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PATHWAYS OUT OF POVERTY: TOOLS FOR VALUE CHAIN DEVELOPMENT PRACTITIONERS

microREPORT #180

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I. INTRODUCTION

The value chain approach focuses on catalyzing economic development and can play a strong role in improving the economic well-being of the poor. However, value chain programming does not always reach or benefit the *very* poor - patterns of growth and initial distributions of endowments play a significant role in determining who benefits from economic growth and to what extent.[1] For example, most value chain projects work with clients that have self-selected into programming, while the very poor are less likely to do so. Possessing few assets or safety nets, the very poor are typically more vulnerable to shocks,[2] have less tolerance for risk and are more likely to diversify than concentrate their economic portfolio. The private sector, which plays a strong role in most value chain development programming, generally prefers working with better-off consumers and producers.

If value chain development projects do not consciously seek to engage and benefit the very poor, it is unlikely to happen on its own in a sustainable and scalable manner. Project designers therefore need to understand and reflect the realities of the very poor in their strategies if programming is to reach them. While value chain development strategies alone may not reach all of the very poor, given that they are not a homogeneous group, these tools will enable value chain practitioners to identify ways to adapt their strategies and consider other needed programs and services with which they can establish linkages. For more discussion about how the principles of the value chain approach can be applied to working with the very poor, see *Pathways Out of Poverty: Applying Value Chain Principles to Reach the Very Poor.*[3]

A. TOOLKIT OBJECTIVE

This toolkit aims to equip value chain development programmers to design effective interventions that reach and impact the very poor. It profiles tools that are particularly applicable in the value chain selection and value chain analysis phases of a project, as well as assessment tools that can be used throughout the project cycle. Many tools are used by value chain development practitioners to guide value chain selection[4] and value chain analysis,[5] of which several focus on understanding and benefiting particular populations.[6] However, these tools are not currently designed for explicit application with the very poor. Likewise, there are many highly specialized analytical and assessment tools commonly used by those who explicitly target the very poor through, for example, livelihoods development, social protection, or humanitarian relief programming. Although this is changing, these fields of development practice have traditionally operated separately from each other. As a result, there is a limited awareness within the value chain development community of these rich tools and resources, and limited capacity to adapt and apply the tools for use in the value chain development context. This toolkit seeks to address these gaps.

B. STRUCTURE OF THIS TOOLKIT

This toolkit has three core sections:

- *Situation Assessment*: Situation assessments can help project designers and existing projects to better understand the very poor, their context, capacities and vulnerabilities. These assessments can occur at multiple stages of the value chain project cycle.

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[1] World Bank, Strategies for Pro-Poor Growth: Pro-Poor, Pro-Growth, or Both?, 2005.

[2] This toolkit focuses primarily on poverty rather than vulnerability, though resources on using the value chain approach to reach vulnerable populations are available here: http://microlinks.kdid.org/good-practice-center/value-chain-wiki/vulnerable-populations-and-value-chain-approach

[3] http://microlinks.kdid.org/library/pathways-out-poverty-applying-key-principles-value-chain-approach-reach-very-poor

[4] A selection of toolkits for value chain selection are available here: http://microlinks.kdid.org/good-practice-center/value-chain-wiki/value-chain-selection-resources.

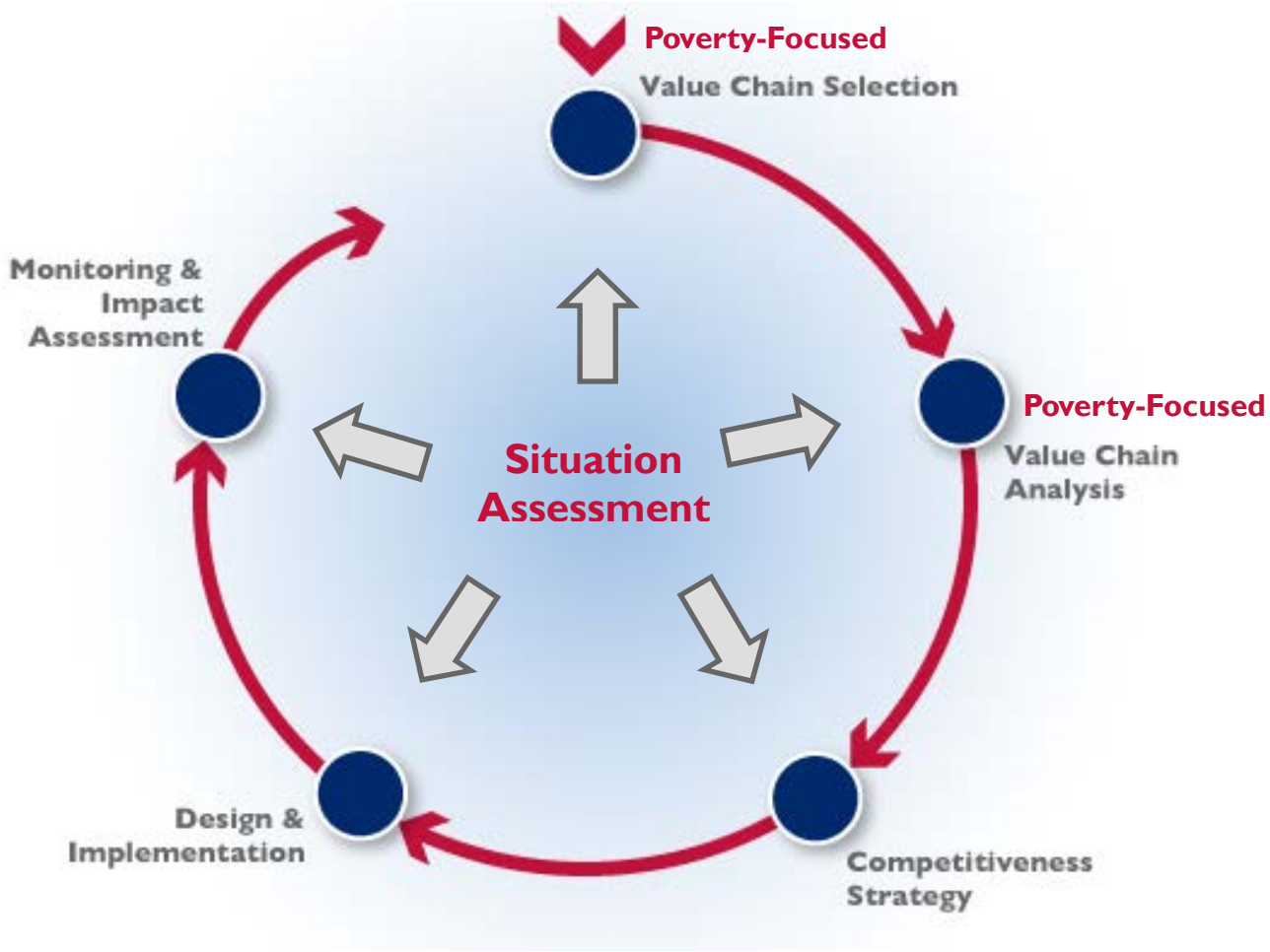
[5] A selection of toolkits for value chain analysis are available here: http://microlinks.kdid.org/good-practice-center/value-chain-wiki/value-chain-analysis-resources.

[6] See Development and Training Services Inc., Promoting Gender Equitable Opportunities in Agricultural Value Chains, 2009.

- *Value Chain Selection*: Adaptations can be made to the value chain selection process, for projects that want to select value chains that can reach the very poor.
- *Value Chain Analysis*: Specialized tools can be integrated into value chain analysis for projects that want to understand where the very poor are engaged within the value chain and what interventions can best support them.

Figure 1 shows how these collections of tools relate to the steps in the value chain project cycle.

Figure 1: Poverty-Focused Analytical Tools and the Value Chain Project Cycle



At the beginning of each section, a table summarizes the:

- Name of tool
- Purpose for value chain implementers
- Application to programming for the very poor
- Ease of application (a subjective rating of high, medium or low)
- Reference locater

Discussion of each individual tool includes a brief description, how it is applicable (or adaptable) to reaching the very poor in the context of a value chain development program, a brief examples (drawing from a case study and including a visual representation where possible), of how each tool can be applied and used to inform programming decisions, and references.

C. HOW TO USE THIS TOOLKIT

This toolkit is not designed as a step-by-step guide. No tool is relevant or appropriate in all contexts and some tools overlap. Rather, the toolkit provides a menu of tools that practitioners can select based on their informational needs, objectives, budget and project context. There are multiple entry points to the toolkit, as described in the following table.

Table 1: Toolkit Entry Points

Starting Situation	Entry Point
You want to better understand characteristics of the very poor or if and how current programming is affecting them	Situation Assessment phase (can occur in all phases of the value chain project cycle)
You understand the context and the characteristics of the very poor, including the value chains in which they are or could be engaged	Value Chain Selection phase
You have selected the value chain(s) in which you will be working	Value Chain Analysis phase

This toolkit does not imply that the value chain approach can address all constraints faced by the very poor. In many cases, the approaches applied by other fields (e.g., social protection, social assistance) will be important inputs to programming. Further, projects using these approaches often publish the results of their analyses. Identifying what analysis has already been done can save practitioners time and may prove a source of expertise for value chain development projects wishing to apply the tools profiled in this guide.

II. SITUATION ASSESSMENT

Situation assessments can be made at any stage in the value chain project cycle to better understand the changing context, constraints and capacities of the very poor, to determine whether current programming is actually reaching and affecting the very poor, to develop ways to integrate a poverty lens into an existing project, or to assess how the poverty status of targeted beneficiaries have evolved over the course of a project's implementation. The use of a relative poverty assessment tool – such as a participatory wealth ranking or the Targeting the Poorest methodology – to identify the very poor can then facilitate the targeting of other tools specifically to very poor populations.

Potential objectives of practitioners for a poverty-focused situation assessment may include:

- Understanding common drivers of extreme poverty and potential pathways out of poverty
- Understanding the characteristics of the very poor, including their identity and location. This supports the application of many other tools that require the very poor to already be identified.
- Understanding in which value chains the very poor currently engage and in what capacity (e.g., as consumers, laborers, micro-entrepreneurs)
- Identifying the most critical barriers (e.g., lack of assets or social capital) for the very poor to take advantage of market opportunities promoted in value chain programming
- Identifying key sources of vulnerability and how to mitigate them or avoid exacerbating them

The tools that can be applied during a situation assessment are summarized in Table 2 and explored further in the pages that follow.

Table 2: Analytical Tools for Situation Assessment

Tool	Purpose for Implementers of a Value Chain Approach	Application to Programming for the Very Poor	Ease of Application[7] (High, Medium, Low)	Reference
Participatory Wealth Rankings	Identify the very poor	Target programming to reach the identified individuals	High. Requires less than one day per community and minimal external input.	World Bank. Wealth Ranking.[8]
Targeting the Poorest	Identify the very poor	Target programming to reach the identified individuals	Medium. More effort and expense required relative to wealth rankings.	Grameen Foundation. Targeting the Poorest: A Solutions for the Poorest Use Case. April 2011.[9]

[7] This is a subjective assessment of the tool's complexity, duration of application and cost, relative to the other tools presented in this toolkit. A "high" score indicates that a tool has a high ease of application, and consequently is relatively less complex, lengthy to apply and less expensive than other tools. A "low" score indicates the opposite.

[8] http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEV/0,,contentMDK:21233901~isCURL:Y~menuPK:3291499~pagePK:64168445~piPK:64168309~theSitePK:3177395,00.html

[9] http://graduation.cgap.org/library/targeting-the-poorest-a-solutions-for-the-poorest-use-case/

Tool	Purpose for Implementers of a Value Chain Approach	Application to Programming for the Very Poor	Ease of Application[7] (High, Medium, Low)	Reference
Stages of Progress	Identify causes of entry into and exit from poverty	Select value chains (e.g. foundation markets) or interventions that can address the common factors causing entry into poverty	Medium. The methodology requires approx. 2 days for a smaller community (under 100 households) and 3-4 days for a larger community (more than 100 households).	Anirudh Krishna. Stages of Progress: A Community-Based Methodology for Defining and Understanding Poverty. 2005.[10]
Income Portfolios	Identify the income sources of the very poor	Select value chains in which the very poor are already engaged or likely to benefit or avoid interventions that will reduce their key income sources	High	DFID. Sustainable Livelihood Guidance Sheets: 4.8 – 4.13. 2000.[11]
Seasonal Calendars	Identify seasonality of relevant variables (e.g. the distribution of income and expenses, the most vulnerable periods in the year)	Select value chains or interventions that generate income during more vulnerable periods	High	World Bank[12] and FAO[13].
Household Expenditure Analysis	Predict the likely impact of natural and man-made shocks upon households	Mitigate the critical risks to the very poor through value chain selection and intervention design	Medium	FEG Consulting and Save the Children. The Practitioners' Guide to the Household Economy Approach. 2008.[14]
Household Economy Approach	Identify the level of vulnerability of the very poor to different types of shocks	Design interventions or link to programs that mitigates the most damaging potential shocks and reduces vulnerability	Low. Requires significant financial and human resource investments, and usually takes a lengthy period.	FEG Consulting and Save the Children. The Practitioners' Guide to the Household Economy Approach. 2008.[15]

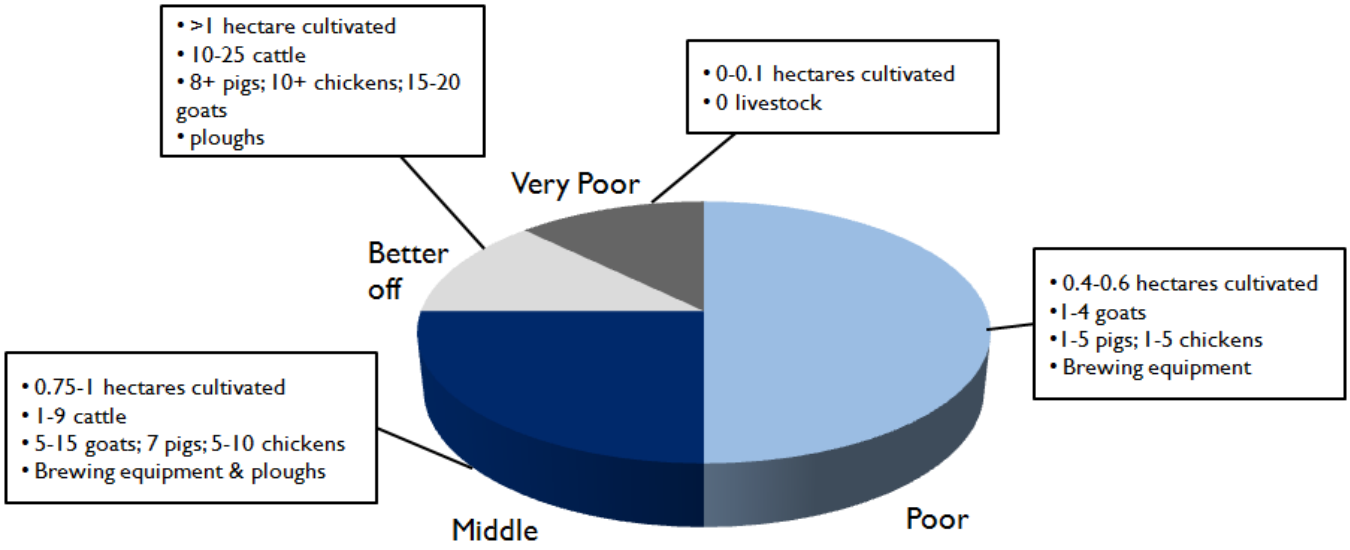
[10] http://sanford.duke.edu/krishna/SoP.pdf
[11] http://www.eldis.org/go/topics/dossiers/livelihoods-connect/what-are-livelihoods-approaches/training-and-learning-materials
[12] http://siteresources.worldbank.org/EXTTOPPSISOU/Resources/1424002-1185304794278/4026035-1185375653056/4028835-1185375811087/3_Seasonal_calendar.pdf
[13] http://www.fao.org/Participation/english_web_new/content_en/linked_Pages/seasonal_calendar.htm
[14] http://www.feg-consulting.com/resource/
[15] http://www.feg-consulting.com/resource/

A. PARTICIPATORY WEALTH RANKING

Description: A participatory wealth ranking- sometimes referred to simply as a wealth ranking – is a simple poverty assessment tool that identifies the proportional wealth distribution of households. This tool stratifies households by wealth: participants select a series of groupings (e.g., very poor, poor, not poor) and the characteristics that describe each grouping (e.g. type of dwelling, quality and quantity of assets). Participants then identify which households belong to each of the categories. As the characteristics are locally determined, the tool provides a relative wealth assessment rather than an absolute assessment. The tool can be applied at a community level or, if livelihood zones have been identified, can be extrapolated to represent households across the zone.

Application to Reaching the Very Poor: Value chain projects can target programming to those identified as very poor using the participatory wealth ranking. They can also combine a participatory wealth ranking with other research tools in order to better understand the characteristics of the very poor.

Example of Application:



Source: Adapted from FEG Consulting and Save the Children, The Practitioners' Guide to the Household Economy Approach, Regional Hunger and Vulnerability Program, 2008, 10.

This wealth breakdown of several communities reveals that approximately 10 percent of households are considered to be very poor. They do not own land and thus will not benefit from the development of most crop-based value chains, except potentially through increased demand for their labor. Further, the very poor do not own cattle and so will also not benefit from intervention in this value chain. The project thus avoids selecting value chains in which the very poor are not engaged and instead looks for opportunities to leverage existing assets (e.g. by selecting value chains in which the very poor sell their labor).

Reference:

World Bank. Wealth Ranking.
http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEV/0,,contentMDK:21233901~isCURL:Y~menuPK:3291499~pagePK:64168445~piPK:64168309~theSitePK:3177395,00.html

Small Enterprise Foundation. Participatory Wealth Ranking Instructional Video.
http://video.google.com/videoplay?docid=-7994857358923097704#

B. TARGETING THE POOREST

Description: Targeting the Poorest is a methodology that combines relatively and absolute poverty measures to identify very poor households. It uses a two-step process: first criteria are established for identifying the very poor and then the selection process is carried out. The tool first applies a relative poverty assessment tool – a participatory wealth ranking – to a sample population to determine who community members identify as the poorest among them. It then applies an absolute poverty measure, the Progress out of Poverty Index (PPI) survey, to assess the likelihood that households earn less than certain income cut-offs (e.g. $1 or $2 per day). PPI is a short, 10-question income-based survey.[16] Finally, a household survey is administered to verify the results of the PPI. The results of these methods, in conjunction with other selection criteria that are relevant to the context, generate a robust set of criteria needed to identify the very poor. If the project has identified its target locations, the three tools can then be applied to identify the very poor across a broader geographic area.

Application to Reaching the Very Poor: Targeting the Poorest can be applied during the design phase of a value chain development project to understand the barriers that very poor households are likely to face in participating in programming and to understand what complementary services they may require. The tool allows ongoing projects to measure the extent to which they are already reaching very poor households through their programming (recognizing that some households may have already moved to a less poor condition as a result of the project and thus may not be counted) and to modify their design or add complementary interventions to improve their outreach among these households. Value chain projects can also combine the Targeting the Poorest methodology with other research tools to better understand the characteristics of the very poor.

Reference:

Grameen Foundation. Targeting the Poorest: A Solutions for the Poorest Use Case. April 2011.
http://graduation.cgap.org/library/targeting-the-poorest-a-solutions-for-the-poorest-use-case/

C. STAGES OF PROGRESS

Description: Stages of Progress uses the wealth ranking methodology but adds an analysis of temporal changes in household poverty status in order to understand the primary factors that contribute to flows into and out of poverty. A diverse group of community members are gathered and a common definition of poverty developed. Households are then categorized between those that have remained poor or not poor, and those that have transitioned in either direction. Finally, group-level and individual-level probing ascertains the reasons behind the shifts for a sample of the total households. Stages of Progress can also be applied during the value chain analysis phase with reference to a specific value chain, to understand the role that a specific value chain has played in becoming poor and escaping poverty.

Application to Reaching the Very Poor: The identification of the most common pathways into and out of poverty can inform the value chain selection process. Value chains that are recognized as having strong capacity to support households to escape poverty can be identified and selected for support. Further, the tool can identify the systemic and idiosyncratic factors – unrelated to a particular value chain – that move people into and out of poverty (e.g. poor health, funeral expenses dowry payments) which should be considered when attempting to include very poor people in value chain programs and for which additional interventions or linkages may be important.

[16] Another absolute poverty measure that can also be used in combination with relative poverty assessment measures to identify very poor households is USAID's Poverty Assessment Tool (PAT) (www.povertytools.org). It is not advisable to use the PAT or PPI alone to identify and target very poor households, given challenges with accuracy.

Example of Application:

Present Poverty Status	Poverty Status 25 Years Ago	
	Poor	**Not Poor**
Poor	14% *Remained poor*	19% *Became poor*
Not Poor	19% *Escaped poverty*	48% *Remained non-poor*

Causes for Escaping Poverty	%[17]	**Causes for Becoming Poor**	%
Salaried employment	73	Poor health	74
Cash income from crop farming	57	Funeral expenses	64
Diversification into livestock farming	42	Low level of education	53
Help from family or friends	40	Large family size	38
Petty trading / business	36	Unproductive land	38
Small family size	33	Death of a major income earner	33
Education	18	High number of dependents	33
Bride wealth	9	Low paying jobs	26
		Small landholdings	23

Source: Kristianson et al, Pathways Out of Poverty in Western Kenya and the Role of Livestock. International Livestock Research Institute. PPLPI Working Paper Number 14. 2004, 10; 13-14.

This Stages of Poverty analysis compares present poverty status with that of 25 years ago and finds that an equal number of households became poor as escaped poverty. It reveals that entry into salaried employment markets and cash cropping were the two most important pathways to escaping poverty. Improving health and education markets and the ability to cope with funeral expenses (such as through life insurance or asset-building interventions) would assist households to avoid the most common pathways into poverty.

Reference:

Anirudh Krishna. Stages of Progress: A Community-Based Methodology for Defining and Understanding Poverty. 2005. http://sanford.duke.edu/krishna/SoP.pdf

P. Kristjanson et al. Pathways Out of Poverty in Western Kenya and the Role of Livestock. International Livestock Research Institute. PPLPI Working Paper Number 14. 2004.
www.fao.org/ag/againfo/programmes/en/pplpi/docarc/wp14.pdf

D. INCOME PORTFOLIOS

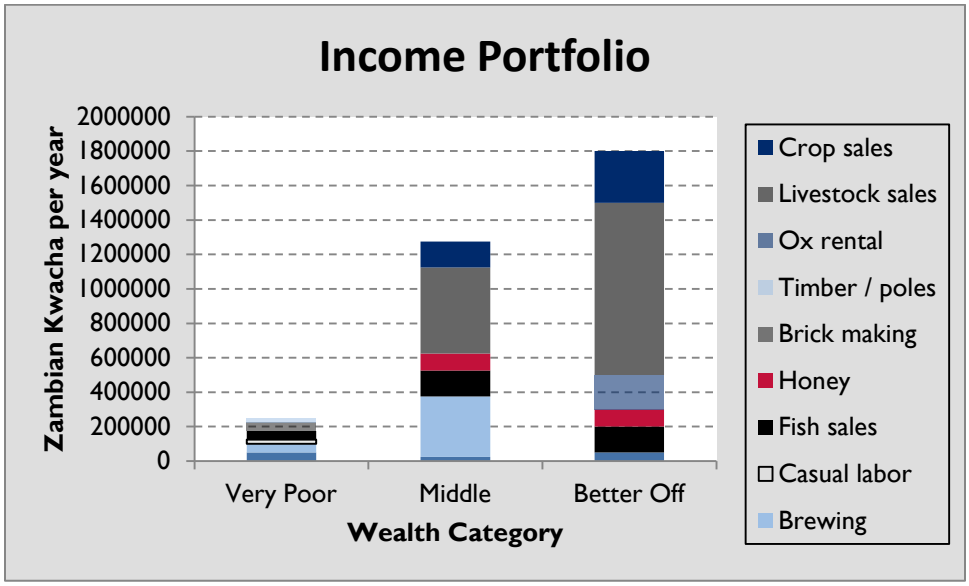
Description: An income portfolio identifies the sources of income for an individual household or group of households and calculates the percentage of total income generated from each income source.

Application to Reaching the Very Poor: Income portfolios can be segregated by wealth category if these categories have previously been established. Households at different income strata typically have very different livelihoods; the very poor often pursue very different strategies than do better-off households. Consequently, it cannot be assumed

[17] Numbers do not total 100 percent because more than one reason could be cited.

that the very poor are necessarily participating in a value chain just because it incorporates a large number of micro and small enterprises. Traditional value chain selection has considered the number of micro and small enterprises but has not considered the participation of the very poor.[18] Income portfolios can be applied to analyze the income sources of the very poor. This can help to identify the value chains that are of greatest importance to the very poor and from which they would be most likely to benefit if targeted by programming. It can also reveal potential risks to value chain projects: if very poor households rely significantly upon work as laborers for a specific value chain, for example, the introduction of labor-saving technologies is likely to have a negative impact on these families even as it increases the returns to those households owning farms producing that crop.

Example of Application:



Source: Adapted from FEG Consulting and Save the Children, The Practitioners' Guide to the Household Economy Approach, Regional Hunger and Vulnerability Program, 2008, 11.

This income portfolio analysis reveals that the middle and better-off households generate much of their income from livestock, which is a negligible source of income for the very poor. Conversely, brickmaking and collecting grass are much more important for the very poor than for the other wealth categories.

Reference:

DFID. Sustainable Livelihood Guidance Sheets: 4.8 – 4.13. 2000.
http://www.eldis.org/go/topics/dossiers/livelihoods-connect/what-are-livelihoods-approaches/training-and-learning-materials

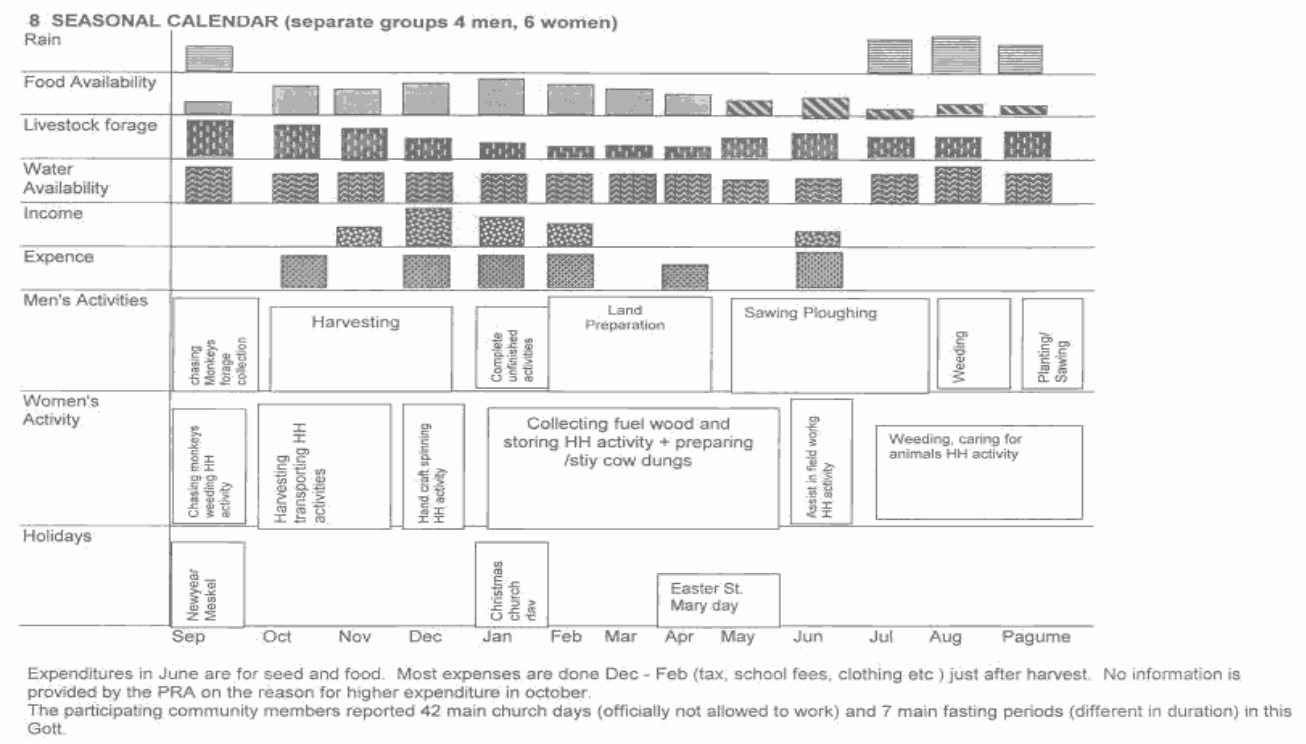
E. SEASONAL CALENDARS

Description: Seasonal calendars are simple, participatory tools that reveal seasonal variations in key variables defined by the interviewer and interviewees. While traditional production calendars only present important events in the agricultural production cycle (e.g., planting and harvesting), expanded seasonal calendars can be used to illustrate a greater array of relevant data.

[18] Microlinks. Value Chain Wiki. Value Chain Selection. http://microlinks.kdid.org/good-practice-center/value-chain-wiki/value-chain-selection#Criterion_3._Cross-cutting_Issues

Application to Reaching the Very Poor: Seasonal calendars can be applied to understand the specific situation of the very poor, when the very poor have already been identified through a wealth breakdown or other tool. The very poor often face important seasonal variations in variables that affect their livelihoods, including income, expenditures, the availability of food, and savings. Important causes of these variations can include weather, which dictates harvest periods, and seasonal demand for labor. Seasonal calendars can effectively inform the design of interventions to reach the very poor by understanding: the vulnerable periods of the year when assets are drawn down and coping strategies (e.g., seeking credit) are used and when the very poor have larger influxes of capital that could be used for investment. Practitioners can also use information on seasonal variations to determine at what points in the year additional income would be most helpful, and use this to inform value chain selection and intervention design.

Example of Application:



Source: Adapted from Food and Agriculture Organization, Seasonal Calendar: An Example from a Participatory Household Food Security and Nutrition Project in Ethiopia.

The seasonal calendar reveals that income is very concentrated at the end of the year, immediately after harvesting. A small amount is generated in June, when the women in some households work for others preparing their land for planting. The period immediately after harvest is the time when both the men and women in the household have the most available time to assume additional income activities, while the two months prior to harvest is the point when households are most vulnerable. Most households expend the most in this period, when they must raise funds for planting. Consequently, many households limit the amount of food that they consume during this period and borrow funds as a coping strategy.

Reference:

World Bank. Tool Name: Seasonal Calendar.
http://siteresources.worldbank.org/EXTTOPPSISOU/Resources/1424002-1185304794278/4026035-1185375653056/4028835-1185375811087/3_Seasonal_calendar.pdf

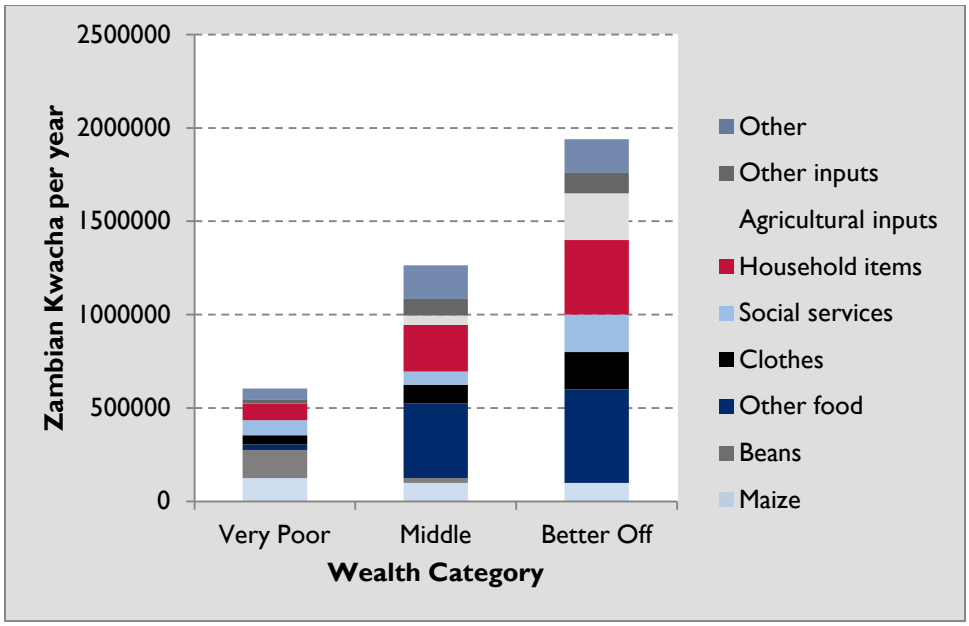
FAO. Seasonal Calendar: An Example from a Participatory Household Food Security and Nutrition Project in Ethiopia. Undated. http://www.fao.org/Participation/english_web_new/content_en/linked_Pages/seasonal_calendar.htm

F. HOUSEHOLD EXPENDITURE ANALYSIS

Description: Household Expenditure Analysis identifies the expenditures of households at different wealth levels.

Application to Reaching the Very Poor: By understanding the amounts and types of expenditures of the very poor, this tool can suggest expenses that value chain projects could target for reduction. This could lead projects to improve the efficiency of production and marketing of staple food, which account for a significant portion of the budgets of the very poor. It could also mean improving the efficiency of foundation markets (e.g. health care, education). Savings on costs such as inputs may be more valuable than earning more at harvest time for many poor farmers, because the inputs need to be purchased at a time when financial resources are comparatively scarce. If the tool is combined with a seasonal calendar, it can suggest the points in the year when the need for finance is highest and the capacity for investment the lowest.

Example of Application:



Source: Adapted from FEG Consulting and Save the Children, The Practitioners' Guide to the Household Economy Approach, Regional Hunger and Vulnerability Program, 2008, 11.

This household expenditure analysis reveals that very poor households on average spend approximately half of their income on two staple crops, maize and beans. Both of these subsectors are therefore selected for further analysis, to determine if there is potential to reduce the prices of these crops (by improving value chain efficiencies, for example).

Reference:

The Food Economy Group and Save the Children. The Practitioners' Guide to the Household Economy Approach. Undated. http://www.feg-consulting.com/resource/

G. HOUSEHOLD ECONOMY APPROACH

Description: The Household Economy Approach (HEA) is a framework that uses several tools[19] to analyze the vulnerability of different populations to national, international and geo-political shocks. HEA involves several stages: dividing geographic areas into zones sharing common livelihood strategies; analyzing the livelihoods of the various

[19] Including seasonal calendars, wealth ranking and household expenditure analysis.

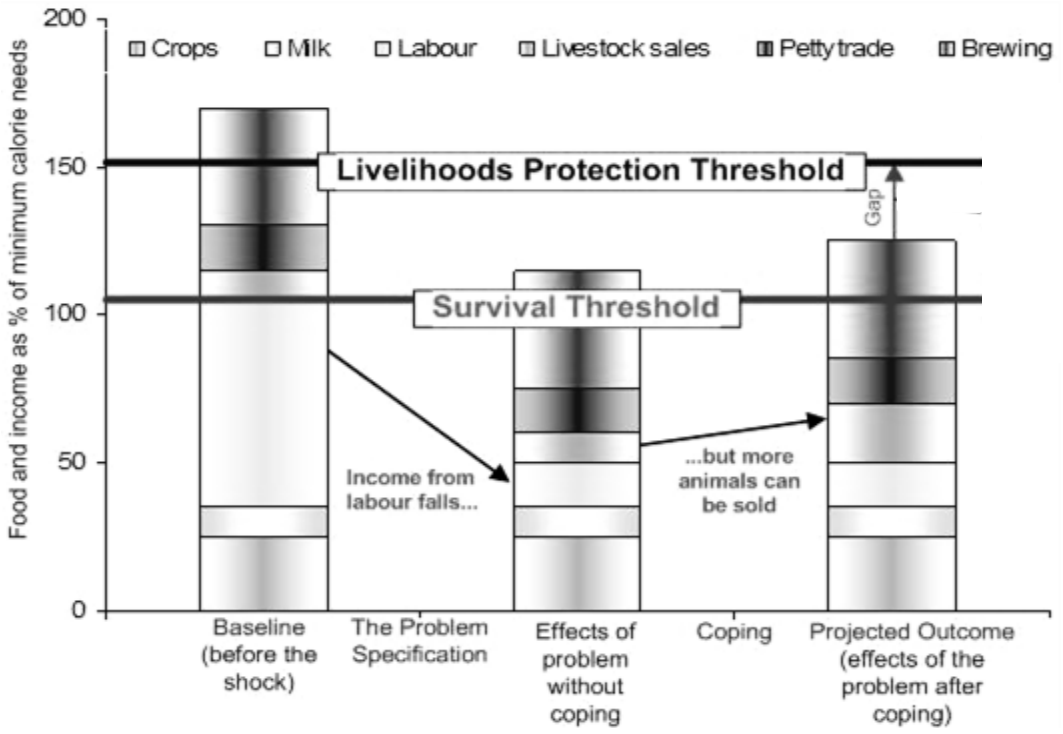
wealth categories within each livelihood zone; identifying potential hazard and household coping capacity; and predicting the impacts of various potential shocks. This process allows the user to identify the shocks with the greatest potential impact upon households.

Livelihood Zoning

Livelihood zoning is a tool that identifies spatial variations in livelihoods. It is often used as part of a Household Economy Analysis to identify common vulnerabilities and coping strategies of the very poor across geographic areas. FEWS Net (www.fews.net) and FEG Consulting often publish livelihood zoning analyses online.

Application to Reaching the Very Poor: HEA yields very useful information for determining the vulnerability of the very poor to external shocks. Project designers can use this information to plan interventions that mitigate the most critical risks, and thus reduce the chance that the very poor will discontinue their engagement in the project. Projects can mitigate high reliance on a particular value chain by encouraging diversification or working with financial service providers to develop an appropriate insurance product, for instance. Further, information on the vulnerability of poor households to shocks can inform value chain selection: projects can avoid selecting risky value chains that will exacerbate the vulnerability of the very poor.

Example of Application:



Source: Adapted from FEG Consulting and Save the Children, The Practitioners' Guide to the Household Economy Approach, Regional Hunger and Vulnerability Program, 2008, 4.

This HEA analysis reveals the vulnerability of the very poor to a shock, which dramatically lowers the income that they earn from casual labor. While selling cattle provides a partial coping mechanism, this is insufficient to completely restore their livelihoods. Other household expenditures and productive investments (e.g. fertilizer purchases, school fees) will be curtailed as a result. The project recognizes that unless its programming improves the resiliency of very

poor households to such shocks, introducing value chain programming may be ineffective or put such households at greater risk.

Reference:

The Food Economy Group and Save the Children. The Practitioners' Guide to the Household Economy Approach. Undated.

Other Tools for Situation Assessment

In addition to the tools listed here, other targeted analyses will be critical in some contexts to developing effective programming for the very poor. For example, understanding issues related to health, gender, food security, and conflict and instability—and how these dimensions affect people's perceptions of risk, incentives and economic behavior—may be critical to a comprehensive analysis. Additional tailored tools should be identified and applied as relevant.

III. VALUE CHAIN SELECTION

Value chain development programs assess and select value chains to maximize their impact. The criteria for selecting value chains vary widely among practitioners based on considerations including the objectives of the facilitating agency and the donors. USAID suggests four primary criteria be included during the value chain selection process: competitiveness potential, impact potential, cross-cutting issues, and industry leadership.[20] The potential of value chains to effectively reach the very poor is relevant to the 'impact potential' criterion, if considering the potential of the value chain to benefit the very poor specifically rather than all micro and small enterprises. However, there is frequently a trade-off between the depth of poverty outreach and the scale of impact: it will typically be more difficult and expensive to target the very poor who face greater challenges to engaging in value chains and consequently the potential outreach will generally be lower relative to the less poor.

Potential objectives during the value chain selection phase for practitioners seeking to reach the very poor may include:

- Understanding the comparative risks of different value chains
- Identifying the value chains with the best overall potential for the very poor

Tools that can be applied with the value chain selection phase to improve the capacity to reach and benefit the very poor are summarized in Table 3 below and presented in the pages that follow.

Table 3: Analytical Tools for Value Chain Selection

Tool	Purpose for Implementers of a Value Chain Approach	Application to Programming for the Very Poor	Ease of Application[21] (High, Medium, Low)	Reference
Adapted Ranking Matrix	Choose value chains based on their ability to benefit the very poor.	Select value chains that are most appropriate for the very poor	Medium	N/A
Comparative Value Chain Risk Assessment	Identify value chains' comparative risk profiles	Avoid selecting value chains that will require the very poor to assume excessive risk	Medium	Development Alternatives Inc., Micronote #169: A Portfolio Approach to Value Chain Development Programs, 2011.[22]

[20] http://microlinks.kdid.org/good-practice-center/value-chain-wiki/value-chain-selection

[21] This is a subjective assessment of the tool's complexity, duration of application and cost, relative to the other tools presented in this toolkit. A "high" score indicates that a tool has a high ease of application, and consequently is relatively less complex, lengthy to apply and less expensive than other tools. A "low" score indicates the opposite.

[22] http://microlinks.kdid.org/library/portfolio-approach-value-chain-development-programs-0

A. ADAPTED MATRIX RANKING

Description: An adapted matrix ranking incorporates additional criteria into the standard value chain selection process.

Application to Reaching the Very Poor: Standard criteria for value chain selection—competitiveness, impact potential and industry leadership—ignore the ability of the very poor to engage or benefit. The incorporation of additional criteria that is relevant to the very poor can guide practitioners in selecting value chains that are more likely to reach the very poor. Relevant criteria will vary based on the context, but may include:

- Barriers to entry: Value chains with onerous entry or upgrading requirements are usually inappropriate given limited financial and human capacity.
- Opportunities for employment: Employment often offers stability for the very poor compared to self-employment. Many employment opportunities do not require significant financial assets.
- Potential for harm: Value chains that place the very poor in potentially exploitative situations should be avoided.
- Risk: Value chains vary in the risk that they pose to the very poor who participate within them.
- Food security: Value chains vary significantly in their impact on food security, including the nutritional benefits that they provide.

Tools for Assessing Food Security

There are various tools for food security assessments that exist and are under development. Tools that track the nutritional security of households, such as the Dietary Diversity Tool, can help to determine the level of food security of populations and what gaps exist. Measures of household food consumption can indicate the foods that are most important for the very poor.

Example of Application:

Value Chain	Competitiveness	Impact Potential	Industry Leadership	Opportunities for Employment	Potential for Harm	Barriers to Entry
Rice	Low	High	High	Moderate	Moderate	Low
Beef Cattle	High	High	High	High	Low	Very high

Source: Author

This Adapted Ranking Matrix was applied to select appropriate value chains for the very poor. Although the rice value chain is uncompetitive, it has low barriers to entry for the poor and moderate opportunities for employment. In contrast, the beef cattle value chain is strong on most criteria including employment opportunities but the investment requirements to acquire a herd create very high barriers to entry. Considering the significant potential for employment generation, the latter should be selected only if these employment opportunities can be developed to benefit the very poor.

B. COMPARATIVE VALUE CHAIN RISK ASSESSMENT

Description: A comparative value chain risk assessment analyzes the relative risks posed by various value chains.

Application to Reaching the Very Poor: Conducting a risk assessment of value chains under consideration can help to identify and eliminate those with unacceptably high risks. The tool can identify value chains that are risky in ways that are particularly damaging to the very poor, and can also assess an approximate overall level of risk of the value

chain. Selecting lower-risk value chains may increase the likelihood that the very poor will participate, given their often weaker ability to manage risk and lower willingness to assume it.

Example of Application:

Value Chain	Types of Risk				Total Level of Risk
	Price volatility	Perishability	Health and Safety Risks	Weather Risks	
Cotton	3	1	1	1	6
Rice	3	1	1	2	7
Tea	1	2	1	3	7
Spices	2	2	2	2	8
Fruit	1	3	2	3	9
Coffee	3	2	1	2	8
Groundnuts	2	2	2	2	8
Cut Flowers	1	3	2	2	8
Cocoa	3	2	1	2	8
Oil Palm	3	2	1	2	8
Fish	1	3	3	1	8
Vegetables	1	3	2	3	9
Beef	1	3	3	2	9
Maize	3	2	2	3	10

Source: Adapted from Development Alternatives Inc., Micronote #169: A Portfolio Approach to Value Chain Development Programs, 2011, 4; and World Bank, Rapid Agricultural Supply Chain Risk Assessment: Conceptual Framework and Guidelines for Application, 2008, 15.

Initial analysis identifies four risks that are relevant to the value chains under consideration: price volatility, product perishability, potential for market interference, and weather-related risk. It gathers information on the potential impact of each risk on each value chain under consideration, and assigns a value between one and three (three being high-risk). All risks are felt to be important to the very poor, and so all are given equal weighting. These are summed to yield an overall risk ranking for each value chain. The analysis suggests that maize, vegetables and beef pose high risks to participants and should be avoided if the risks cannot be mitigated. In contrast, the cotton, rice and tea value chains pose comparatively little risk to the smallholder participants. Implementers then take these findings into account in selecting their focus value chains, recognizing that the tool does not assess risks unrelated to value chains (e.g. illness, theft) that may be more critical to the vulnerability of the very poor.

Reference:

Development Alternatives Inc., Micronote #169: A Portfolio Approach to Value Chain Development Programs, 2011. http://microlinks.kdid.org/library/portfolio-approach-value-chain-development-programs-0

IV. VALUE CHAIN ANALYSIS

When using value chains as a means for fostering growth and reducing poverty, a value chain analysis is conducted to understand the systemic factors and conditions under which a value chain can achieve higher levels of performance – particularly in the areas of i) improving the competitiveness of value chains with large numbers of small firms, and ii) expanding the depth and breadth of benefits generated. Analytical tools can be applied to develop interventions that reach the very poor during the value chain analysis phase. Potential objectives may include:

- Understanding where the very poor are located within the value chain
- Assessing the level of risk of potential opportunities for the very poor and ways to mitigate that risk
- Determining the most suitable interventions to reach the very poor

There are several tools that can be applied during the value chain analysis phase of the project cycle to improve the capacity to reach the very poor. These are summarized in Table 4 below and presented in the pages that follow.

Table 4: Analytical Tools for Value Chain Analysis

Tool	Purpose for Implementers of a Value Chain Approach	Application to Programming for the Very Poor	Ease of Application[23] (High, Medium, Low)	Reference
Sensitivity Analysis	Identify the riskiness of potential upgrading strategies.	Avoid promoting upgrading strategies for the very poor that significantly increase the amount of risk they face. Select upgrading strategies that require assuming manageable risks.	Medium.	Food and Agricultural Organization. Farm Management for Asia: a Systems Approach. Chapter 11: Planning and Managing Farm Systems Under Uncertainty. Undated.[24]
RapAgRisk Assessment	Determine the risk exposure of value chain actors and the entire value chain.	Develop risk management strategies that respond to the highest priority risks.	Low. Lengthy timeframe for implementation (up to three months).	World Bank. Rapid Agricultural Supply Chain Risk Assessment: Conceptual Framework and Guidelines for Application. 2008.[25] World Bank. Rapid Agricultural Supply Chain Risk Assessment: Methodological Guidelines Volume 2. 2008.[26]

[23] This is a subjective assessment of the tool's complexity, duration of application and cost, relative to the other tools presented in this toolkit. A "high" score indicates that a tool has a high ease of application, and consequently is relatively less complex, lengthy to apply and less expensive than other tools. A "low" score indicates the opposite.

[24] http://www.fao.org/docrep/w7365e/w7365e0e.htm#11.7 formal approaches to risky farm decisions

[25] http://siteresources.worldbank.org/INTCOMRISMAN/Resources/RapidAgriculturalSupplyChainRiskAssessmentConceptualFramework.pdf

[26] http://siteresources.worldbank.org/INTCOMRISMAN/Resources/RapAgRiskMethodologicalGuidelines.pdf

Tool	Purpose for Implementers of a Value Chain Approach	Application to Programming for the Very Poor	Ease of Application[23] (High, Medium, Low)	Reference
Stakeholder Analysis	Identify power brokers and their incentives to support or block the very poor from benefiting from value chain interventions. Assess social and political capital of the very poor.	Develop strategies to include or counteract stakeholders that have an interest in impeding benefits to the very poor.	Moderate – High. Time required can vary significantly depending upon the level of detail of the assessment.	World Bank. Social Analysis Sourcebook. 2003. [27]
Equity of Opportunity Analysis	Understand the capacity of value chain actors to participate in potential upgrading strategies.	(Re-)Develop interventions that can address constraints preventing the very poor from engaging in upgrading strategies.	High	World Bank. Social Analysis Sourcebook. 2003.[28]
Poverty-Focused Value Chain Mapping	Identify the location of the very poor within the value chain, as enterprise owners or laborers.	Design interventions that can reach and benefit the very poor based on their position within the value chain.	Medium	Value Chain Mapping guides focused on other populations. For example: Development and Training Services, Inc. Promoting Gender Equitable Opportunities in Agricultural Value Chains: a Handbook. Undated.[29]

A. SENSITIVITY ANALYSIS

Description: Sensitivity analysis is a tool that assesses how significantly an outcome (e.g., profitability) changes in relation to inputs (e.g., crop price). It can guide evaluation of the comparative riskiness of different variables. Sensitivity analysis is a relatively crude measure of risk, and it is best to have data on the likelihood of fluctuation in key variables.

Application to Reaching the Very Poor: Value chain analysis will commonly yield a range of potential upgrading strategies that value chain actors could pursue. Different upgrading strategies imply different risk levels; process and product upgrading are comparatively less risky relative to functional or inter-sectoral upgrading.[30] Sensitivity analysis is a tool that can analyze the level of risk associated with upgrading strategies, by calculating the sensitivity of returns to important exogenous variables. Important variables may include the sales price or crop yield. To develop programming for very poor individuals, practitioners should select those upgrading strategies with less sensitivity to exogenous variables, or be aware of and mitigate for these variables when possible.

[27] http://siteresources.worldbank.org/EXTSOCIALDEV/Resources/3177394-1168615404141/Social+Analysis+Sourcebook+FINAL+2003+Dec.pdf?resourceurlname=Social+Analysis+Sourcebook+FINAL+2003+Dec.pdf
[28] Ibid.
[29] See, for example, http://www.usaid.gov/our_work/cross-cutting_programs/wid/eg/gate.html
[30] Microlinks. Value Chain Wiki. Trajectories of Learning. http://microlinks.kdid.org/good-practice-center/value-chain-wiki/trajectories-upgrading

Example of Application:

	Profitability of Various Upgrading Strategies		
Variation in Rice Price	**Improving Planting Practices** (USD per hectare)	**Purchasing Chemical Fertilizer** (USD per hectare)	**Purchasing a Semi-Mechanized Irrigation System** (USD per hectare)
Historical average rice price at harvest (USD per hectare)	$40	$50	$80
-10% drop in rice prices	$35	$40	$40
-20% drop in rice prices	$30	$30	$00
-30% drop in rice prices	$25	$20	-$40
-40% drop in rice prices	$20	$10	-$80
-50% drop in rice prices	$15	$0	-$120

Source: Author

A project conducting a value chain analysis of the tomato value chain identifies three promising upgrading strategies with good returns that could be applied by very poor rice farmers: applying improved planting practices, purchasing chemical fertilizer, and purchasing a semi-mechanized irrigation system. The project applies sensitivity analysis to test the impact of a decline in the sale price of rice on the profitability of each of the three upgrading strategies, as fluctuations in the rice price of up to 50% are common. The results indicate that applying improved planting practices is the least sensitive to changes in the rice price, and is most profitable at anything more than a 20 percent drop in rice prices. Although an irrigation system investment raises yields by more than the other options, and thus is the most profitable at average rice prices, the higher investment costs makes it much more sensitive to a reduction in the rice price. Improving planting practices would thus be the most appropriate strategy for vulnerable populations given its lower riskiness.

Reference:

Food and Agricultural Organization. Farm Management for Asia: a Systems Approach. Chapter 11: Planning and Managing Farm Systems Under Uncertainty. Undated. http://www.fao.org/docrep/w7365e/w7365e0e.htm#11.7 formal approaches to risky farm decisions

B. RapAgRisk ASSESSMENT

Description: The RapAgRisk Assessment complements and can build on the Comparative Value Chain Risk Assessment discussed above, as it assesses the risks and vulnerabilities of a single crop-based agricultural value chain. The process complements standard value chain analysis methodology by assessing the vulnerability to shocks of the value chain itself and the value chain actors that participate within it.

The assessment process can be relatively lengthy, requiring up to three months, although assessments can be shorter if a value chain analysis has already been completed. There are four components of the RapAgRisk Assessment:

i) Supply chain situation analysis: includes many steps of value chain analysis, including mapping the value chain and assessing the relative importance of the targeted value chain in the targeted context, the end market potential, horizontal and vertical relationships and the enabling environment.
ii) Risk analysis: identifies the risks that value chain actors are exposed to, as well as their probability and severity

iii) Risk management and vulnerability assessment: examines existing risk management instruments and prioritizes the most critical risks and vulnerabilities
iv) Recommendations and suggested follow-up actions: identifies potential strategies to address vulnerabilities

Application to Reaching the Very Poor: By using the value chain as the unit of analysis, the RapAgRisk Assessment is able to capture ri*sks that are transmitted within the va*lue *chain* from one value chain actor to another. For instance, an exporting company with uninsured contracts is at risk of not honoring its contracts with its supplying farmers. The analysis of vulnerability to potential losses reveals whether the very poor are comparatively exposed to risks that other value chain actors are able to manage.

Example of Application:

	Potential Severity of Impact					
Probability of Event		**Negligible**	**Moderate**	**Considerable**	**Critical**	**Catastrophic**
	Highly Probable				Transport Logistics	Low Rainfall
	Probable				Input Deliveries	
	Occasional			Plant disease, price fluctuations		
	Remote		Food Safety			
	Improbable	Labor Unrest				

	Capacity to Manage Risk →				
Expected Losses	**1**	**2**	**3**	**4**	**5**
High	Input Deliveries	Low Rainfall			
Medium	Transport	Plant Diseases	Price Fluctuations		
Low		Food Safety			Labor Unrest

Source: World Bank, Rapid Agricultural Supply Chain Risk Assessment: Methodological Guidelines Volume 2, 2008, 83.

RapAgRisk is applied to understand the risk exposure of very poor farmers in a specific value chain. It finds that low rainfall and disruptions in transport logistics and input delivery have a high likelihood of occurring, with devastating consequences. Subsidized inputs targeted to the very poor are provided by the government, though they frequently arrive after the planting season has ended. Such disruptions in input deliveries would have the greatest negative impact upon poor farmers, who have no effective risk management strategies in place and would face high losses. With no other sources of inputs currently available, the project decides to focus first on improving the effectiveness of the input supply system to encourage participation by the very poor and lower their risk of loss.

Reference:

World Bank. Rapid Agricultural Supply Chain Risk Assessment: Conceptual Framework and Guidelines for Application. 2008. http://siteresources.worldbank.org/INTCOMRISMAN/Resources/RapidAgriculturalSupplyChainRiskAssessmentConceptualFramework.pdf

World Bank. Rapid Agricultural Supply Chain Risk Assessment: Methodological Guidelines Volume 2. 2008. http://siteresources.worldbank.org/INTCOMRISMAN/Resources/RapAgRiskMethodologicalGuidelines.pdf

C. STAKEHOLDER ANALYSIS

Description: Stakeholder analysis is a flexible tool for identifying stakeholders, their interests in a project or initiative and their power to support or block the initiative and capture its benefits.

Application to Reaching the Very Poor: The very poor are often more disenfranchised than other community members, with less ability to defend their own interests. Stakeholder analysis identifies stakeholders with interests in blocking the ability of the very poor to engage in and benefit from value chain project interventions. Once identified, projects can develop strategies to create buy-in or mitigate the threat posed by these groups. Stakeholder analysis also identifies value chain actors and others with incentives to change the current dynamic in favor of the interests of the very poor. The tool can be applied to assess the social or political capital possessed by the very poor and how it could be enhanced so that they can advocate on their own behalf.

Example of Application:

Stakeholder Categories	Characteristics	Interests in the Initiative	Influence over the Initiative
Government policymakers	Mostly drawn from the upper-middle class. Rarely interact with or understand the very poor and their interests.	Moderate: Publically committed to helping the very poor but other priorities often take precedence.	Low
Very poor farmers	Relatively low market engagement. Little contact with/comfort in dealing with the 'better off'. Lack of agency; strong distrust of others; sense of helplessness.	High: Very interested in improving their returns.	High: Would need to play the key role in the development of an association. Face significant social stigma.
Larger farmers	Highly commercial	Moderate: Already have economies of scale, but attracted by social recognition.	Potentially high: If involved, likely to shape the association to serve their interests.
Local traders	Highly active in crop trading. Relatively few in number, and protective of their access to local market retailers.	High: Are against the development of an association that would cost them business.	High: Local traders have strong relationships with buyers in the district center and will try to block purchases from a new association.
National wholesalers	Growing rapidly. Based in large urban areas.	Moderate: An association allows national wholesalers to by-pass local traders and buy directly, improving flow of market information and reducing transaction costs.	High: If willing to sign purchase contracts with the farmers, national wholesalers will greatly improve the potential success of a new association.
Input suppliers	Mostly handle small volumes of transactions.	High: High transaction costs, small farm sizes limit demand for inputs among individual farmers. Association would increase potential for sales.	Moderate: Bulk discounts on inputs may act as an incentive for association membership.

Source: Adapted from World Bank, Social Analysis Sourcebook, 2003, 25.

A stakeholder analysis was used to analyze the potential barriers to a proposed intervention that would encourage very poor farmers to organize themselves into an association. The association would greatly reduce farmers' transaction costs by bulking production and bringing it directly to a nearby district market. The stakeholder analysis identifies that there are a range of stakeholders with strong interests in the success or failure of an association. Larger farmers, for example, are likely to shape the association to serve their own interests if involved. The very poor themselves have limited social capital and are more likely to distrust others; both are inhibiting factors to the development of a strong association.

Reference:

World Bank. Social Analysis Sourcebook. 2003.
http://siteresources.worldbank.org/EXTSOCIALDEV/Resources/3177394-1168615404141/Social+Analysis+Sourcebook+FINAL+2003+Dec.pdf?resourceurlname=Social+Analysis+Sourcebook+FINAL+2003+Dec.pdf

D. EQUITY OF OPPORTUNITY ANALYSIS

Description: Individuals have varying abilities to engage in upgrading opportunities. Their ability to do so is influenced by various factors, including their physical and financial assets, their skills and experience, and their relationships. Equity of Opportunity Analysis evaluates the suitability of various upgrading and employment opportunities for a specific target population within a selected value chain. It compares the requirements of the opportunity with the capabilities of the target population.

Application to Reaching the Very Poor: While value chain analysis identifies a number of upgrading opportunities, many of these are not suitable to the capacity and risk tolerance of the very poor. Those opportunities requiring land, for example, will not be an option for the landless. Equity of Opportunity Analysis can be applied to assessing the ability of the very poor to engage in upgrading opportunities and developing those opportunities that are most accessible.

Example of Application:

Upgrading Opportunity	Assets		Capabilities	
	Physical	Financial	Human Resources (e.g. skills and experience)	Organizational (e.g. union, farmers' organizations, social capital)
Access high-value tomato market	The very poor do not have sufficient land available to achieve the economies of scale that would justify the investment.	Over 90 percent of the very poor cannot afford the investment cost required to upgrade their production using their own funds. Further, they lack the collateral to access funding from the formal financial system.	The very poor have strong practical skills in tomato production that they can apply to upgrading. This is not a barrier.	The very poor are stigmatized by other value chain actors. They lack close relationships with other value chain actors that would enable financing arrangements, and very few are members of the industry association.

Source: Adapted from World Bank, Social Analysis Sourcebook, 2003, 27.

Equity of opportunity analysis was applied to assess farmers' capacity to reach a new market for higher quality tomatoes and determine whether very poor tomato farmers will be able to make the investments in new equipment necessary to meet quality standards. The analysis indicates that most of the very poor lack physical and financial assets and organizational capabilities. They have strong human resource skills, though, which can be leveraged for other upgrading

opportunities that are more suitable. The implementers decide to identify more suitable market opportunities, while recognizing that linkages to other programming may be necessary to address asset and social capital gaps.

Reference:

World Bank. Social Analysis Sourcebook. 2003. http://siteresources.worldbank.org/EXTSOCIALDEV/Resources/3177394-1168615404141/Social+Analysis+Sourcebook+FINAL+2003+Dec.pdf?resourceurlname=Social+Analysis+Sourcebook+FINAL+2003+Dec.pdf

E. POVERTY-FOCUSED VALUE CHAIN MAPPING

Description: Value chain mapping is a flexible approach that visually presents the flow of products within an individual value chain. It is frequently applied to understand the current and potential engagement of specific target groups, including women and the conflict-affected. Poverty-focused value chain mapping identifies where and how the very poor are active in a given value chain.

Application to Reaching the Very Poor: The very poor are often less visible in value chains, such as when they are engaged as employees or casual laborers for other value chain actors. By explicitly seeking to identify where they are located within a value chain, this tool helps value chain projects to evaluate which interventions are most likely to reach and benefit the very poor. If the very poor are overwhelming benefiting from a value chain through earnings from casual labor, for instance, the introduction of labor-saving technologies may reduce their earnings. Thus the tool disaggregates the involvement of the poor at each level of the value chain; rather than grouping all smallholder farmers together, for instance, very poor farmers are separated within the value chain map and their specific engagement in value chains is noted.

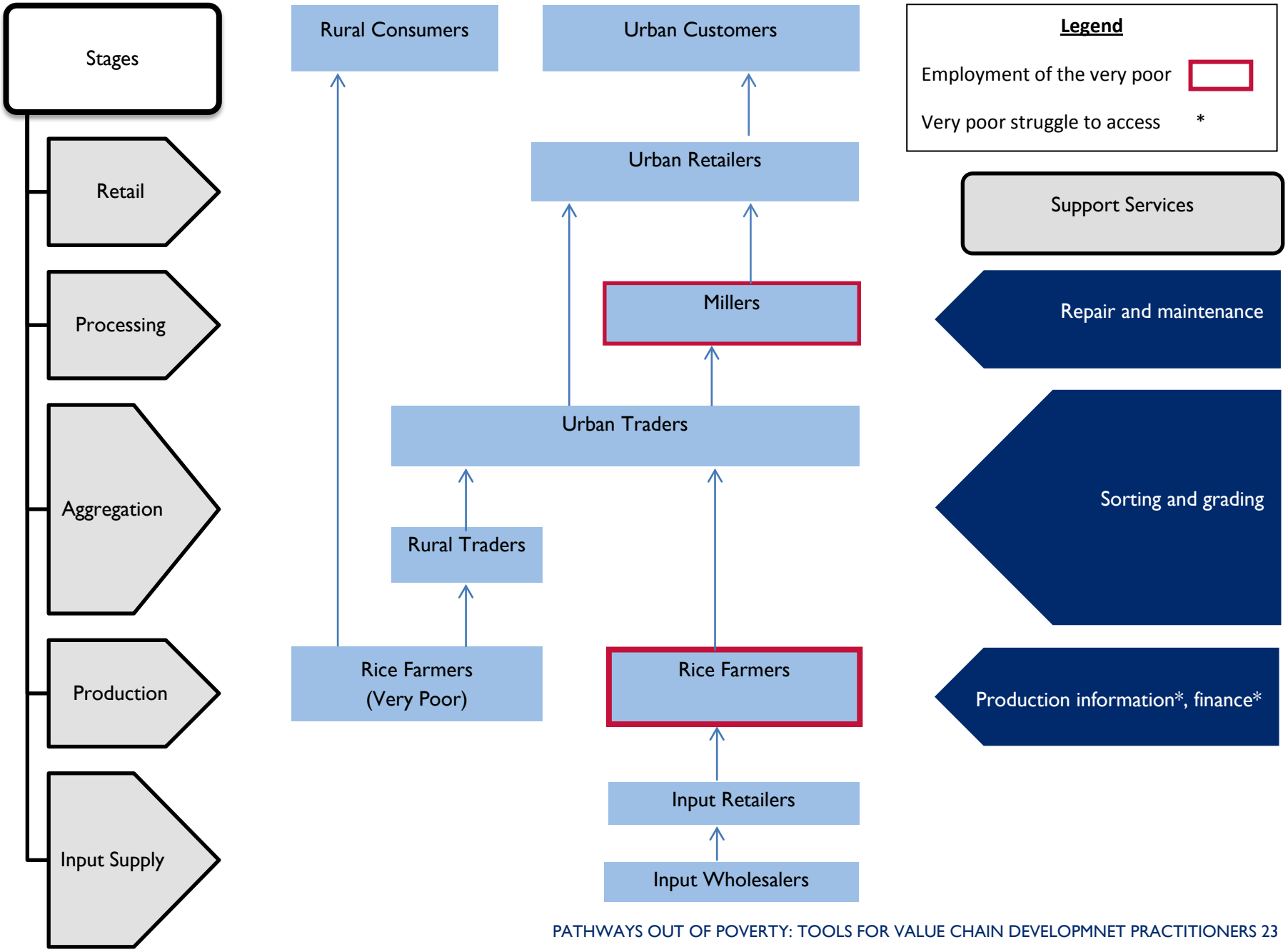
Example of Application: See below for sample value chain map. Where the map is marked with an asterisk, the very poor have challenges accessing the service. Boxes with red outlines show areas where the very poor are engaged as laborers. Source: author.

This poverty-focused value chain mapping tool is applied to a rice subsector. The analysis reveals that the very poor are generally net purchasers of rice, and the small volumes that they do sell at harvest time are sold primarily to their neighbors or to rural traders. They do not sell directly to urban traders like the other, less-poor rice farmers who sell their surplus to the market. Very poor farmers generally do not use hired labor, relying upon their own family members, and do not purchase external inputs. As a result, they do not receive the production advice that is offered as an embedded service by input retailers. They also are unable to receive financing from local financers, given a lack of accepted collateral. Additionally, the very poor are engaged as labor within the rice subsector. They primarily work as casual labor for other, less-poor farmers on a seasonal basis. A smaller number work for millers. The analysis suggests that tailored interventions will be required to reach the very poor and enhance their access to services; many value chain actors will need to adapt their outreach strategies and potentially their products or services to do so.

Reference:

There are multiple tools that guide the application of value chain analysis to other groups, though none that are specifically focused on the very poor. Adaptation of these existing tools is required to make them relevant to identifying the very poor and analyzing how they participate in value chains.

Development and Training Services, Inc. Promoting Gender Equitable Opportunities in Agricultural Value Chains: a Handbook. Undated. http://www.usaid.gov/our_work/cross-cutting_programs/wid/eg/gate.html


Stages
Retail
Processing
Aggregation
Production
Input Supply
Rural Consumers
Urban Customers
Urban Retailers
Millers
Urban Traders
Rural Traders
Rice Farmers
(Very Poor)
Rice Farmers
Input Retailers
Input Wholesalers
Legend
Employment of the very poor
Very poor struggle to access *
Support Services
Repair and maintenance
Sorting and grading
Production information*, finance*

V. CONCLUSION

This toolkit presents a series of tools that can be applied to understanding and analyzing the very poor at various stages in the value chain project cycle. It is not exhaustive, and has undoubtedly omitted some relevant tools. Other tools (e.g. for vulnerability assessment) remain to be developed or refined for practical application. Readers who are aware of other relevant tools or have learned from their application are encouraged to continue to engage in learning communities to share their experience and best practices.

ANNEX 1: TOOL SNAPSHOT

Tool	Purpose for Implementers of a Value Chain Approach	Application to Programming for the Very Poor	Ease of Application[31] (High, Medium, Low)	Reference
Situation Assessment				
Participatory Wealth Rankings	Identify the very poor	Target programming to reach the identified individuals	High. Requires less than one day per community and minimal external input.	World Bank. Wealth Ranking.[32]
Targeting the Poorest	Identify the very poor	Target programming to reach the identified individuals	Medium. More effort and expense required relative to wealth rankings.	Grameen Foundation. Targeting the Poorest: A Solutions for the Poorest Use Case. April 2011.[33]
Stages of Progress	Identify causes of entry into and exit from poverty	Select value chains (e.g. foundation markets) or interventions that can address the common factors causing entry into poverty	Medium. The methodology requires approx. 2 days for a smaller community (under 100 households) and 3-4 days for a larger community (more than 100 households).	Anirudh Krishna. Stages of Progress: A Community-Based Methodology for Defining and Understanding Poverty. 2005.[34]
Income Portfolios	Identify the income sources of the very poor	Select value chains from which the very poor are already engaged or likely to benefit or avoid interventions that will reduce key income sources for the very poor	High	DFID. Sustainable Livelihood Guidance Sheets: 4.8 – 4.13. 2000.[35]

[31] This is a subjective assessment of the tool's complexity, duration of application and cost, relative to the other tools presented in this toolkit. A "high" score indicates that a tool has a high ease of application, and consequently is relatively less complex, lengthy to apply and less expensive than other tools. A "low" score indicates the opposite.

[32] http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEV/0,,contentMDK:21233901~isCURL:Y~menuPK:3291499~pagePK:64168445~piPK:64168309~theSitePK:3177395,00.html

[33] http://graduation.cgap.org/library/targeting-the-poorest-a-solutions-for-the-poorest-use-case/

[34] http://sanford.duke.edu/krishna/SoP.pdf

[35] http://www.eldis.org/go/topics/dossiers/livelihoods-connect/what-are-livelihoods-approaches/training-and-learning-materials

Tool	Purpose for Implementers of a Value Chain Approach	Application to Programming for the Very Poor	Ease of Application[31] (High, Medium, Low)	Reference
Seasonal Calendars	Identify seasonality of relevant variables (e.g. the distribution of income and expenses, the most vulnerable periods in the year)	Select value chains or interventions that generate income during more vulnerable periods	High	World Bank[36] and FAO[37].
Household Expenditure Analysis	Predict the likely impact of natural and man-made shocks upon households	Mitigate the critical risks to the very poor through value chain selection and intervention design	Medium	FEG Consulting and Save the Children. The Practitioners' Guide to the Household Economy Approach. 2008.[38]
Household Economy Approach	Identify the level of vulnerability of the very poor to different types of shocks	Design interventions or link to programming that mitigates the most damaging potential shocks and reduces vulnerability	Low. Requires significant financial and human resource investments, and usually takes a lengthy period.	FEG Consulting and Save the Children. The Practitioners' Guide to the Household Economy Approach. 2008.[39]
Value Chain Selection				
Adapted Ranking Matrix	Choose value chains based on their ability to benefit the very poor.	Select value chains that are most appropriate for the very poor	Medium	N/A
Comparative Value Chain Risk Assessment	Identify value chains' comparative risk profiles	Avoid selecting value chains that will require the very poor to assume excessive risk	Medium	Development Alternatives Inc., Micronote #169: A Portfolio Approach to Value Chain Development Programs, 2011.[40]

[36] http://siteresources.worldbank.org/EXTTOPPSISOU/Resources/1424002-1185304794278/4026035-1185375653056/4028835-1185375811087/3_Seasonal_calendar.pdf
[37] http://www.fao.org/Participation/english_web_new/content_en/linked_Pages/seasonal_calendar.htm
[38] http://www.feg-consulting.com/resource/
[39] http://www.feg-consulting.com/resource/

[40] http://microlinks.kdid.org/library/portfolio-approach-value-chain-development-programs-0

Tool	Purpose for Implementers of a Value Chain Approach	Application to Programming for the Very Poor	Ease of Application[31] (High, Medium, Low)	Reference
Value Chain Analysis				
Sensitivity Analysis	Identify the riskiness of potential upgrading strategies.	Avoid promoting upgrading strategies for the very poor that significantly increase the amount of risk they face. Select upgrading strategies that require assuming manageable risks.	Medium.	Food and Agricultural Organization. Farm Management for Asia: a Systems Approach. Chapter 11: Planning and Managing Farm Systems Under Uncertainty. Undated.[41]
RapAgRisk Assessment	Determine the risk exposure of value chain actors and the entire value chain.	Develop risk management strategies that respond to the highest priority risks.	Low. Lengthy timeframe for implementation (up to three months).	World Bank. Rapid Agricultural Supply Chain Risk Assessment: Conceptual Framework and Guidelines for Application[42] and Methodological Guidelines Vol 2.[43] 2008
Stakeholder Analysis	Identify power brokers and their incentives to support/block the very poor from benefiting from value chain interventions. Assess the social, political capital of the very poor.	Develop strategies to include or counteract stakeholders that have an interest in impeding benefits to the very poor.	Moderate – High. Time required can vary significantly depending upon the level of detail of the assessment.	World Bank. Social Analysis Sourcebook. 2003.[44]

[41] http://www.fao.org/docrep/w7365e/w7365e0e.htm#11.7 formal approaches to risky farm decisions

[42] http://siteresources.worldbank.org/INTCOMRISMAN/Resources/RapidAgriculturalSupplyChainRiskAssessmentConceptualFramework.pdf

[43] http://siteresources.worldbank.org/INTCOMRISMAN/Resources/RapAgRiskMethodologicalGuidelines.pdf

[44] http://siteresources.worldbank.org/EXTSOCIALDEV/Resources/3177394-1168615404141/Social+Analysis+Sourcebook+FINAL+2003+Dec.pdf?resourceurlname=Social+Analysis+Sourcebook+FINAL+2003+Dec.pdf

Tool	Purpose for Implementers of a Value Chain Approach	Application to Programming for the Very Poor	Ease of Application[31] (High, Medium, Low)	Reference
Equity of Opportunity Analysis	Understand the capacity of value chain actors to participate in potential upgrading strategies.	(Re-)Develop interventions that can address constraints preventing the very poor from engaging in upgrading strategies.	High	World Bank. Social Analysis Sourcebook. 2003.[45]
Poverty-Focused Value Chain Mapping	Identify the location of the very poor within the value chain, as enterprise owners or laborers.	Design interventions that can reach and benefit the very poor based on their position within the value chain.	Medium	Value Chain Mapping guides focused on other populations. For example: Development and Training Services, Inc. Promoting Gender Equitable Opportunities in Agricultural Value Chains: a Handbook. Undated.[46]

[45] Ibid.

[46] See, for example, http://www.usaid.gov/our_work/cross-cutting_programs/wid/eg/gate.html