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Let's link producers to buyers

Value chains: An economic approach to improve the resilience of rural households

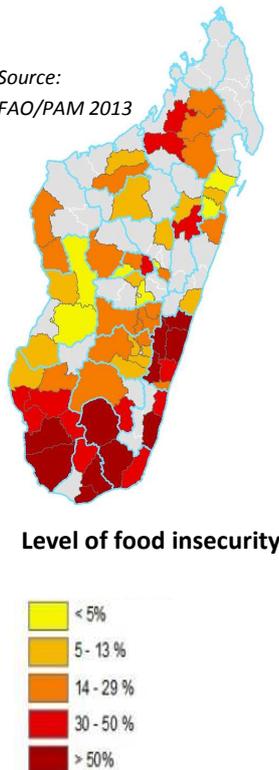
Diagram

Project name	Improving resilience through the development of valuechains in the southern part of South-East Madagascar
Commissioned by	the European Union (EU) and the German Federal Ministry for Economic Cooperation and Development (BMZ)
Region	Madagascar: Androy, Anosy and Atsimo Antsinanana regions
Implemented by	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Duration	October 2012 – July 2016

Background

The Androy, Anosy and Southern Atsimo-Antsinanana regions are some of the poorest areas on the island. They are geographically isolated and this large area is regularly exposed to natural disasters. The population often faces severe food shortages. According to UNICEF, in 2011 68% of households in these areas suffered from food insecurity. Even if this is mainly an agricultural population, their production is still insufficient. In addition, the lack of adequate infrastructure in the region and political instability since 2009 has been detriment to private investment. On top of this, there is a lack of reliable and up to date information on market conditions. However, there is an agricultural potential and promising sectors could be developed which would generate additional income for farmers in these areas.

Source: FAO/PAM 2013



Objective

The project's overall objective is to improve the rural population's resilience to food insecurity by increasing their income through Castor oil plant, Honey, Beans and Goat value chains. GIZ is contributing to the Androy, Anosy and Atsimo-



Antsinanana regions' economic development and aims to integrate mainly vulnerable households in these chains, especially households run by a woman. GIZ has selected high potential sectors and wants to make sure that they can adapt to climate change. The project is part of the Food Security Improvement and Increased Agricultural Income Program (ASARA) which has been implemented by the European Union in the South of Madagascar.

Our approach

Producers in rural areas often find it difficult to market their products. There is no official partnership between operators and producers as the producers often do not know anything about existing businesses. Moreover, a lack in organizational skills makes it difficult to finalize collective agreements with producers. In short, as the culture of negotiation is not developed enough for companies to manage the quality and quantity of agricultural products, producers have to agree to sell their products at a lower price than initially expected. Therefore, a key element of GIZ's approach is to mobilize the private players and connect them to rural producers so that both parties can benefit. On the one hand, producers become more professional and adapt their production to



the companies' needs. This enables them to increase their income through these new opportunities. On the other hand, companies have a stable raw material supply and thus can make significant gains. This system for improving agricultural revenues is very different from the traditional approach. Instead of just backing production and then realizing that there are no markets, GIZ starts at the beginning of the chain. Therefore, one of the first steps in the project is to identify market opportunities. The project received over 60 proposals submitted by companies and farmers as well as prior market studies and identified four promising sectors to promote: *Castor oil, honey, beans and goats*.

For this project to succeed, it is essential that partnerships are created between producers and private operators.

Right from the start, for example the regional authorities took the responsibility of establishing a development plan for the value chain. This means that visions are shared, everyone's responsibilities are clarified and synergies are created.

Results and prospects

Currently, GIZ has drawn up regional development plans for castor oil plant and honey. Monitoring and steering committees have been put in place to ensure that the objectives are achieved. Several partnerships with the private sector have started. The Beans and Goat chains are in the launching phase, a workshop is going to take place shortly to mobilise respective partners in each sector. The project has so far reached more than 6,600 households in the southern part of South-East Madagascar. By the end of the project, in July 2016, it is anticipated that at least 20,000 households will be integrated into these chains. It is the women, in 15 to 20% of the targeted households, who are in charge of providing for the family.



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