300	The World Bank	2013	N/A	
Colombia	2018 4,10 % 2.035.596	2018 10,90% 5.411.707	2018 27,80% 13.802.334	2015 40,30 % 3.875.362	2015 24,10% 9.134.957	2018 27,00% 13.405.145	2018	257.433 COP / 8458 COP	182 / 6	686.488 COP	485	1.029.732 COP	728	DANE. Gran Encuesta Integrada de Hogares GEIH 2018	2017	737.717 COP	
• • O	verview Initia	tives +							: [1]								

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giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH





How do I get updated versions of benchmarks?

Annual benchmark updates

On www.living-income.com

Living Income March 2020 Update Rural Ghana

Cocoa growing areas of Ashanti, Central, Eastern and Western



By Richard Anker and Martha Anker

Cote d'Ivoire update: expected September 2020

New GLWC benchmark updates...

- Malawi
- Dominican Republic
- South Africa
- Ethiopia
- Tirrapur

Updates are announced in GLWC newsletter. Sign up on www.globallivingwage.org.

All but 2 benchmarks updated to 2019 or 2020









What do I do if there is no current benchmark for my area of interest?

Understanding living income and the income gap helps inform and support action. Lack of a living income benchmark should not hold up action.





New FAQ to help you think about your options when no current benchmark exists











There is a world of income estimates out there...

Estimates for specific production areas

HEA: Survival threshold (not all public)

HEA: Minimum expenditure basket not all public)

Anker Living Wage Benchmarks (also report living income)

Other independent benchmark studies, often inspired by Anker methodology (often not public)

Regional estimates State or regional level poverty lines

Wageindicator living wage data (living income also available, not public)

Urban-rural estimates

National urban/rural poverty lines

Anker Reference Values (living wage and living income, forthcoming, will be public)

National estimates

Global estimates

National poverty lines

World Bank poverty line

Estimates of poverty line

Other intermediary estimates

Estimates of living income



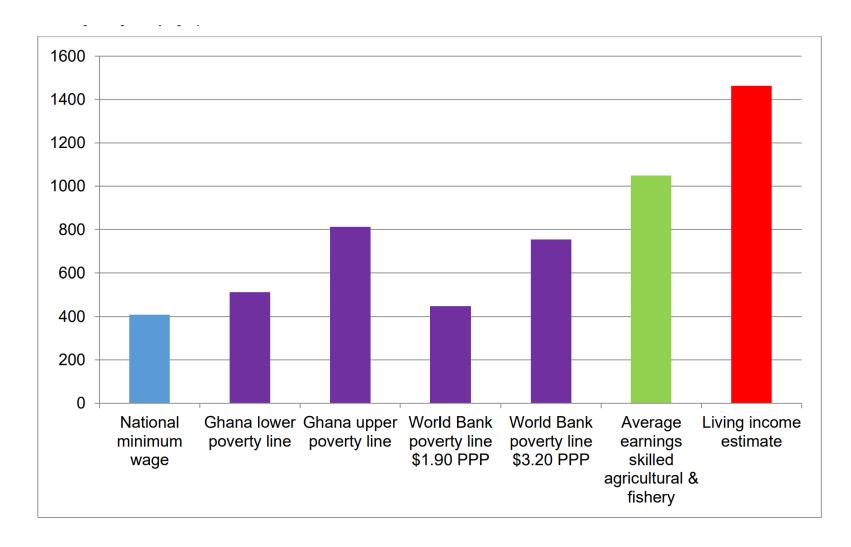






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These estimates can be put into context with an income ladder



Looking for one as an alternative to a living income benchmark?
Ask questions in three steps.

Sally Smith with Daniel Sarpong, Living Income Benchmark Report: Ghana, 2018.









1: How important is it to know exactly what a living income is in your area of interest?

What do you know about farmer incomes?

I expect that most farmers in my area of interest are already above the poverty line.

I know I am working in a high poverty area.

I don't know much about farming household incomes in my area of interest.

An estimate of living income will add a lot of value in helping shape strategy and monitor progress.

Monitoring progress towards closing the poverty gap will be a meaningful step towards living income.

Understanding poverty status of households would be a meaningful first step.









1: How important is it to know exactly what a living income is in your area of interest?

What do you know about farmer incomes?

I expect that most farmers in my area of interest are already above the poverty line. I know I am working in a high poverty area.

I don't know much about farming household incomes in my area of interest.

Living income benchmarks for your area of interest

Urban/rural or reginal living income estimates

Options to get you started

Rural or regional poverty lines

National poverty lines

World Bank poverty line









2: What's your use case?

Will the benchmark need to be public?	I need a robust, publicly a public reporting or com		I need a credible benchmark for internal monitoring or program design.					
What kind of stakeholder support do you need?	I need a benchmark that has local stakeholder support and will make sense to local partners.	I need a benchmark that will have global stakeholder support and make sense to global stakeholders.	I need a benchmark that will make sense to internal stakeholders.					
		,						
	Use estimates that to all and backed methodo	Commissioning studies or buying proprietary data for your specific needs is an option.						
validation and/o	ates that have local r are recognized by akeholders	Consider including WB poline as at least one benchring reference	east one benchmark Supported by the Implemented by (A) Isotal Ministry (C) Isotal					

3: How important is cross-country consistency?

Do you need multiple estimates? How consistent do they need to be?

It is critical that I treat all cases equally from the start. I cannot work with benchmarks unless I have consistent estimates for all cases.

I can work with the best available estimate for each location.

(Collaborate to) commission new benchmarks for missing locations.

Use less precise estimates (e.g. poverty lines) that are available for all your locations of interest.

Create income ladders for each location with any available estimates that satisfy your needs (see questions 1 and 2)

(Collaborate to) gradually improve available estimates over time









What else is in the FAQ:

- What is a living income benchmark?
- What is the difference between living wage and living income?
- How can I use a living income benchmark?
- Who can I contact to commission a benchmark or benchmark update?
- What should I do if I want to collaborate with others to commission a benchmark or benchmark update?
- And more...

Let us know what questions you have.. And we'll keep building the FAQ.









Interested in living income benchmarks?

Multiple members of the Living Income Community of Practice are working on benchmarks

Please email livingincome@isealalliance.org

We will connect you with partners and/or offer support on timeline for forthcoming benchmarks









Questions and Comments?







TOWARDS A DECENT STANDARD OF LIVING FOR SMALLHOLDER FARMERS

Part II: Taking an Integrated Approach to Living Income

LICOP Moderator



Stephanie Daniels



Gretchen Villegas
Vice President of
Program Effectiveness
HEIFER International



Ben Wood
Director, Monitoring, Evaluation,
Research and Learning
HEIFER International



Evan Brown

Monitoring, Evaluation, Learning
(MEL) Field Analytics Lead
HEIFER International



Frank Valdivia
Program Effectiveness
Advisor
HEIFER International

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Heifer International is on a mission to end global hunger and poverty in a sustainable way. We invest in farmers and business owners around the world, because we know having a secure source of income can be truly transformational for families and their communities.

We work towards this goal by supporting households to earn a living income. A living income means thriving, not just surviving.

Living income is the amount of money every person in a household needs per day to live a dignified life.

During the project design phase, we determine the living income gap the project needs to address by estimating benchmarks and actual income. Our approach is based on the Anker methodology and builds on the work of academics, international NGOs, and the Living Income Community of Practice to achieve agreed-upon standards.

The living income benchmark estimation has been customized to capture the unique needs of Heifer International's project participants.

WHAT IS INCLUDED IN HEIFER'S LIVING INCOME ESTIMATIONS?

Household needs are captured across four categories: low-cost and nutritious diet, decent housing, other basic needs, and unexpected costs. To estimate per capita living income benchmarks we then divide the household living income benchmark by the average number of family members in the project area.

A nutritious diet includes 11 food groups that provide sufficient calories, and macro and micronutrients. Decent housing includes basic shelter, adequate amount of space, and other housing criteria deemed necessary to live a dignified life. Other basic needs encompass education, healthcare, transportation, clothing, communication and cultural events. Unexpected costs account for a minimal level of savings project participants need to withstand shocks and unanticipated expenses.

HOW ARE LIVING INCOME BENCHMARKS ESTIMATED?

Benchmarks are estimated as part of the standard project lifecycle during start-up unless a benchmark has been established for the area within six months of the project start date.

To estimate a living income benchmark, we first conduct a desktop review for food, housing, and other costs. We then collect primary data, via focus group discussions and market pricing analysis, to revise and validate the findings.

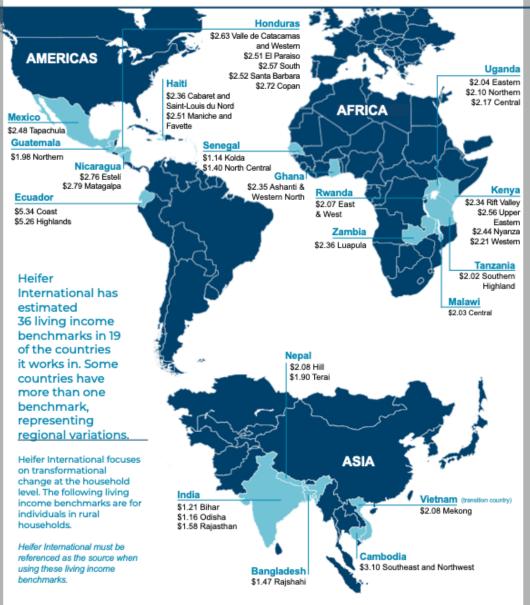
Heifer International's two-step living income benchmark process contextualizes existing data for the food basket, prices of goods, services, and cultural practices, as observed through primary data collection in project areas.

Benchmarks are reviewed annually using secondary data and revised at least every five years with new primary data collection. We continue to update our processes to determine when and where new living income benchmarks are required.

For more information, contact ProgramEffectiveness@heifer.org

REGIONAL LIVING INCOME BENCHMARKS PER PERSON IN EACH HOUSEHOLD PER DAY





Heifer Metrics



Household Transformation Model

Defines Heifer's living income methodology

Business Transformation Model

Defines the more significant systemic changes in Heifer programming to support closing a household's living income gap

Economic Analytics

Drive decision-making towards which commodities have the potential to reach highest thresholds in the market system



LIVING INCOME GAP



LIVING INCOME BENCHMARK



ACTUAL INCOME

Nutritious Low-Cost Diet

Sufficient calories, nutritional value, 11 food groups



LIVING INCOME BENCHMARK

Decent Housing

Basic acceptable housing

Other Basic Needs

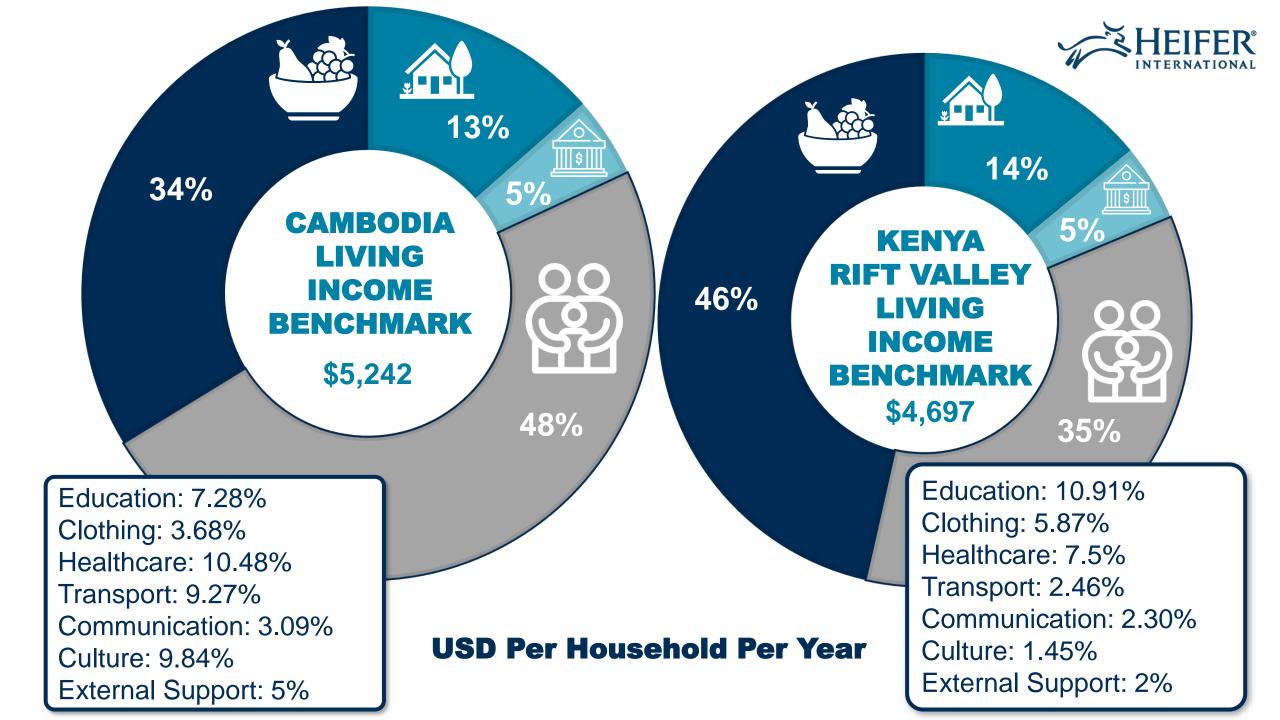
- Education
- Clothing
- Healthcare
- Transport
- Communication
- Culture
- External Support





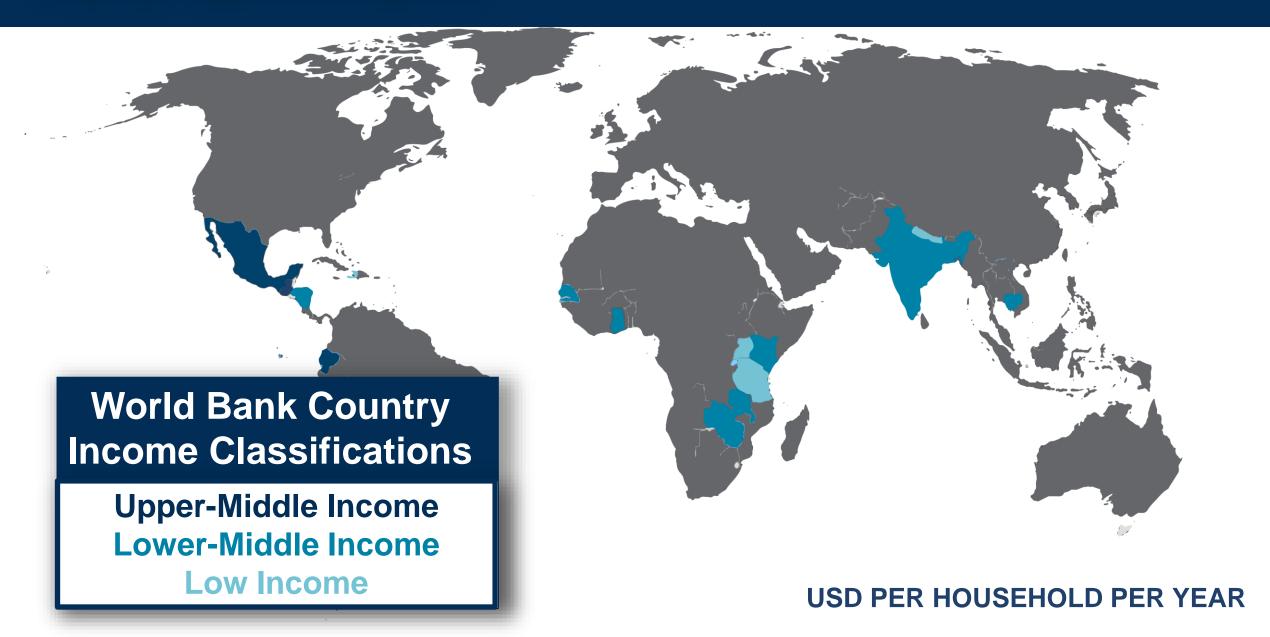
Savings to withstand shocks





Heifer Benchmarks





Heifer Benchmarks





El Paraiso

South

Valle de Catacamas \$4,803

Western Region

\$4,572

\$4,697

\$4,801

World Bank Country Income Classifications

Upper-Middle Income Lower-Middle Income Low Income



Coast \$9,876

Highlands \$8,468



On-Farm Income

Off-Farm Income



Household Transformation Model





GI-03: Months of Adequate Food Provisioning

PEOPLE









GI-04: Women Making Household Decisions Jointly

GI-13: Household Demonstrating Solidarity & Cooperative with Community

PROFIT



GI-01: Actual Income

PLANET





GI-11: Climate Smart Agriculture (CSA)



Business Transformation Model

People/Profit









Administration and Internal Management







Strong and Sustainable Relationships

Profit











Financial Management

Profitable Business Operations

Planet



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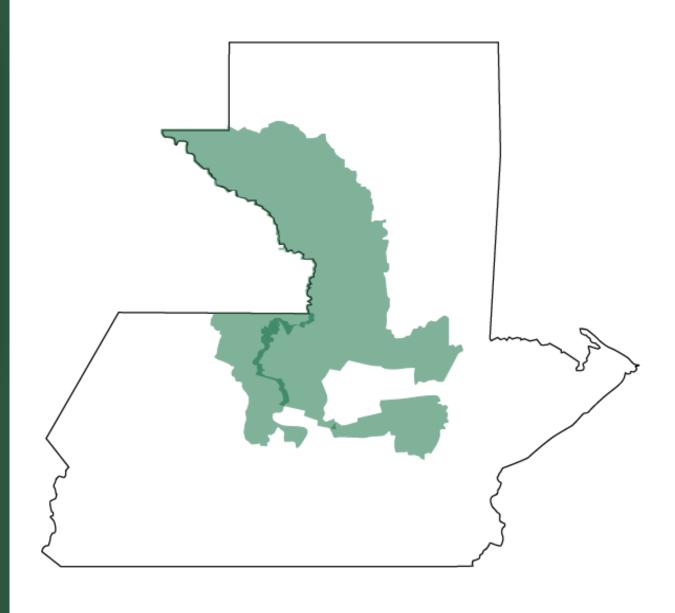
Environmental Management

GUATEMALA GREEN BUSINESS BELT

Spices in the Northern Tropical Forest

6,250 smallholder farming families





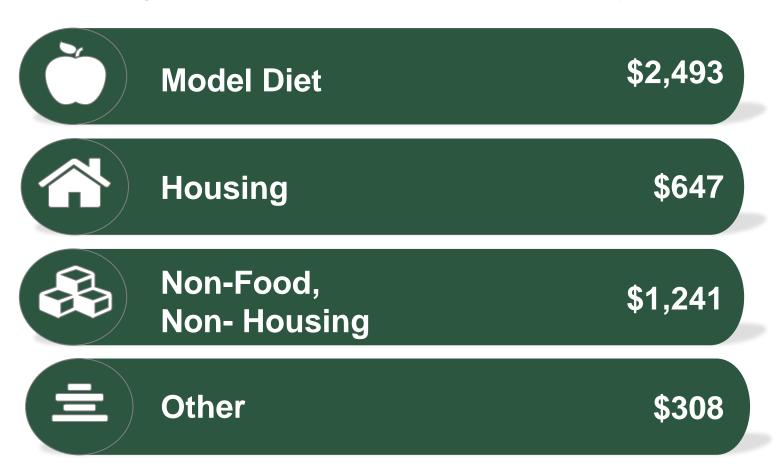
Which strategy are you most focused on to close living income gaps?

- Increasing price
- Increasing target crop productivity
- Income diversification
- Influencing government policy

LIVING INCOME BENCHMARK

Northern Guatemala

Figures are per household (5 members) per year



TOTAL = \$4,689 per household per year

LIVING INCOME BENCHMARK:

\$4,689



ACTUAL INCOME PER HOUSEHOLD:

\$1,800



LIVING INCOME GAP: \$2,889/year







VISION

Strategic Design Guides Analysis

- Choose Commodities
- Market System Map
- Scenarios
 - Environmental Variables
 - Farm Size
 - Types of Organizations

Green Business Belt

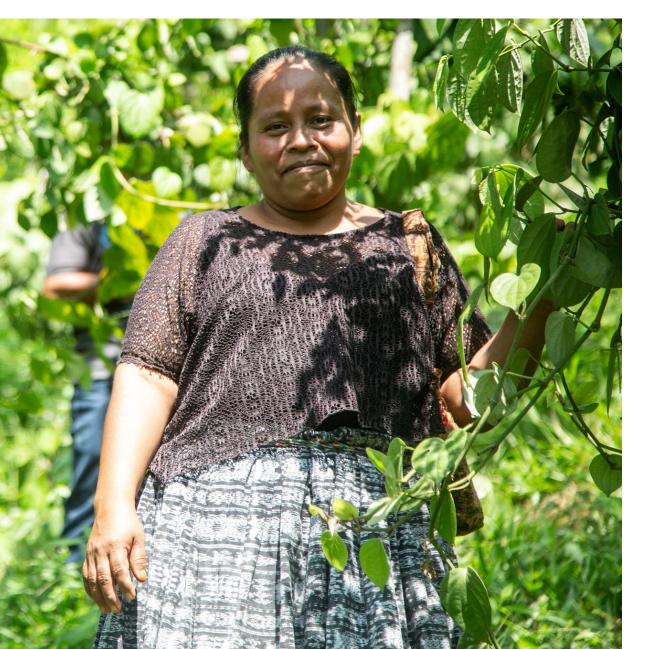


Spices Market System Map

Market Gaps/ Interventions

Specialized Services	Input and Services Providers	Production	Aggregation / Transportation				Final
			Collection	Value Addition	Distribution	Marketing	Consumer (Markets)
	Land size		Local Market				Community
Access to Finance:					Local Market		Member
ePayment	Agriculture Inputs	Household Producers	Farmer Cooperative	Dryers	Broker	Urban Markets	Urban and Peri Urban Consumers
Impact Capital							
	Labor				International Spice Companies		Exported

GREEN BUSINESS BELT





Scenarios

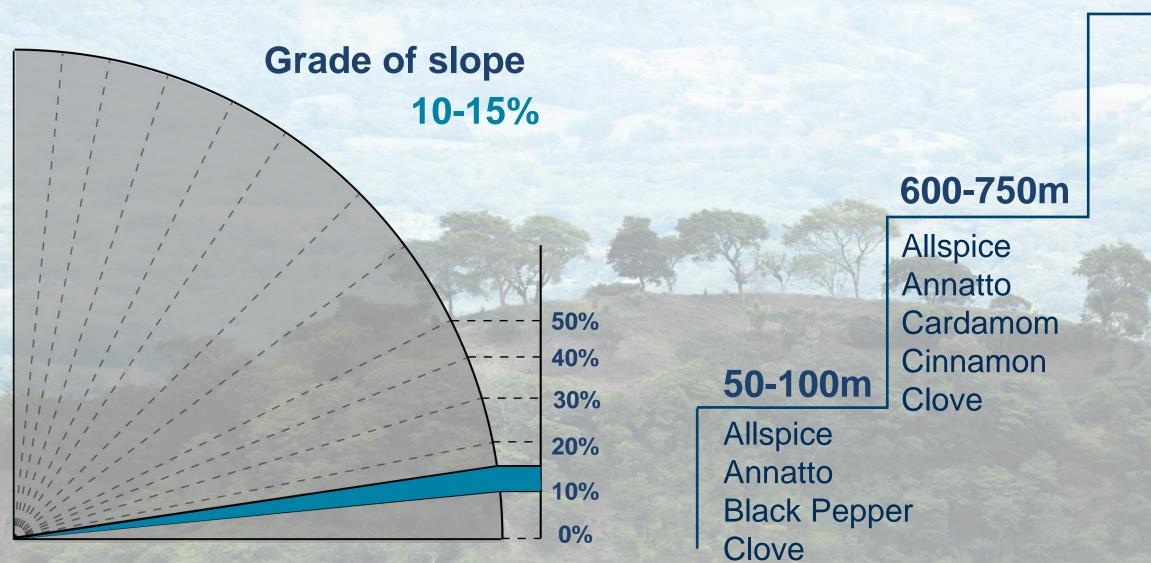
- Annual household income?
- Closing the living income gap?
- How soon can close the living income gap?
- How much finance needed?
- How long need financing?

- √ 13 spice-mix scenarios
- ✓ Identified six high return scenarios

Suitability of spices by slope and elevation of the farm



1500-1600m

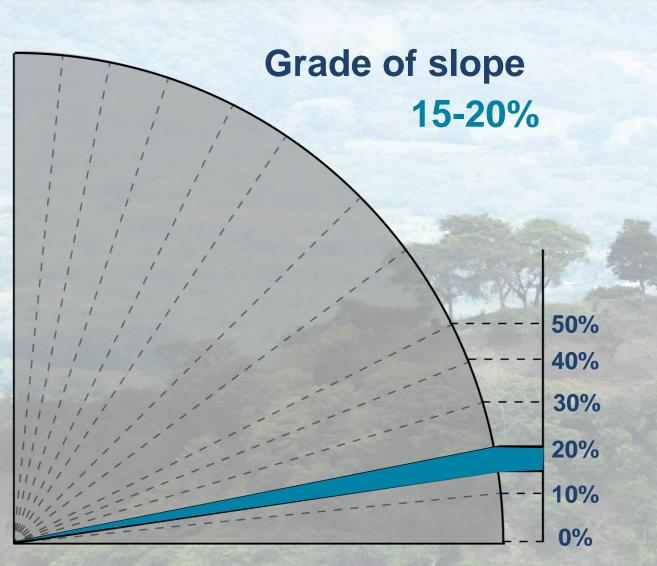


Suitability of spices by slope and elevation of the farm



1500-1600m





600-750m

Allspice Annatto

Cardamom

Cinnamon

Clove

Annatto

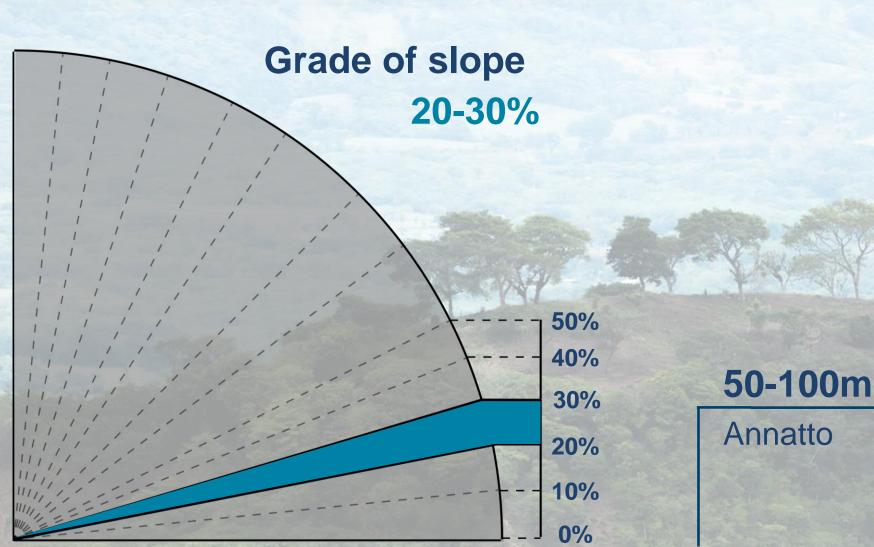
50-100m

Suitability of spices by slope and elevation of the farm



1500-1600m





Allspice Annatto Cardamom

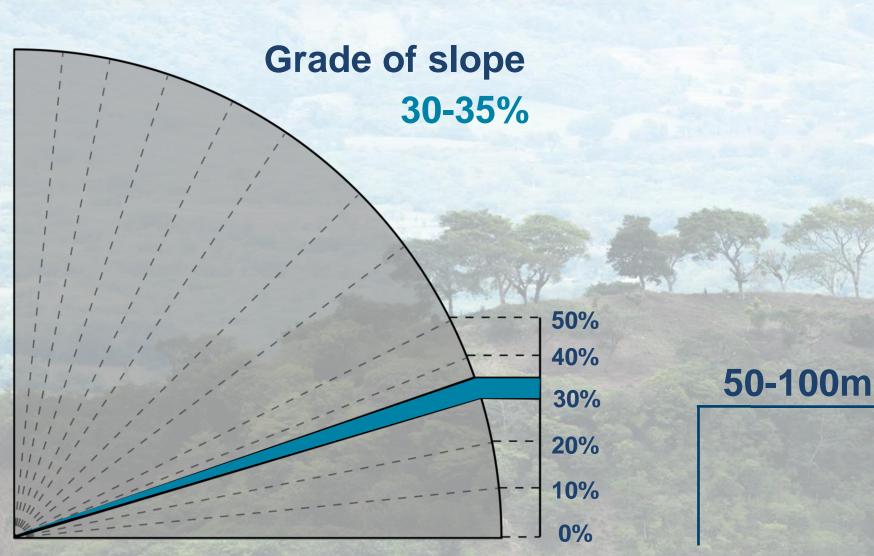
600-750m

Suitability of spices by slope and elevation of the farm



1500-1600m





600-750m

Cardamom

Farm 1 Scenario: Allspice & Black Pepper

Living Income Gap \$2,880

1/4 Acre

Negative cash flow: Y1 to Y2
Total positive cash flow: \$17,362

Does not close the Gap

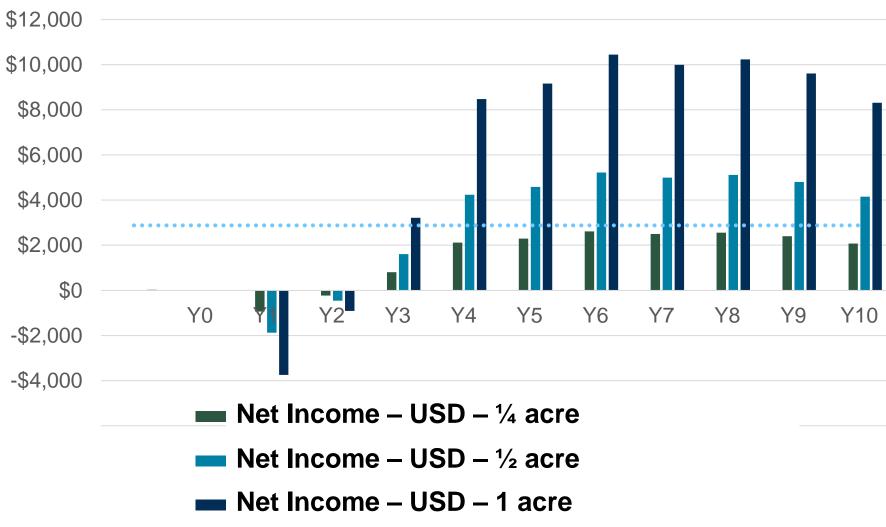
1/2 Acre

Negative cash flow: Y1 to Y2
Total positive cash flow: \$34,724
Closes the Gap in Year 4

1 Acre

Negative cash flow: Y1 to Y2
Total positive cash flow: \$69,448
Closes the Gap in Year 3

Allspice & Black Pepper Net Income Against Living Income Gap



Living Income Gap (USD/household/year)

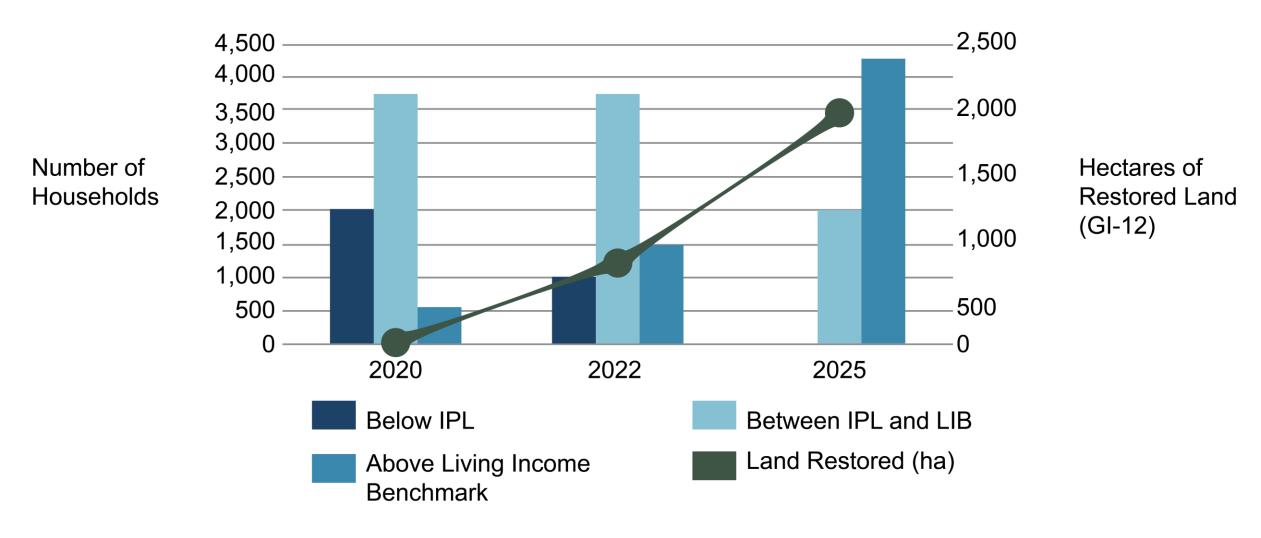
Scenario Analysis



	Acres	Negative Cashflow	Negative Cashflow (USD)	Total Net (USD)	Gap Closed
Typical Farm 1:	1/ ₄ 1/ ₂	Y1 to Y2 Y1 to Y2	(1,164) (2,329)	16,198	- Y4
Allspice, Black Pepper	1	Y1 to Y2	(4,658)	32,395 64,790	Y3
)// / \/\(\)	(0.004)	00.004	
Typical Farm 4:	1/ ₄ 1/ ₂	Y1 to Y3 Y1 to Y3	(2,091) (4,182)	29,264 58,527	Y5 Y4
Allspice, Cinnamon	1	Y1 to Y3	(8,364)	117,055	Y4
	1/4	Y1 to Y2	(1,592)	19,796	Y6
Typical Farm 5: Clove, Black Pepper	1/2	Y1 to Y2	(3,185)	39,591	Y4
Cicvo, Black i oppor	1	Y1 to Y2	(6,370)	79,182	Y4

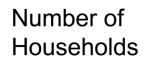
Projections Towards a Living Income

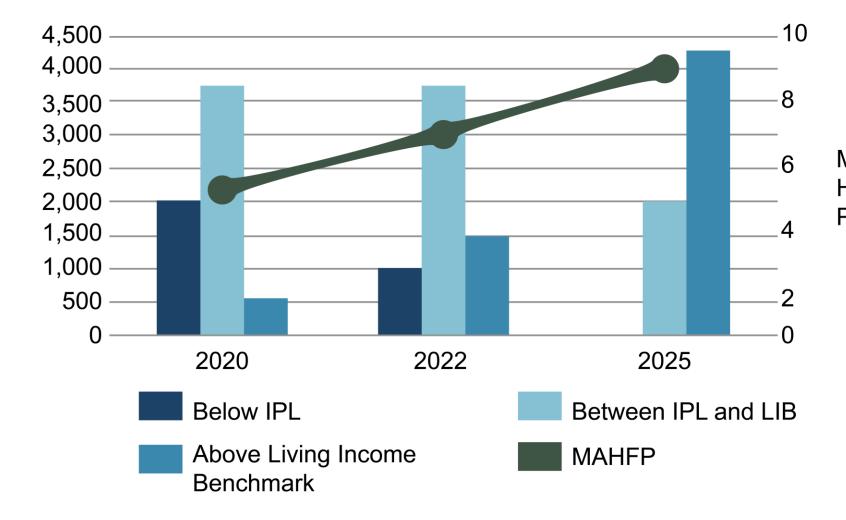




Projections Towards a Living Income







Months of Adequate Household Food Provisioning (GI-03)





Breakout Sessions (20m)

Group 1
Living Income
benchmarks

Group 2
Actual Incomes + modeling
change

Group 3
Learning from Heifer's 36
living income projects

Each has a facilitator and Heifer respondent

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Federal Ministry for Economic Cooperation and Development







Breakout Group Discussions (20 min)

**When you enter the breakout please mute yourself and raise your virtual hand if you wish to provide a point in the conversation.

Discussion questions

- 1. What struck you from the Heifer presentation? What are you most curious about?
- 2. What remaining questions do you have for the Heifer team?
- 3. Does this case raise helpful points for your own living income work? Please share your thoughts











Wrap Up

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Coming Up Next

SAVE THE DATE! June 23rd 2020 1-5pm BST

https://foodlab.wufoo.com/forms/z1m26c ra1vdj26v/

WORKSHOP #3 JUNE 2020

Focus: Strategies to close income gap

- Financing pathways to living income
- Role of Cooperatives to Drive Change
- Pricing (calculation of living income reference prices & macroeconomics)
- Other -TBC

Strategy Discussions hosted by LiCoP members and more!







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Stay informed!

Living income

www.living-income.com

Mailing list: http://eepurl.com/gMKLgT

Linkedin group:

https://www.linkedin.com/groups/13784

101/

Living wage

https://www.globallivingwage.org/

Questions? Email us at:

livingincome@isealalliance.org

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