

Towards a decent standard of living for smallholder farmers

The Living Income Community of Practice



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Living Income Community of Practice Workshop April 7th 2020 **Summary of Session 2: Strategies to Close the Gap**

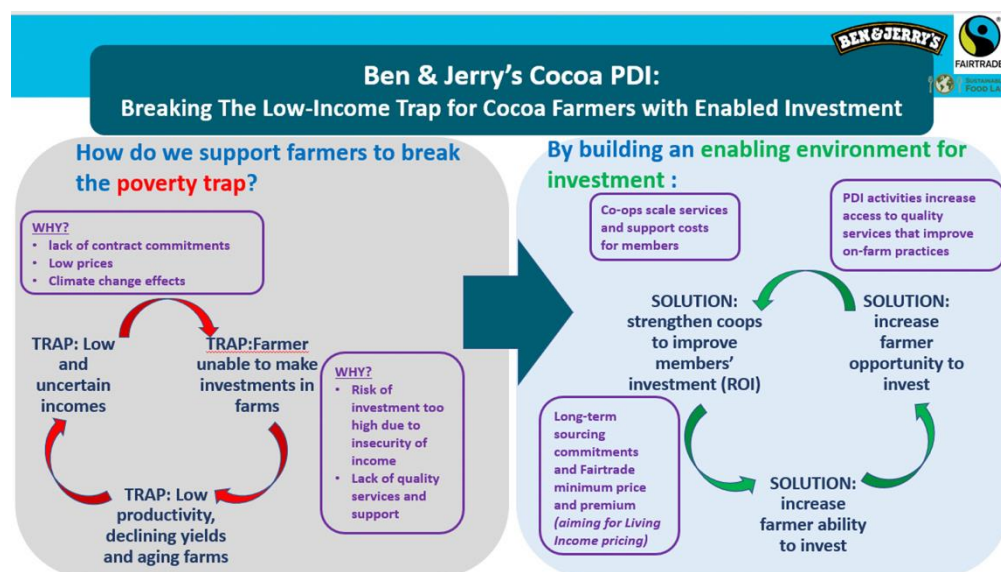
This session was responding to the call from many in the Community of Practice to focus on evidence and examples of strategies with farmers to improve incomes. There are many different strategies that can improve farmer income, and the Food Lab's Don Seville walked through the different types of strategies on farm, value chain, community, landscape and sector levels. Farmers are not all the same, and any holistic living income strategy must consider a smart mix of these levels and types of intervention tailored to different farm and family circumstances.

Strategies to Improve Income

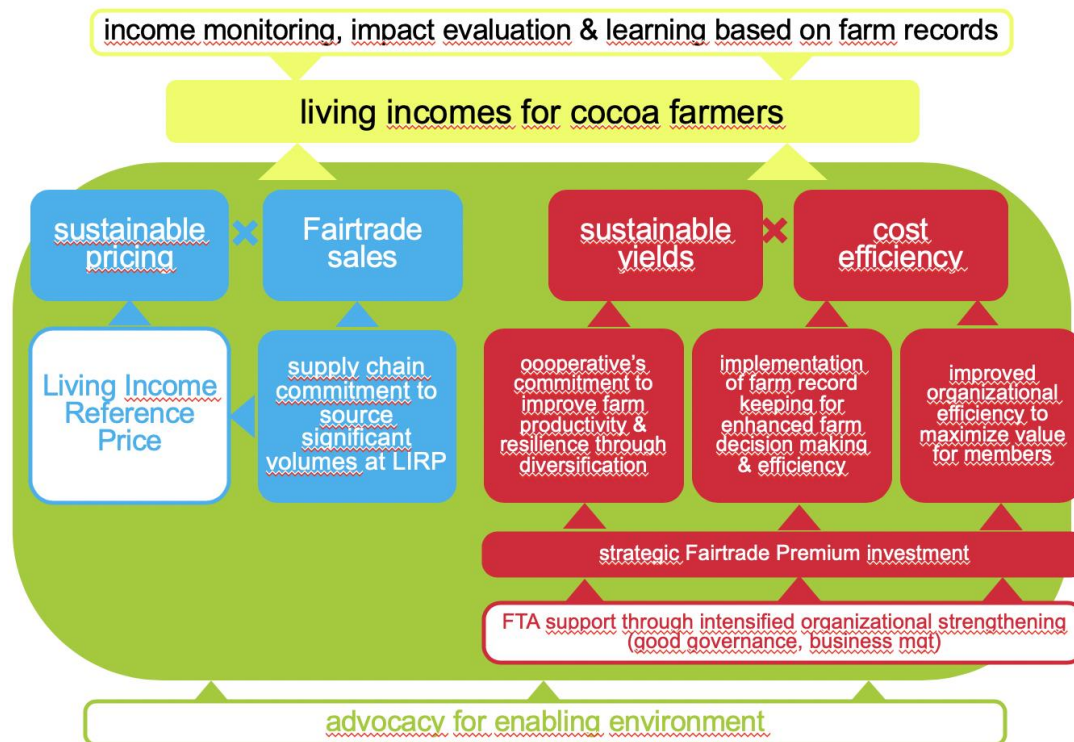


We focused on two corporate – NGO partnerships to look at strategies that are well advanced and have outcome evidence used in the West Africa cocoa sector.

The ice cream company **Ben & Jerry's** partners with Fairtrade in their Producer Development Initiative building on their brand commitment to Linked Prosperity. They combine *long term contracts for FT cooperatives, Fairtrade prices and additional investments for farmer support programs* which the coops help support their members to break the poverty trap and build economic and climate resilience. Their trading practices are integrated with technical support to lower risk and increase the return of farmers' investment in their businesses.



Fairtrade International has had a comprehensive living income strategy for some time, and Carla Veldhuyzen shared the strategy's complementary pillars of sustainable pricing, FT sales, sustainable yields and cost efficiency. These pillars are supported by Fairtrade's advocacy for a supportive enabling environment and MEL structure for learning.



Mars Wrigley has a corporate wide ambition on increased income for farmers, and works towards that ambition through their supply chain transformation strategies and the Farmer Income Lab intended to use the company's broad leverage to increase evidence-based knowledge and solutions for improving farmer income. Inge Jacobs spoke to the Supply Chain strategies of longer sourcing contracts and supplier relationships and their investments in factors that help farmers increase income and assets. They are testing a number of new interventions with the intent of scaling those that have evidence of impact, one of which is setting up Village Savings and Loan Associations (VSLAs) in the communities they source cocoa from.

CARE is Mars Wrigley's NGO partner in the roll-out of VSLAs, which is a strategy used widely in the cocoa and other sectors. Christian Pennotti brought evidence of impact of the VSLAs, which in some cases have increased HH income by 45% and individual savings by 34%. This discussion touched on the very timely topic of how to support rural families to prepare for shocks, like a market collapse or disease outbreak. The economic, social and political gains shown through well-run VSLAs contributes to increasing the assets, income and power held by farming families.

VSLA has enabled significant economic, social and political gains

Economic Impacts

+99% Repayment Rates¹ 

+34% Individual savings² 

 Business ownership³ **2x**

 Household income⁴ **+45%**

Social and Political Benefits

Political Participation

Women elected to public office tripled in CARE areas in Niger.⁵

Reduced Violence

Adding a couple's curriculum reduced violence against women by 55% in groups in Rwanda.⁶

Gender Equality

Women's control over household and agricultural assets **doubled** in Ghana, India, Malawi and Tanzania, **tripled** in Mali.⁷

Child Marriage

Adding health interventions prevented hundreds of child marriages in Ethiopia.⁸

1. VSLA 25th Anniversary Report. CARE, 2016.

2. The Impact of Savings Groups on the Lives of the Rural Poor in Ghana, Malawi and Uganda. Innovations for Poverty Action, 2012.

3. Final Impact Evaluation. Sustainable Access to Financial Services for Investment (SAFI) Project. CARE, 2012.

4. Banking on Change: Breaking the Barriers to Financial Inclusion. CARE International, 2013.

5. Political Consciousness, Leadership and Collective Action in The Mata Mesu Dabara Structures in Niger. CARE, 2017.

6. Impact of Indashyamba. WhatWorks, 2019.

7. The Impact of Savings Groups on the Lives of the Rural Poor in Ghana, Malawi, and Uganda. Innovations for Poverty Action, 2015.

8. TESFA Project Ex-Post Evaluation Report. CARE & Addis Continental, 2017.



(A FEW) DISCUSSION POINTS:

Q: Why are we focusing on non-price strategies like VSLA when the change needs to happen in how multinationals buy goods?

This question was welcomed by our corporate speakers, recognizing that they are sometimes fighting an uphill battle in low priced commodity markets and need strong civil society advocacy to keep the pressure on to be transparent, responsible and responsive. The need for the LI CoP to maintain focus not only on farm level strategies but on pricing, trading practices and sector policies is a critical one. It was also reinforced that price is not the only element in securing a living income for smallholder farmers which is why we are also focusing on other strategies that can contribute to closing the LI gap. Whichever strategy is chosen, caution should be held to consider potential unintended consequences of those strategies at all times.

Q: Has VSLA M&E measured unintended impact on increase in women's workload, time poverty and increase in gender based violence?

CARE has done work to understand the limitations and potential increased pressure or risk that VSLA participation places on women. In response to a number of assessments some years back including this "[Mind the Gap](#)" report from Rwanda as an example, CARE reviewed our core VSLA manuals and revamped them to integrated gender-specific interventions. This shift is combined with CARE's broader program approach, which is grounded in gender context analyses and

includes interventions that compliment VSLAs such as gender committees, engaging male champions and household dialogues. One tool we use that guides this work and may be valuable to this community is the [CARE Gender Marker](#).

Q: What are some of the key factors that lead to the success of a VSLA group in achieving high repayment of loans and investment into businesses as opposed to non-productive activities?

Loan repayment rates are high for a few reasons including the trust- and community-based nature of the groups. These are individuals who come together to make mutual commitments to each other and have strong social as well as economic incentives to honor those. Economically, the potential loss of access to VSLA membership and/or resources in the future is a key motivator. On the other side though, groups are very understanding of personal situations and loan deferrals and/or 'refinancing' is common. But members have a hard date – cycle end – by which loans must be repaid or the balance may be deducted from their savings. Regarding investment, members put forward lending requests that often but not always are economic / 'productive' but groups are ultimately focused on ability to repay. If a member needs a loan today to pay school fees but everyone knows they will be harvesting their crops in a few weeks' time, they will approve the loan.

Q: Does Fairtrade now require paying the living income reference price?

Carla explained that this was a directional guide for Fairtrade certified companies to understand the prices needed for farmers to make a living income. They are testing this pricing model with a number of buyers who commit to pay the LIRP on a voluntary basis, such as Tony's Chocolonely, but it is not yet a requirement in the standard.

Q: How do you ensure that higher FOB prices paid to cooperatives result in higher incomes for farmers?

Transparency of farmgate prices in cocoa and other sectors remains an ongoing challenge. Fairtrade has some auditing mechanisms in place to verify that the price difference between the Fairtrade Minimum Price and the market price is transferred to the farmers. but there is need to bolster this system, especially with the new Living Income Differential farmgate pricing for cocoa in the upcoming season in Ghana and Cote d'Ivoire.

Q: Are there any practical examples of how to overcome the issues posed by antitrust regulation when discussing living income (and therefore prices) within the context of multistakeholder initiatives?

Fairtrade Advocacy is working on the process of getting legal precedent established in European courts to allow companies to collaborate for sustainability goals and not be sued on antitrust grounds. http://fairtrade-advocacy.org/wp-content/uploads/2019/04/FTAO-Briefing-note-Competition-Law-and-Sustainability_Addressing-the-Broken-Links.pdf