

# ACCELERATING CHANGE FOR CLOSING LIVING INCOME GAPS

First results of a Multi-Stakeholder Framework  
for Action to guide collaborative interventions

WORKING PAPER

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the sustainable  
trade initiative



WAGENINGEN  
UNIVERSITY & RESEARCH

# A multi-stakeholder framework for action to close living income gaps

## 1. Reconfiguring the system to close living income gaps among farming households

The time for closing living income gaps for smallholder households is now. The economic effects of the pandemic and climate change, increasing food and input prices, and rampant volatility in a system already not equally and fairly distributing value and risk, put undue pressure on households in commodity sectors.

Though smallholders shoulder the greatest amount of risk, they receive a small percentage of the total profits generated across the value chain including the product's final value. Inequitable value and risk distribution in value chains is a serious problem that needs to be addressed.

For example, coffee households regularly receive less than 10% of the final value of a bag of coffee, despite the fact that coffee prices on the global market recently surpassed a 10-year high. Most coffee-farming households and their families continue to live well below recognized living income standards. A 2019 report found that 80% of Colombian households earn less than a living income, with 73% living below the poverty line, despite well-organized support for the coffee sector by the Colombian government.

In Côte d'Ivoire, the average cocoa farming household needs 6,134 euro a year to achieve a decent livelihood. Unfortunately, most farming households earn just 50% of that amount.

Even in optimal conditions, high prices may be insufficient for achieving a living income. A living income hinges on a number of factors, including market prices, specific conditions at the household level, such as production costs, land size and yield, and the availability of opportunities for alternative-income.

***“It is time for more impactful collaboration among stakeholders. We urge all stakeholders to step out of their comfort zones and join us in transforming barriers into bridges to close living income gaps”***

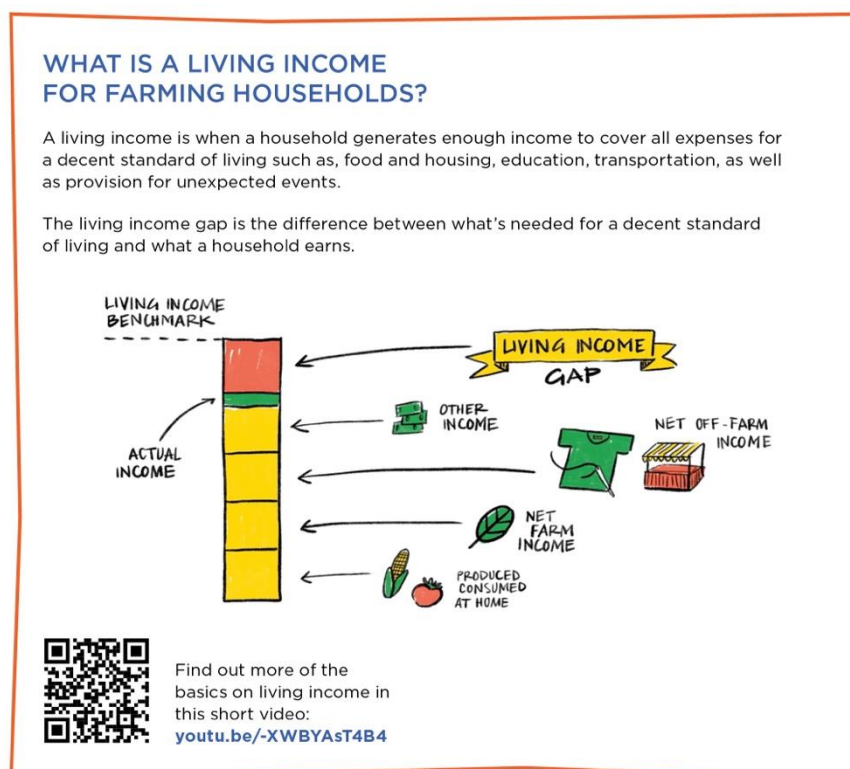
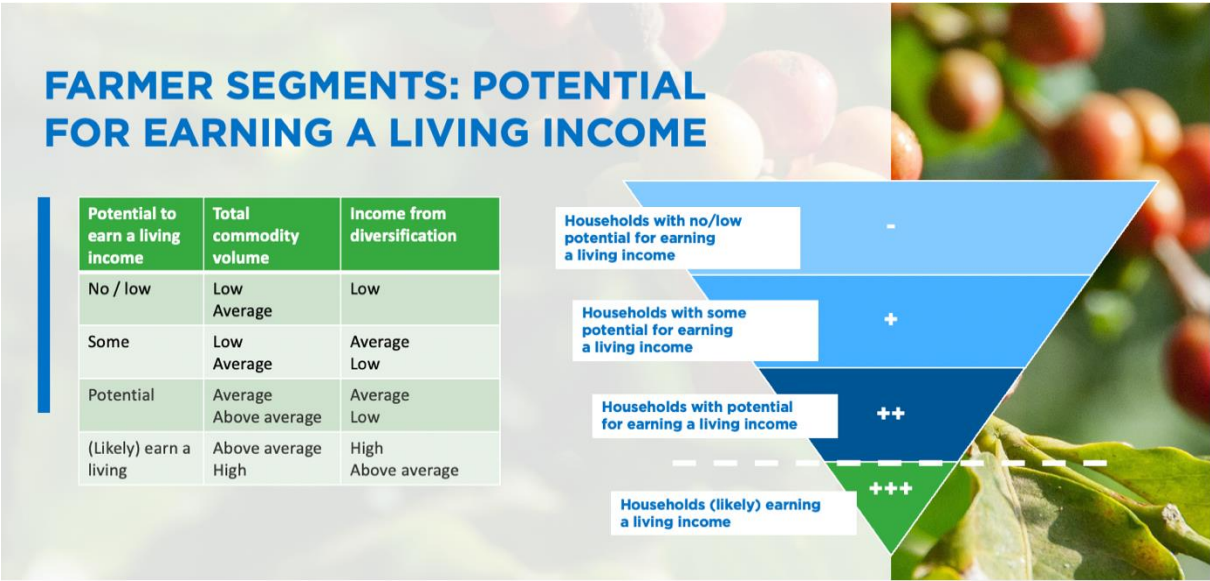


Figure 1:  
What is a living income?

**HOUSEHOLD SEGMENTATION KEY TO CLOSE LIVING INCOME GAPS**

There is huge variability in farm and household characteristics among smallholders. This includes farm size, the capacity for investment, the total commodity volume produced, and overall household income. In some commodity sectors, living income gaps can vary between 50 USD and 10,000 USD per household per year. An accurate household segmentation is key to applying living income interventions that are appropriate for the different farms and households. Especially in the case of the poorest households, multiple stakeholders need to work together to close the living income gap.

*Figure 2: Households have different potential for achieving a living income. The majority of households in a commodity sector have no, a low, or some potential to achieve a living income. Characteristics of the different segments is based on preliminary evidence based on information from cocoa, coffee and tea sectors.*



**2. Towards a Multi-stakeholder Framework for Action to close living income gaps**

**PERSISTENT SUSTAINABILITY PROBLEMS REQUIRE SIMULTANEOUS, COORDINATED APPROACHES AMONG STAKEHOLDER GROUPS**

If persistent sustainability problems in a certain sector are due to structural weaknesses (as with smallholder household poverty), coordinated approaches among stakeholder groups are needed to make significant progress. We know that different types of household segments may require action and collaboration among different types of stakeholders. We want to accelerate the discussion and understanding of roles and responsibilities, especially for the poorer/poorest household segments, on what each stakeholder can do (by themselves and in collaboration) through a multi-stakeholder framework for action to close living income gaps.

**WHAT ACTIONS HAVE THE GREATEST CHANCE OF SUCCESS IN THE SHORT AND LONGER TERM?**

The multi-stakeholder framework for action, which IDH and WUR are co-developing with other stakeholders, supports the discovery of pathways for improvement in various types of farming households, including the design of concrete interventions and collaborations. It is based on a shared understanding of the challenges and opportunities for improvement among stakeholders. And it affords clarity on the roles and responsibilities of stakeholders, either as single parties or in partnership. With the creation of the multi-stakeholder framework for action we aim to trigger serious reflection and action on what is possible for farming household segments to close living income gaps.

The draft multi-stakeholder framework for action is embedded in the Living Income Roadmap, with focus in Step 4: Close the gap and track progress. IDH has developed the Living Income Roadmap to support key stakeholders (private sector, public sector, financiers and NGOs and CSOs) as they develop actions to close [living income gaps](#). Key strategic partners of the Living Income Roadmap are the Steering Committee Members; Mars, Nestlé, Nespresso, OFI, Symrise, Touton, Unilever; Living Income Community Of Practice (LICOP), Business Commission to Tackle Inequality, Farmer Income Lab and Wageningen University Research (WUR). The roadmap offers concrete tools, guidance and resources, which are always evolving based on new evidence, testing and iterations on tools, and stakeholder innovation and investment.

## **PRESENTATION OF INITIAL RESULTS AS WELL AS THE PROCESS TO CREATE THE FRAMEWORK FOR ACTION**

In this document, we explain the process for creating this multi-stakeholder framework for action and share the initial results to foster discussion and obtain feedback.

### **3. How to achieve a Framework for Action?**

#### **CO-CREATION PROCESS AND THE RESULTS**

The visual below is an overview of the process for co-developing a multi-stakeholder framework for action to close living income gaps. We began collecting the evidence base on root causes, and barriers and opportunities for significant income improvement. This information, which was collated and analyzed, provided entry points for the co-creation process. We discussed several touchpoints with stakeholder groups and individuals on the barriers and where they could do more and what they would need from others to do so:

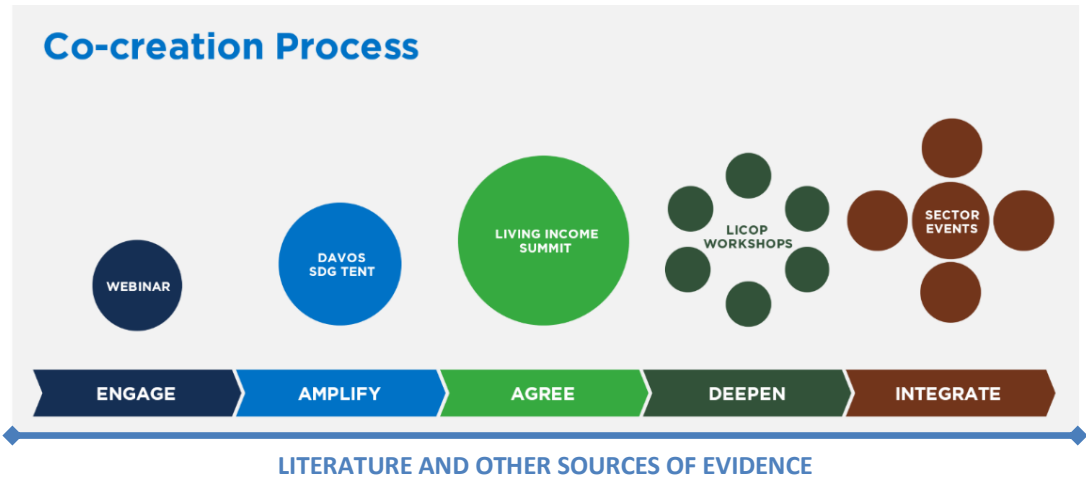
1. The Living Income Webinar for the private sector (March 2022)
2. A virtual session with Living Income Roadmap Steering Committee members, LICOP and BCTI (March 2022)
3. A virtual session with NGOs and CSOs organised together with LICOP (May 2022)
4. A face to face Living Income session in the SDG tent at the World Economic Forum in Davos (May 2022)
5. Several bi-lateral interviews with government representatives, brands, traders, investors and financial service providers, NGOs and CSOs (March – June 2022)
6. Discussions with farmer organisations from the cocoa sector in Côte d' Ivoire (June 2022)

Upcoming moments of engagements include:

1. The Living Income Summit (June 2022) and sector specific discussions during the week of the summit
2. Two workshops organized by LICOP (June 2022) in which IDH and WUR will participate, learn and contribute
3. A high-level meeting organized by the German and Dutch Governments (June 2022) on Living Income and Living Wages where IDH and WUR will participate, learn and contribute.
4. Sector specific conversations / events as part of the co-creation process
5. Engagement with farmers and households will also be undertaken.

All the touchpoints provide opportunities to share evidence and lessons learnt with stakeholders and collect input for creating a Multi Stakeholder Framework for Action. The current working paper summarises those results of this process that can be recorded. At the end of the process, a full paper will be published. This paper includes guidance on decision-making for individual stakeholders and collaborations.

Figure 2: the co-creation process of the Multi-stakeholder Framework for Action



**PARTNERS IN THE CO-CREATION PROCESS**

IDH, WUR and the Steering Committee of the Living Income Roadmap have teamed up with LICOP as a strategic partner in the co-creation journey to develop a multi-stakeholder framework for action to close living income gaps. Other strategic partners are BCTI and Farmer Income Lab (FIL).

**PARTNERS IN THE PROCESS**

IDH has developed a Living Income Roadmap to support key stakeholders (private sector, public sector, financiers and NGOs and CSOs) on sector how to take actions to close the living income gaps. IDH is actively working with key private and public partners in amongst others the coffee, cocoa and spices sector to develop smart mixes of strategies to close living income gaps.

Wageningen University & Research aims to contribute to achieve a living income for the millions of people working in agriculture who are currently not earning a living income or living wage. Because earning a decent (living) income is a human right. WUR evaluates the impact of current and future policies, innovations and interventions on smallholder farming family livelihoods. By offering evidence based recommendations for policy makers, agri and food companies, ngo’s and foundations, WUR support them in closing the living income gaps for different types of farming families as well as workers in agri and food sectors. Finally, WUR also supports processes to enhance the resilience of sectors.

The Living Income Community of Practice (LICOP) is a multi-actor, multi sector platform that provides a neutral space for stakeholders to come together to deepen their knowledge on critical issues linked to living income and identify means of collaboration to create change and improve their impact. They actively engage with the various initiatives also working in this space (i.e. ALIGN, GLWC, OECD, GIZ, WBCSD and IDH) to ensure clarity and consistency in messaging when making progress on living income. They are made up of a governance structure consisting of an advisory board and a technical advisory committee, of which IDH is a part of both and WUR is part of the technical advisory committee. Their foundational resources provide guidance on the living income concept, embedding a living income strategy as well as providing and aligned approach to measurement.

Both IDH, and LICOP and WUR reach across multiple sectors to amplify evidence-based learning between actors and sectors. Whilst IDH continues to drive for a commitment action pathway through convening stakeholders across and within sectors, and co-investing in data-informed and strategic actions, LICOP continues its leadership on technical aspects of living income and the facilitation of learnings in open and inclusive fora. WUR contributes through knowledge development and transfer, providing the evidence base on what interventions and policies work for different target groups to enable decision making on policy design and implementation.

## 4. Draft results

### 4.1 The need to work on system change

#### THE CURRENT WAY OF WORKING DOES NOT ALLOW FOR POVERTY ALLEVIATION AT SCALE

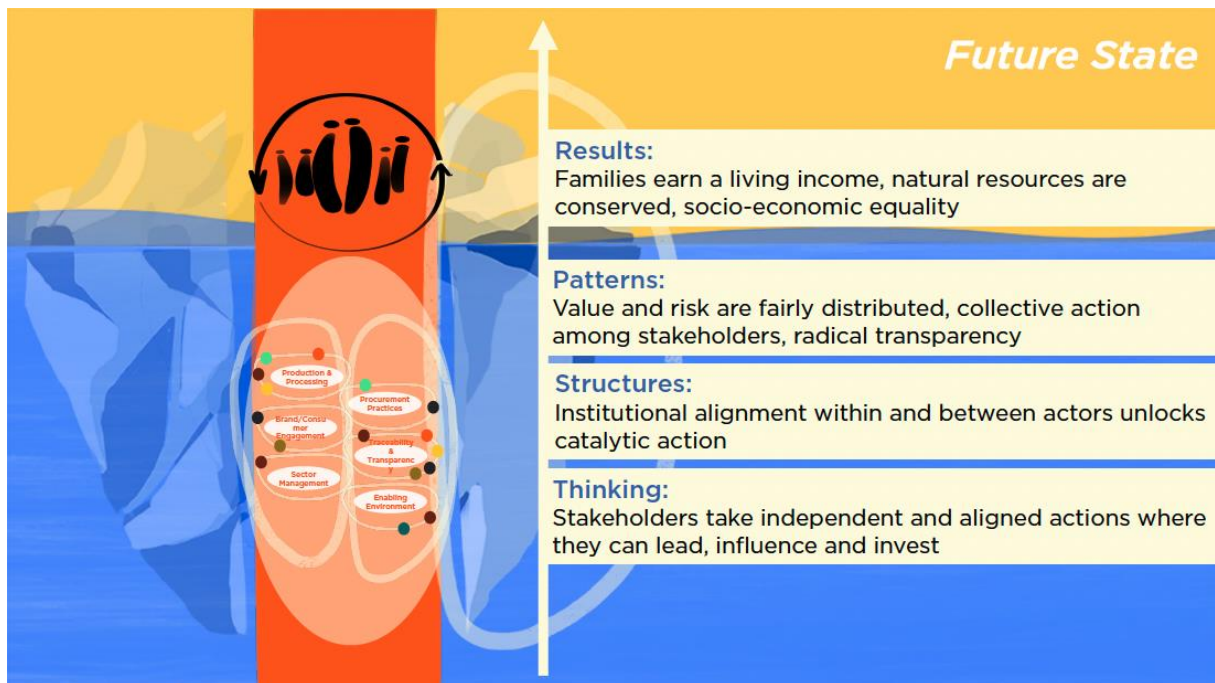
There are several patterns and structures in our system that result in large living income gaps, climate & natural resource crises, and inequality. There is currently no shared understanding of the root causes of poverty and how to address them. Often stakeholders attempting to address poverty are limited in their ability to deliver due to misalignment among departments within institutions and companies, a lack of trust among stakeholders, or deep-rooted power imbalances. Currently, there is a general belief that poverty cannot be solved, yet we continue working on it, often in isolation. These patterns and ways of thinking needs to change.

In the current state, most stakeholders assume traditional or somewhat narrow roles in their strategies to contribute to closing living income gaps. These roles typically focus on productivity improvements, premium payments, and on-farm diversification for resilience. Though such singular interventions help, they are insufficient for closing living income gaps for most households.

#### BUT WE CAN CREATE A DIFFERENT SYSTEM WITH A DECENT STANDARD OF LIVING FOR ALL

A new order is possible. We can create a different system with a decent standard of living for all, a system where the natural environment is conserved or enhanced. This requires individual action by all stakeholders, but also needs more coordinated and aligned actions that are taken together.

Figure 3: The desired future state





## 4.2 Key enabling principles for the desired system to materialize

In our work imagining a future state of the system where families earn a living income, natural resources are conserved, and socio-economic equality is the norm, we identified several key enabling principles to achieve the desired system:

1. **Farmer and household involvement in intervention and policy development** - Currently farmers' and household voices and needs are often insufficiently included. Stronger farmer/household representation and farmer organisations are important enablers.
2. **Traceability throughout the supply chain** - Information on whom is sourced from, how much, the prices that are paid and what payment conditions are applied is crucial for effective interventions.
3. **Internal alignment & incentives within organizations** - Effective interventions require that all departments within an organization (be it government, private sector, NGOs, etc.) are working towards the same goals, and proper incentives are connected to such goals.
4. **Alignment among stakeholders** - When multiple stakeholders work together, alignment is key to ensuring that the design and implementation is effective and efficient.
5. **Long-term supplier relationships** - The development of long-term relationships among suppliers and buyers at all levels is found to be a key enabler for effective collaboration.
6. **Transparency and knowledge sharing** - This is most effective if done across the stakeholder ecosystem, but especially important between direct partners and farmers and households. This includes standardized information from monitoring and evaluation.
7. **Commitment to finding solutions for the poorest households** - Systems change is required to achieve a living income for all, especially with the complex challenges faced by the poorest.

## 4.3 Intervention areas and roles of different stakeholders

A smart mix of strategies is needed to close the gap and move to this new system, and all stakeholders play a different role. We categorized six areas of interventions, and for each area we identify which groups of stakeholders could *take the lead* in direct action and/or through investment. There are also areas where stakeholders can influence, but those have been excluded in this material.

We identify the following six intervention areas.

1. **Enabling environment** - The range of factors that together create the context in which different stakeholders operate, and which can facilitate production, sourcing, processing, service provision and marketing;
2. **Sector management** - Strategies and actions requiring alignment, coordination and/or collaboration across the sector;
3. **Traceability and transparency** - Efforts and technologies that enable information to be shared across the value chain and among stakeholders;
4. **Production and processing** - Engagement between private sector or government and households/farmer groups at origin, focusing on production and processing;
5. **Procurement practice** - Sourcing principles and actions;
6. **Brand/consumer engagement** - Efforts around marketing, branding and product innovation.

Figure 4: Stakeholders who could take the lead per intervention area



#### 4.4 Income drivers and the role of different stakeholders per income driver

In the design of interventions, it is important to have clarity on which household segments are targeted and which income drivers will be influenced. Income drivers are important elements that drive total net household income. We identified five key drivers of total net household income; land, volume, price, cost of production, and alternative income sources. For closing the living income gap, we need to look at the current state of each income driver, and how much improvement is practically achievable for each driver, preferably per household segment. The degree to which each can be improved, and what the achievable level is, should be assessed based on the sector, supply chain and local context.

Figure 5: Five income drivers and their characteristics

### Income drivers overview





We have identified three roles that stakeholders can play per income driver: lead, invest or influence . See Figure 6 and Annex 2. When looking at which roles each stakeholder group can play, we find that both manufacturer/retail and investors can invest in all income driver activities. Furthermore, several stakeholders could lead on actions related to a single income driver. It appears that because of the varying spheres of influence in different stakeholders, collaboration among several stakeholders to target one income driver would generate the best results per income driver. For the best results in closing living income gaps of the poorest half of the households, multiple income drivers need to be addressed at the same time.

Figure 6: what specific roles different stakeholders can play per income driver



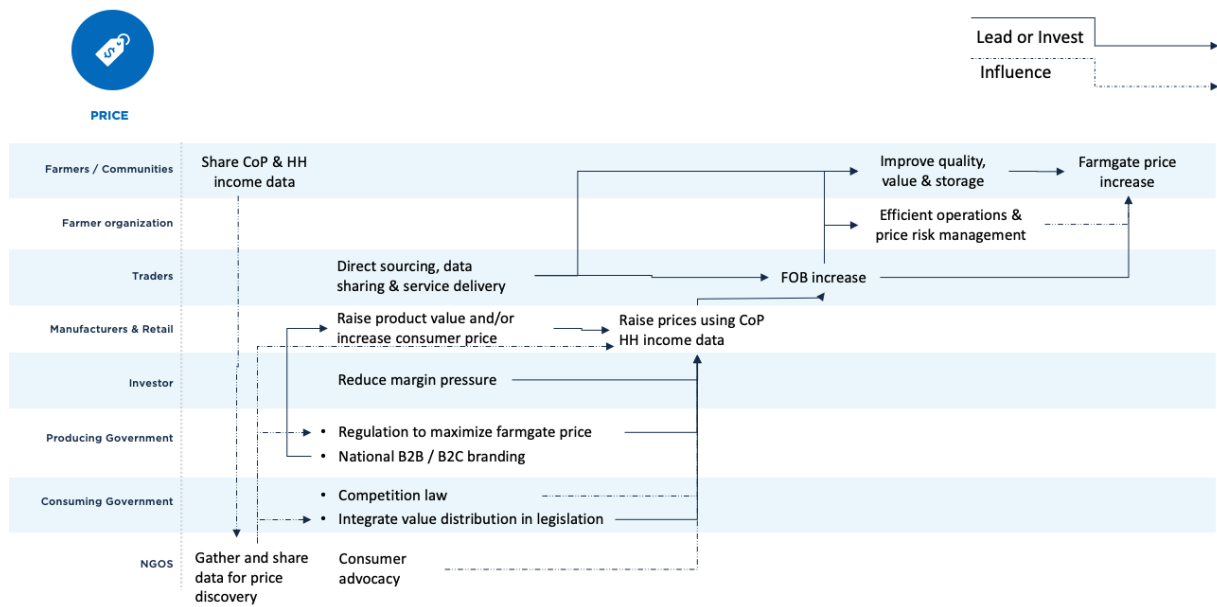
4.5 Multiple actions by multiple stakeholders: Examples per income driver

To be able to close living income gaps for different smallholder farmer household segments, we need multiple actions by multiple stakeholders. Sometimes such actions are sequenced, sometimes the actions will happen in parallel. Often actions of different stakeholders influence the actions of others.

The overview below in Figure 7 features a first reflection on what actions can be taken on the income driver ‘Price’. This overview does not intend to be exhaustive, rather it gives a first indication of what actions can be helpful, by which stakeholder, and how the actions influence each other. And it shows that action from multiple stakeholders is required to maximize farm gate prices.

The following actions are envisioned: **NGOs** can collect and aggregate household income and cost of production data, which can influence **producing country government’s** pricing regulation, **consuming country government’s** value distribution legislation, and market prices offered by **retailers and manufacturers**, within and beyond legislative minimums. These market price rises can increase Free on Board (FOB) price to **traders**, which is passed on to **farmer organizations** and **farming households**. Prices can also be influenced by **investors** reducing margin pressure on their investees. When farmer organizations operate efficiently and households can manage quality, value addition and storage capabilities, they can retain more of the increased FOB price at farmgate.

Figure 7: Example actions per stakeholder group for the income driver “Price”



**Reading guide for Figure 7:**

- Stakeholders are separated by rows, with farmers at the top, followed by supply chain actors, governments and NGOs. All actions in a given row link to that stakeholder. For example, farmers and communities can share cost of production and household income data; whereas traders can source directly, share data and deliver services; and investors can reduce margin pressure on their investees.
- Actions are roughly organized by timing and interaction between actions, with the left side as the beginning and most catalytic actions that influence actions further to the right.
- Solid arrows indicate actions that require investment and/or leadership by the stakeholder, whereas dotted lines indicate that an action influences other actions, but perhaps without the same power or financial investment as other actions.
- When there are actions overlapping across rows, this indicates that the action can be taken by multiple stakeholders linked to the row. This occurs in the land, volume and cost of production drivers shared in Annex 1 on the next pages.

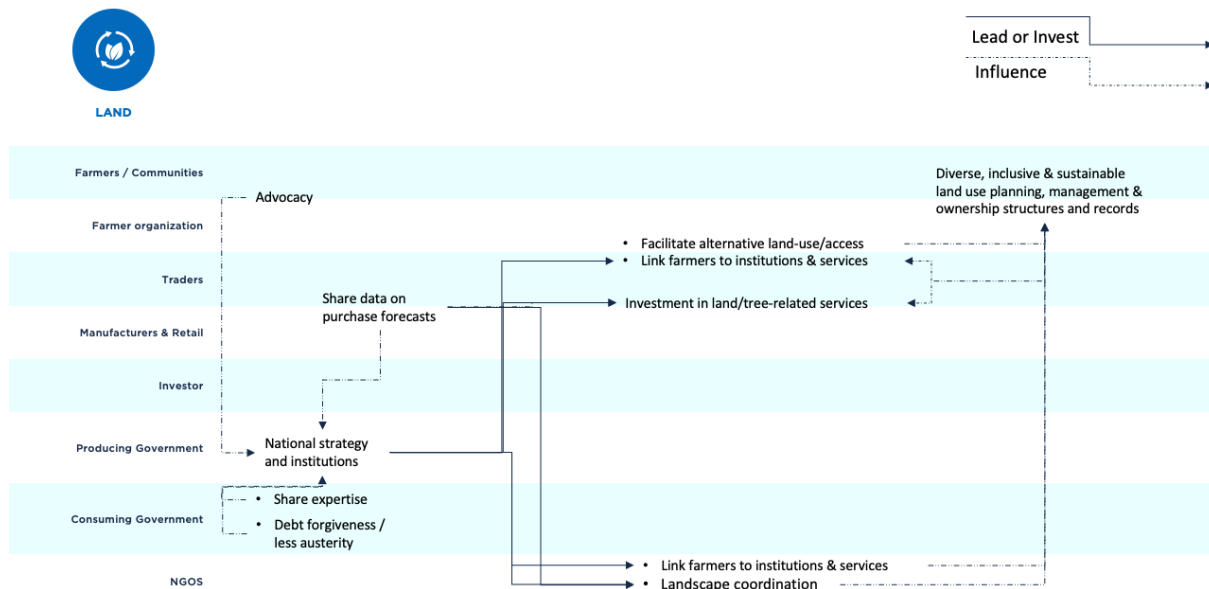
## Annex 1: Initial overview of actions by different stakeholders per income driver

### Reading guide for Figures 8-10:

- Stakeholders are separated by rows, with farmers at the top, followed by supply chain actors, governments and NGOs. All actions in a given row link to that stakeholder.
- Actions are roughly organized by timing and interaction between actions, with the left side as the beginning and most catalytic actions that influence actions further to the right.
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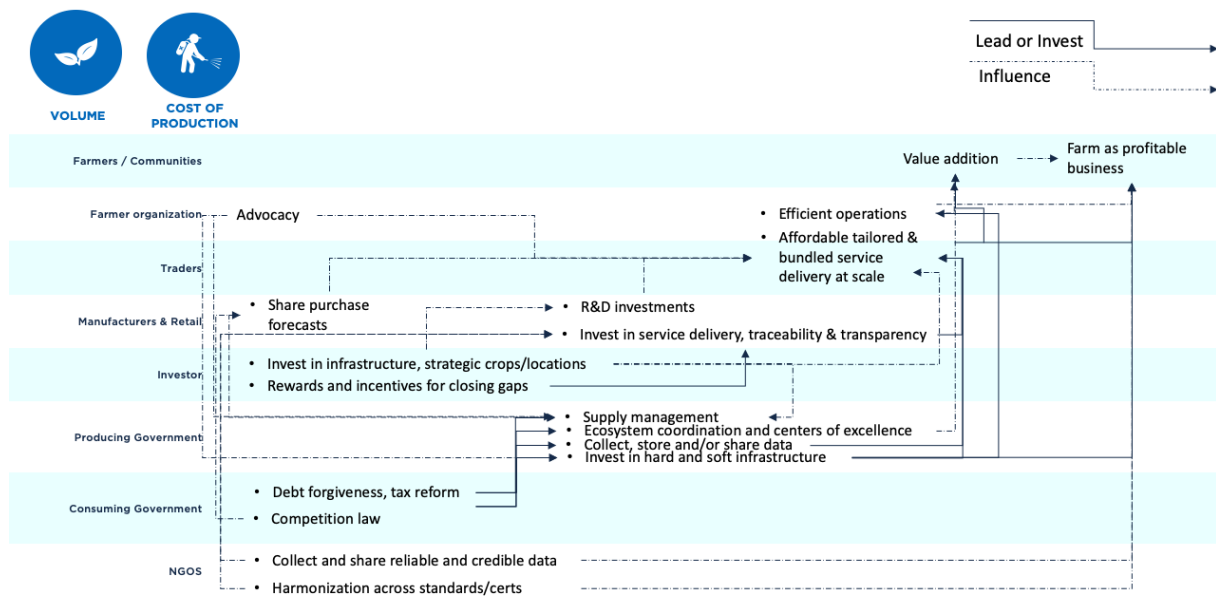
### INCOME DRIVER: LAND

Figure 8: Example actions per stakeholder group for the income driver "Land"



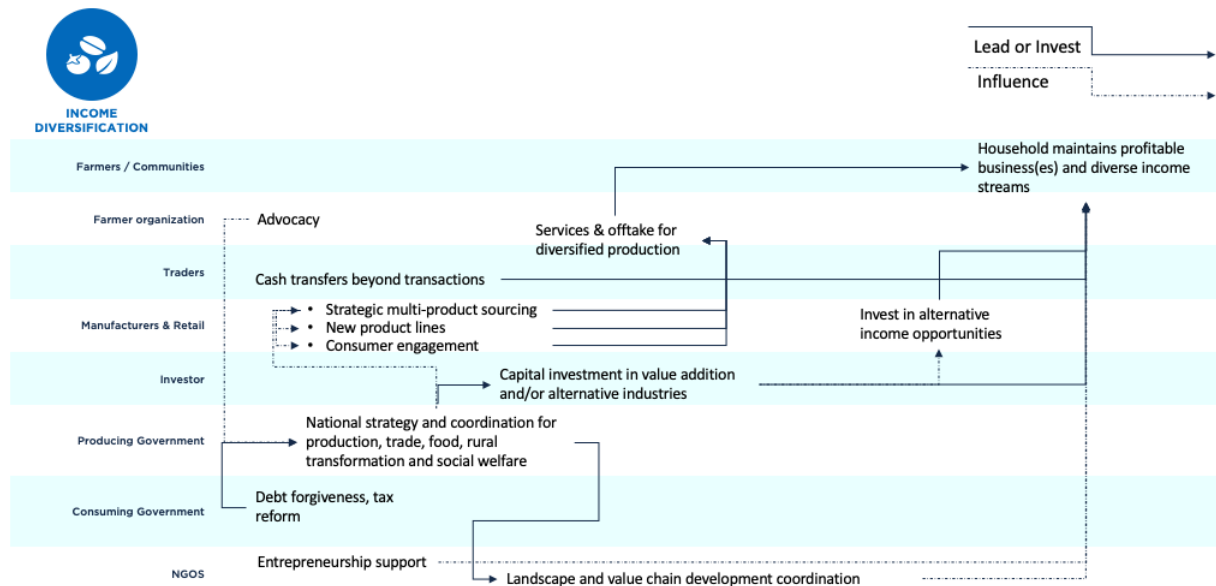
### INCOME DRIVER: VOLUME & COST OF PRODUCTION

Figure 9: Example actions per stakeholder group for the income drivers “Volume” and “Cost of production”



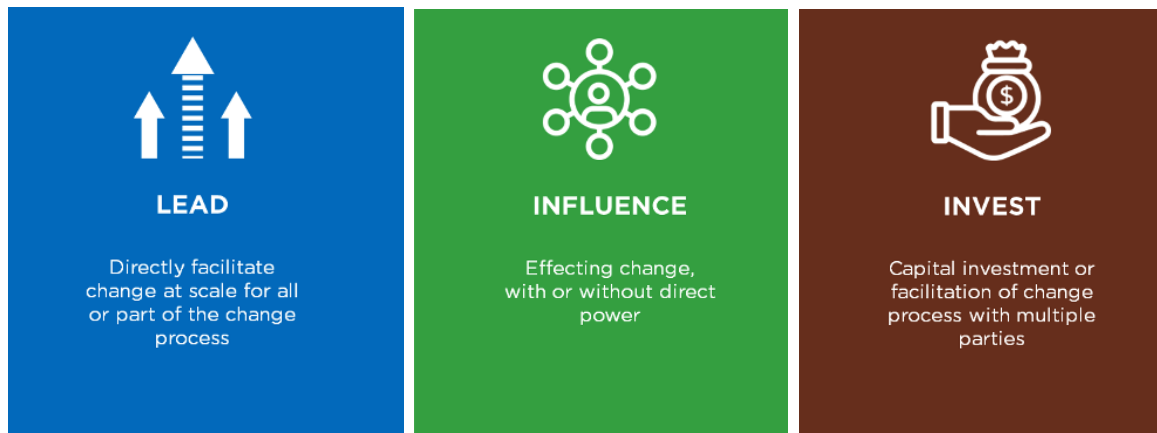
### INCOME DRIVER: DIVERSIFICATION

Figure 10: Example actions per stakeholder group for the income drivers “Income diversification”



## Annex 2: Roles that stakeholders can play

Figure 11: Key roles that stakeholders can play to increase sustainability outcomes





Living Income Summit  
Event Page

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