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PATHWAYS OUT OF POVERTY:

APPLYING KEY PRINCIPLES OF THE VALUE CHAIN APPROACH TO REACH THE VERY POOR

DISCUSSION PAPER

microREPORT #173

DECEMBER 2011

This discussion paper was prepared by Ben Fowler, Independent Consultant, and Margie Brand of EcoVentures International for ACDI/VOCA with funding from USAID under the Accelerated Microenterprise Advancement Project (AMAP) Knowledge and Practice II task order. The paper was informed by the Pathways out of Poverty working group consisting of Margie Brand, Ruth Campbell, Anna Cuny, Jeanne Downing, Ben Fowler, Lena Heron, Tim Mahoney, Lane Pollack and Jason Wolfe. Though leader responses contributed by Harald Bekkers, Jan Maes and Andrew Shepherd.

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I. INTRODUCTION

The value chain approach has traditionally focused on improving the competitiveness of the entire market system through engaging existing value chain actors; few programs have deliberately targeted the extreme poor or disaggregated direct impact by poverty levels. This discussion paper provides guidance on how value chain and market development core principles can be adopted when working directly with the very poor. This paper is applicable to initiatives aiming to 'reach down' further and include the very poor in—or graduate the very poor more intentionally into—economic growth interventions, thereby creating a "pathway out of poverty." In Section IV, several thought leaders present reactions to this discussion paper and highlight distinct themes to complement those explored here[1].

While it is recognized that poverty is multifaceted and that raising income and increasing assets alone are often not adequate to sustainably reduce poverty, the principles discussed in this paper focus primarily on ways to leverage markets to improve the economic wellbeing of the very poor as an important facet of graduating people out of poverty. A substantial body of research finds that poorer households face greater vulnerability to shocks—such as the sudden illness of an income earner—and are often less able to mitigate potential risks due to inadequate financial or social assets. Their reduced ability to cope with losses creates a relative intolerance for risk. This implies that the very poor will respond differently to incentives and need to first build coping strategies before they are likely to engage in value chains. The implication for practitioners is that the design and implementation of value chain programs will need to reflect the realities of the very poor, as will the application of the principles that guide these activities.

Much of the traditional development programming for the very poor has addressed their immediate needs (e.g., lack of food, basic services or assets) in ways that are not focused on graduating the poor to connect more significantly into market systems. The implementers of this programming often view the value chain approach as unsuitable for working with the very poor, given its perceived emphasis on risk-taking and entrepreneurship and the observation that the poor are often disconnected from value chains. They are critical of the approach for not recognizing the additional challenges faced by the very poor and their different—often limited—response to economic incentives. The application of the principles of the value chain approach has the potential to facilitate a re-evaluation of the role of value chain programming for the very poor.

Poor households vary in their asset levels, income flows, social networks, and abilities to cope with unexpected shocks. One poor household struggles to meet minimum consumption needs, while another poor household has stable consumption patterns and is starting to diversify its income sources. These variances are significant for the application of the principles of the value chain approach. The ability and willingness of these two households to invest in upgrading their household or economic activities and integrate into a competitive value chain will differ. So likely will the terms on which they participate; a household with no assets and few marketable skills may only be able to offer unskilled labor, while one with tangible assets and a willingness to take reasonable risks can engage as a small enterprise.

This discussion paper analyzes how differences between households with differing asset and income objectives might shape the application of key principles of the value chain approach to working with poorer populations. Income and asset objectives are seen to evolve from (i) stabilizing household consumption/stemming asset loss, to (ii) smoothing household consumption/protecting assets, to (iii) smoothing household income/acquiring assets, to (iv) expanding household income/leverage assets, and to (v) stabilized income-generation and asset accumulation. The principles themselves are derived from various industry publications and organized into two groups: program design and analysis, and program implementation.

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[1] Harald Bekkers emphasizes maintaining a commitment to a market systems approach; Jan Maes writes of vulnerability and breaking silos between 'push' and 'pull'; and Andrew Shepherd highlights labor markets.

II. PRINCIPLES

The following nine principles and their application to varying poverty levels are described below[2]:

- **Program Design and Analysis**
  i. Use evidence-based design
  ii. Take a holistic, market systems perspective
  iii. Design a vision for sustainability
  iv. Address underlying constraints
  v. Look to end markets to define opportunities and risks

- **Program Implementation**
  vi. Look for catalytic and system-changing interventions
  vii. Understand, create and leverage incentives to drive growth and change
  viii. Foster mutually beneficial relationships
  ix. Design and use subsidies strategically

A. PROGRAM DESIGN AND ANALYSIS

1. USE EVIDENCE-BASED DESIGN

Basing program design on a comprehensive understanding of the market system is an important principle of the value chain approach. Additional analyses can be critical to the design of an effective implementation strategy that engages the very poor. The type and focus of analysis will depend on the level of the poor that the program is trying to reach and the unique context in which they live.

In strengthening value chains and working with the less poor, analysis of a selected value chain, its support markets and the enabling environment informs the design of interventions. Sensitivity analysis within value chain analysis measures the level of risk inherent in various upgrading opportunities. Options that are particularly sensitive to variables outside the control of the household or enterprise, such as weather conditions or world prices, may pose an unacceptably elevated level of risk for the poor, or may need to be mitigated, for example, through crop insurance.

For the very poor, narrower market analyses and labor market assessments to match immediate earning options are appropriate complements to value chain analysis. Vulnerability analysis is an important input and precursor to program design. It maps the nature and extent of vulnerability and includes risk mitigation and coping strategies, barriers to market participation, economic and financial values and perceptions, risk profiles of markets and income opportunities, and vulnerability triggers. Spatial poverty analyses assist in understanding the level of poverty of the target group in order to design most appropriately for their risk and coping profiles.

Understanding the informal rules and norms that govern behavior and transactions is important when working with households at all poverty levels. The very poor are often more active in the informal sector where these rules and norms are generally more prominent.

Among the less poor, economic activities tend to be more specialized, conducted on a larger scale, and treated more as autonomous activities that are separate from other household income. As such, analysis can appropriately be focused at the enterprise level as well as the household level. In contrast, it is more important to focus analysis on the

[2] For information on principles related to the value chain approach, see USAID, Key Elements of the Value Chain Approach Briefing Paper; and R Campbell, Implementation Best Practices for Value Chain Development Projects, microREPORT #167

household and intra-household levels among the very poor where economic activities are more fragmented and smaller-scale, and with household and economic activities often fungible.

2. TAKE A HOLISTIC, MARKET SYSTEMS PERSPECTIVE

The value chain approach takes a market systems perspective that recognizes the inter-connections among firms (including microenterprises) in an industry, the business environment that governs the industry, and the support markets that supply services (e.g., finance, transport) to the firms. Understanding the entire market system facilitates a thorough identification of the constraints to competitiveness faced by value chain actors. While the importance of a holistic analysis of market systems is equally relevant to households at all poverty levels, the components of market systems that are most critical to understand for design purposes often differ by poverty level, as do the points offering the highest potential for engagement in the market system.

Implementers need to carefully consider where the very poor engage within a market system and design their analysis accordingly. Whereas less poor households often own microenterprises that produce for sale or are employed in salaried positions, many very poor households engage in subsistence production and casual labor markets. These latter activities are easy to omit during analysis and design of interventions. This is exacerbated by the tendency of many very poor households to be engaged in less dynamic value chains (e.g., low return staple food crops) that offer few opportunities for upgrading and that are less frequently selected for support by donors and project implementers.

When considering market systems, it is useful to recognize that the very poor tend to engage with markets in less structured and informal ways (e.g., as seasonal laborers or as consumers), and there are often more points of leverage within the informal sector, in contrast to the less poor, where greater points of leverage exist in more structured and formal opportunities. The very poor access fewer support services, whereas the less poor have a far greater range of support services that can be leveraged to facilitate their participation within the market system.

3. DESIGN AND ADVANCE A VISION FOR SUSTAINABILITY

A key principle of the value chain approach is to articulate a vision in which the market system is capable of sustainably responding to opportunities and constraints, and to use this vision to design program interventions that create self-reliance and the ability to adapt to changing circumstances. This vision is therefore focused on sustainability of the system (in which both enterprises and individual households engage) rather than on the ongoing provision of discreet program services.

When working with the less poor, it is important to design a vision for sustainability focused on the economic activities of the household, strengthening the ability of the less poor to adapt their enterprise or employment activities to changing circumstances. When working with the very poor, it is important to design a vision for sustainability focused on households themselves, enabling them to achieve self-reliance and the ability to adapt to changing circumstances. Household activities may be linked to economic activities or to coping and risk management activities more broadly.

Understanding the types of incentives, networks, behaviors and skills that poorer households will ultimately need in order to achieve self-reliance should be an important diagnostic that feeds into program design and the vision for sustainability. Project interventions should encourage the emergence of change in these critical areas.

4. ADDRESS UNDERLYING CONSTRAINTS

Addressing underlying or root constraints—both tangible and intangible (such as informal rules, social norms, and power structures)—is fundamental to value chain development programming, and behavior change strategies more broadly. Ignoring underlying constraints will limit the effectiveness, sustainability and scale of programming. For example, the underlying constraint to low production levels by farmers may be a lack of trust between smallholders and input providers, which increase firms' perceived risk of providing pre-harvest credit to farmers for yield-increasing inputs or tools.

The quantity and complexity of constraints to upgrading varies by poverty level. For less poor households, addressing sector-wide constraints within the target value chain is often adequate to facilitate upgrading. Such households generally have greater tolerance to assume risk and risk mitigation strategies in the pursuit of economic opportunities. They are also generally more willing to pursue wealth creation opportunities. Market facilitators can therefore primarily use "pull" strategies that create opportunities within value chains that households and firms can select into with little or no additional support.

Poorer households face a greater number of tangible and intangible underlying constraints that relate more directly to their households and social systems. These may include social norms that de-value or dis-incentivize wealth creation, low capacity to implement risk mitigation strategies, a lack of liquid assets, few commercial relationships or social capital, lack of self-confidence and self-esteem, low educational capacity, social stigma, and greater susceptibility to illness. Moreover, the behavior of poorer households is shaped to a greater extent by intolerance to risk and a limited capacity to mitigate risk. As a result, such households will often diversify their household income sources rather than intensifying their higher return activities. "Push" strategies that directly address these underlying constraints that prevent market engagement are required more frequently with very poor households. Without the use of strategies to promote market engagement, few very poor households will be capable or willing to respond to opportunities created within value chains.

5. LOOK TO END MARKETS TO DEFINE OPPORTUNITIES AND RISKS

Opportunities in local or international markets can drive the growth and transformation of a value chain. Generally there are multiple actual and potential end markets for a given product, each with different demand characteristics, potential returns and risks. It is important to analyze the various market segments in order to identify markets appropriate to the intended project beneficiaries.

Incorporating the very poor into value chains requires focusing on end market channels with few barriers to entry and low risks—often (but not always) local markets—even if they offer lower returns. As entrants build their asset base and market relationships, more lucrative end market channels become reachable. In contrast, less poor households are generally more capable of engaging in market channels with higher economic risk, higher barriers to entry, and corresponding higher potential returns.

Even with the less poor, practitioners should continue to encourage households to maintain a diverse portfolio and appropriate investments. Analysis is always critical to understanding the risk profile of end markets, as context is extremely important and few general rules apply. For instance, local markets may be highly volatile, and less competitive national markets may offer higher returns than international markets.

B. PROGRAM IMPLEMENTATION

1. LOOK FOR CATALYTIC AND SYSTEM-CHANGING INTERVENTIONS

Important to the value chain approach is designing interventions through leverage points that maximize the impact achieved relative to the time and cost invested, and in particular, that create longer-term, sustainable change. The interventions that have the most system-changing results vary by the poverty level of the targeted households.

Less poor populations are more able to engage directly with markets as producers of a good or service, and respond to market incentives. As such, intervening in the market system and shaping the commercial incentives of enterprises within the value chain offers the strongest opportunities for systemic change with these households.

In contrast, very poor households do not engage with markets to the same extent. They take transportation and buy food, for example, but have less interaction as producers of goods and services. Without addressing the underlying constraints that prevent this engagement, market linkages will usually be temporary. Interventions for the very poor are therefore often better targeted at building resiliency and safety nets. Government policy and social-cultural aspects of the enabling environment are potential levels for influencing change. Understanding the peripheral impacts that upgrades in one value chain can have on the purchasing power of the very poor (who, though not producers, may be consumers of the good or service) is an area for future innovation.

2. UNDERSTAND, CREATE AND LEVERAGE INCENTIVES TO DRIVE GROWTH AND CHANGE

Understanding and shaping the incentives that underpin behavior is an important focus of the value chain approach. Value chain practitioners often identify and promote upgrading strategies on the assumption that households will select the economic activities that generate the highest return. However, one cannot assume that all households prioritize wealth generation, and respond exclusively or primarily to economic incentives. Rather, there are a diverse set of incentives (e.g., economic, socio-cultural, political) that shape behavior.

For very poor households, investing in ways to reduce risk—not maximize economic returns—takes priority and becomes a primary driver of behavior and livelihood decisions. For instance, economic activities that offer smaller but more frequent returns are often preferred by households that lack the assets to endure long periods without income. Diversification is therefore an important economic strategy for very poor households, to spread risk among multiple income sources. Conversely, intensifying the most profitable household activities is often inappropriate. In working with the very poor, non-financial incentives also grow in importance. Social networks in particular are often critically important in shaping behavior. Market facilitators need to take into account how to leverage these social networks to encourage engagement by the very poor.

When providing intensive, subsidized support to the very poor, market facilitators need to establish incentives and opportunities for graduation to less intensive forms of assistance. Interventions such as cash or asset transfers may be necessary to address destitution and establish a base of productive assets, but households that have graduated from this initial support are often unable to access assistance to build on their first successes. A phased approach to implementation that allows the very poor to build off of their first wins can be an effective incentive for graduation that supports a transition out of poverty.

3. FOSTER MUTUALLY BENEFICIAL RELATIONSHIPS

Vertical and horizontal relationships between firms (including microenterprises) shape the extent and nature of their engagement in value chains. Many value chain development projects intervene to foster beneficial relationships among value chain actors. In engaging with the less poor, value chain facilitators often strengthen horizontal relationships that improve economies of scale and better enable engagement with more powerful market actors, and strengthen vertical relationships to increase access to market information, skills and services.

The very poor typically have fewer established relationships with the private sector, as well as a weaker ability to successfully engage in commercial relationships. From the perspective of other value chain actors, including less poor community members, the very poor are often unattractive partners. Characterized by low tolerance for risk, irregular or non-existent surpluses, and a lack of market literacy, the private sector typically sees few reasons to engage with the very poor as suppliers. Starting the process of establishing commercial relationships and building market literacy is critical for graduation out of poverty and a transition to more equitable power dynamics, even if households are engaging through heavy subsidies, non-cash transfers via vouchers, or consumer relationships. The consumer relationship is a comparatively less risky entry point for establishing commercial relationships, and can simultaneously build market literacy, networks and confidence.

Nevertheless, improving the breadth and depth of social relationships is often more important for the very poor than strengthening commercial relationships. These relationships constitute important social capital and open up opportunities for reciprocity that can be a critical mechanism for coping with shocks. Savings groups and mutual labor societies are two examples of structures that strengthen the relationships of the very poor, while also readying their engagement with value chains through access to capital and labor.

The less poor need support in the ability to enforce purchase agreements and other commercial contracts and laws, including channels for taking recourse if needed. With weaker market literacy and fewer productive assets, the very poor face greater challenges in enforcing their rights. This extends beyond commercial contracts to areas such as social protection, gender-based violence and land ownership.

4. DESIGN AND USE SUBSIDIES STRATEGICALLY

The value chain approach advocates limited and strategic use of subsidies to improve value chain competitiveness. Effective practice implies the application of subsidies in ways that create demonstration effects, decrease risk for market system actors to assume new behaviors, and encourage other market actors to enter the value chain. These "smart subsidies" build the capacity of the market system to provide appropriate products and services sustainably. In similar ways, smart subsidies can be used with less poor and very poor households to create demonstration effects of the outcomes of particular behaviors and decrease the risk for households to assume new behaviors or enter new relationships.

The less poor face fewer challenges than the very poor when engaging in markets as suppliers and consumers; they benefit from supply and demand-side subsidies. Supply subsidies may focus on building the capacity of suppliers to offer appropriate products, such as through the provision of training, discounted inputs, or underwritten loans. Demand subsidies can decrease the risk for users to initially purchase these products, and demonstrate viable levels of demand to suppliers, such as through the use of time-limited vouchers.

The very poor have fewer of the assets needed to engage effectively with markets. Strategies that build and protect financial assets, and build human and social capital are frequently necessary. The lower risk tolerance of the very poor requires greater support to decrease their risk in making investments in income generating activities. Subsidies that stabilize consumption levels or stem asset de-accumulation (e.g., food aid or other asset transfers) are often a necessary starting point.

An important application of subsidies in the value chain approach is to incentivize engagement by the private sector. With both the less poor and the very poor, subsidies can be used to encourage the development of beneficial relationships by making a normal market transaction more profitable to both parties involved. With the very poor, however, there are often fewer market actors to work through in the delivery of subsidies. Subsidies can be a powerful tool to help the very poor learn how to maintain commercial relationships, especially when as consumers, which allows them to control the transaction.

Although subsidies are often used more frequently in working with poorer populations, they can still be designed to be "smart subsidies." As with the less poor, exit strategies can be built into the application of all subsidies, supporting the graduation of the poor away from the subsidy. Ensuring that the underwriter of the subsidy remains as invisible as possible, and emphasizing the market mechanism through which the subsidy is being provided, is an important principle that applies both to broader value chain contexts working with the less poor, and contexts of working with the very poor. As very poor households transition out of poverty, programs should decrease their own visibility to allow the relationships, rules, and norms that govern commercial transactions to emerge.

The matrix in the following section summarizes the key points of this discussion paper in a tabular format.

III. MATRIX

<table>
<tr><th colspan="2" rowspan="2">PRINCIPLES</th><th>Very Poor</th><th colspan="2">Poor</th><th>Less Poor</th><th>Non-Poor</th></tr>
<tr><td>Objective: Stabilize household consumption/stem asset de-accumulation</td><td>Objective: Smooth household consumption/protect assets</td><td>Objective: Smooth household income/acquire assets</td><td>Objective: Expand household income/leverage assets</td><td>(typically reached by value chain programs)</td></tr>
<tr><td rowspan="6">DESIGN/ANALYSIS</td><td rowspan="2">Use evidence-based design</td><td colspan="4">Tailor type, focus and unit of analysis
Analyze the formal and informal rules and norms in the enabling environment that may limit benefit from and/or participation in markets</td><td rowspan="6"></td></tr>
<tr><td colspan="2">Use vulnerability analysis and spatial poverty analysis to understand nature and extent of vulnerability, risk mitigation and coping strategies, barriers to market participation, financial values and perceptions, risk profile of income opportunities, and vulnerability triggers. Use narrower market analyses and labor market assessments to match immediate earning options.

Analysis at household and intra-household levels. (Economic activities more fragmented and smaller-scale, with household and economic activities often fungible.)

Analyze informal rules and norms that govern behavior and transactions, particularly in the informal sector.</td><td colspan="2">Use market analysis, comprehensive value chain analysis, labor market assessments and sensitivity analysis.

Analysis at enterprise and household levels. (Economic activities more specialized, conducted on a larger scale, and treated more as autonomous activities separate from other household income.)

Analyze informal rules and norms that govern behavior and transactions in the business enabling environment.</td></tr>
<tr><td rowspan="2">Take a holistic, market systems perspective</td><td colspan="4">Focus on high potential points of engagement in market systems</td></tr>
<tr><td colspan="2">Leverage opportunities for participation in informal/ temporary/casual employment and income-generation activities (such as subsistence production or less dynamic value chains, e.g., low-return staple food crops).

Recognize that markets are less structured and informal.

Recognize that fewer support services available for leverage.</td><td colspan="2">Leverage opportunities for engagement and participation in more formal / permanent employment and income generation.

Recognize that markets are more structured and leverage emerging formal opportunities.

Leverage greater range of support services available.</td></tr>
<tr><td rowspan="2">Design and advance a vision for sustainability</td><td colspan="4">Develop appropriate vision for sustainability, focusing on self-reliance and the ability to adapt to changing circumstance.
Understand the types of incentives, networks, behaviors, and skills needed in order to achieve self-reliance.</td></tr>
<tr><td colspan="2">Design a vision for sustainability focused on households achieving self-reliance and ability to adapt to changing circumstances (rather than on continued delivery of discreet program services).

Understand the types of incentives, networks, behaviors and skills that households need in order to achieve self-reliance.</td><td colspan="2">Design a vision for sustainability focused on employment opportunities and enterprises achieving self-reliance and ability to adapt to changing circumstances (rather than on continued delivery of program services).

Understand the types of incentives, networks, behaviors and skills that enterprises need in order to achieve self-reliance.</td></tr>
</table>

	PRINCIPLES	Very Poor	Poor		Less Poor	Non-Poor
		Objective: ***Stabilize household consumption/stem asset de-accumulation***	*Objective:* ***Smooth household consumption/protect assets***	*Objective:* ***Smooth household income/acquire assets***	*Objective:* ***Expand household income/leverage assets***	*(typically reached by value chain programs)*
	Address underlying constraints	**Support increased capacity to upgrade and assume risk**				
		Facilitate **diversification of economic activities** as a response to **low tolerance for risk** (and limited capacity to mitigate risk). Focus on **"push" strategies** that address **household-level constraints** to support market participation *(e.g., social norms that de-value/dis-incentivize wealth creation, low risk mitigation capacity, few liquid assets, few commercial relationships, low social capital, lack of self-confidence, low educational capacity, social stigma, greater susceptibility to illness.)*			Facilitate **intensifying** of **higher return activities** and leverage **greater tolerance to assume risk**, capacity to adopt risk mitigation strategies, and willingness to pursue wealth creation / profitability. Focus on **"pull" strategies** that address sector-wide constraints to upgrading, and create opportunities for value chain participation and upgrading that households can select into with limited support needed.	
	Look to end markets to define opportunities and risks	**Focus on end markets channels appropriate to increasing capacity to take on more risk**				
		Encourage participation in market channels with **lower economic risk** and **lower barriers to entry** (recognizing **potentially lower economic returns**), slowly building increased assets and market relationships.			Encourage participation in market channels with **higher economic risk** and **higher barriers to entry** (recognizing **potentially higher economic returns**), while maintaining an emphasis on diverse risk portfolio and appropriate investments.	
IMPLEMENTATION	**Look for catalytic and system-changing interventions**	**Identify opportunities that create greatest leverage**				
		Aim to achieve greater system change by focusing interventions on **building resiliency and safety nets at the household level.** Consider the policy environment, and informal norms and rules in particular. Address underlying constraints that prevent the **ability to interact more fully with markets.**			Aim to achieve greater system change by **shaping commercial incentives** and **focusing interventions at the market system.** Leverage ability to **engage directly with market systems** as producers of goods or services, and respond to market incentives.	
	Understand, create and leverage incentives to drive growth and change	**Draw on financial and social networks, and formal and informal enabling environments, as key drivers of incentives** **Promote graduation from subsidies and support using incentives**				
		Recognize **risk reduction** as a **primary driver of household behavior and livelihood decisions.** Leverage **household-level financial incentives** *(e.g., smaller, more frequent returns preferred to long periods without income; range of lower-return activities to spread risk preferred to a focus on one high-return activity)* and **non-financial incentives** for risk mitigation *(e.g., social networks as drivers to shape behavior).* Establish **incentives to promote graduation from intensive, subsidized household support** (e.g., household-level cash or asset transfers) through access to support to build on initial successes.			Recognize **wealth creation and profitability** as **primary drivers of enterprise behavior and decisions**, while still maintaining a risk reduction strategy. Leverage **household and enterprise incentives** for wealth creation / profitability (e.g., intensifying the most profitable household and enterprise activities). Establish **incentives to promote graduation from intensive subsidized enterprise-level support** (e.g., enterprise-related asset transfers) through access to support to build on initial successes.	

PRINCIPLES	Very Poor — *Objective:* ***Stabilize household consumption/stem asset de-accumulation***	Poor — *Objective:* ***Smooth household consumption/protect assets*** / *Objective:* ***Smooth household income/acquire assets***	Less Poor — *Objective:* ***Expand household income/leverage assets***	Non-Poor *(typically reached by value chain programs)*
Foster mutually beneficial relationships	**Develop social and market relationships** **Strengthen ability to organize and operate as value chain actors** Strengthen breadth and depth of **social relationships** (e.g., through savings groups and mutual labor societies) to increase access to social capital and opportunities for reciprocity. **Leverage role as a consumer** as an entry point to develop and engage in less financially risky commercial relationships, and enhance market literacy. Improve **ability to enforce individual and household-level contracts and laws**, and channels for taking recourse if needed (e.g., around social protection, gender-based violence, and land ownership).		Strengthen ability to engage in **more commercial relationships** (e.g., through improving contract law, using vouchers). Improve **ability** of households **to engage with more powerful market players** (e.g., increasing access to market information). Focus on strengthening **horizontal market relationships** to improve economies of scale, and **vertical market relationships** to support **access to information, skills and services** for better engagement with value chain opportunities. Improve **ability to enforce purchase agreements and other commercial contracts** and laws, and develop channels for taking recourse if needed.	
Design and use subsidies strategically	**Use subsidies to build the capacity or incentivize the market system to provide appropriate products/services sustainably, through buying down risk and facilitating market-based relationships** **Use exit strategies in the application of all subsidies, supporting the graduation of the poor away from the subsidy.** Use subsidies to create demonstration effects of the outcomes of particular behavior and **decrease the risk for households to assume new behaviors**, including learning how to have commercial relationships, even as consumers. Use subsidies that **build and protect financial assets, and build human and social capital** to enable the very poor to start participating in markets *(e.g., by decreasing risk in making investments (upgrading), stabilizing consumption levels, or stemming asset de-accumulation (e.g., food or other asset transfers)).* Recognize that **fewer market actors to work through** in delivery of subsidies. **Decrease program visibility and increasingly emphasize market mechanism** though which subsidy is provided as households transition out of poverty, to allow relationships, rules, and norms that govern commercial transactions to emerge.		Use subsidies to create demonstration effects, **decreasing risk for enterprises in the market system to assume new behaviors** and ultimately crowding-in other market actors. Use subsidies that in**centivize the supply of and demand for products and services** *(e.g. 'supply subsidies' such as provision of training, discounted inputs, or underwritten loans, and 'demand subsidies' decreasing the risk for users to initially purchase products such as time-limited vouchers.)* Recognize that **more market actors to work through** in delivery of subsidies. **Emphasize market mechanism through which the subsidy is provided**, and keep underwriter of subsidy as invisible as possible, to allow relationships, rules, and norms that govern commercial transactions to emerge.	

IV. THOUGHT LEADER REACTIONS

This discussion paper was designed to present guidance for practitioners, recognizing that the application of the value chain approach to reaching the very poor is still a relatively recent practice. Thus consensus around best practice is still emerging. After releasing a draft version of this paper, USAID asked several thought leaders to respond to the paper and illuminate themes that reflect their area of speciality. The writers, whose responses follow, are: Harald Bekkers, a specialist in the *Making Markets Work for the Poor* approach; Jan Maes, co-chair of the SEEP Network's Poverty Outreach Working Group; and Andrew Shepherd, director of the Chronic Poverty Research Center with a focus on labor.

Harald Bekkers *pushes us to question the sustainability and scale factors of direct interventions, leading to his focus on a more nuanced understanding of the root causes of poverty and the centrality of a robust evidence-based design. He asserts that: '"the single biggest weakness in current development practice is the weak understanding of the world around the (very) poor, which leads to a development practice that too easily 'surrenders' a market systems or value chain approach and moves to graduation and livelihoods or even humanitarian relief, because it too easily assumes there are no alternative options."*

Response: This paper takes on a discussion central to the entire development debate: how to reach and be relevant for the very poor; how to influence their livelihood strategies in such a way that what was a struggle before becomes effectively a pathway out of poverty? Three positions or basic approaches can be distinguished, each part of the same continuum ranging from the direct and immediate provisioning of basic needs to the seemingly 'distant' facilitation of systemic change. Given the limited amount of space I will need to make broad generalizations. Nevertheless, it is useful to briefly outline these positions before saying more on the position taken by the discussion paper.

Position 1: Direct provisioning of basic needs. This refers to governmental, non-governmental and charitable organizations 'helping out' those perceived to be need of assistance. Writing these comments from Suva, Fiji, where last evening a Rotarian described for me the sad scenes of neglected, soiled human beings they often encounter while making their rounds handing out much needed adult diapers, one can only reiterate that there will always be a need for this kind of compassionate and immediate relief work. Modern social safety nets often have their roots in a charitable past and equally so much of today's 'professional' development assistance still breathes this legacy. The tools may have become more sophisticated, focusing on improving human capacities and more resilient livelihoods, but the bottom line remains one of: "if it is not there, if it does not work, or if it seems to work against the interest of the very poor, we will step in and help." The very poor are essentially seen as 'needy recipients', and them having access to whatever they were deprived of is seen as achieving 'results'.

However, there is growing recognition that something else is needed for more lasting, sustainable results: how can one ensure that having access to adult diapers does not depend on Rotarians writing out cheques and making rounds again and again? Also, however useful this approach will be under certain circumstances, it is one with a very limited outreach.

Position 2: 'Subsidizing away' the individual's poverty traps. One way to achieve more lasting results could be to 'release' the very poor from the poverty trap that keeps them locked in a perpetual cycle of indebtedness, low investment, low productivity, low quality, high risk, low volumes and low margins. Their assets, capital, skills, sales and margins are enough to keep them alive, but not to make a living: a gap is filled but there is always another one. The idea is that this cycle can be broken by lifting production to a higher level of profitability through—ideally—a one-off Green Revolution-style injection of typically subsidized better production inputs. This should enable the very poor—again, ideally—to start making the margins to be able to fend for themselves.

The vulnerability of this approach does not lie in the often misconceived 'lack of entrepreneurial spirit' of the very poor but rather in their adsorptive capacity for change. Also, change may come in the form of a fairly uniform, predefined package not necessarily resonating with the very poor's very diverse livelihood strategies. When the very poor fail to get it right, either because the amount of change is too much or the direction of change is unwanted (or where the system around them does not get it right) a 'great leap forward' could turn into a big fall downward: if the fertilizer is not applied on time, or does not arrive in the village on time, a high yielding variety in need of nutrients simply might die very fast. At this point, notions often enter the discussion aimed at capturing the perceived gap between the amount of change 'prescribed' and the capacity of the 'patient': notions about a 'limited risk bearing capacity', 'lack of skills and market savvyness', the need to 'graduate' very poor 'into' value chains and hence the need to facilitate this graduation. As a result, what started off as sound economic rationale can turn into something quite similar to what was described under Position One, with the same doubts about the lasting nature of change, being so very dependent on often long-term 'graduation support'.

Thus, still we are not satisfied. Perhaps we see a vision that gives more hope for lasting change, trying to connect to the very poor as economic agents in charge of their own lives, but the execution still appears to be 'crude' and aid dependent.

Position 3: 'Facilitating away' systemic poverty traps. Then we enter the domain of value chains, market systems and systemic change. We move away from the very poor themselves to the world around them, all those involved in influencing the very poor's access to production inputs, skills and information, and market demand for their output. With this, our perception of the very poor also shifts again, from 'needy' to 'trapped' to something more dynamic: households engaged in various economic activities, some more rewarding than others, some with a higher degree of 'hit and miss'; households on the way up in good years, but perhaps not always in the most efficient manner, and with numerous setbacks, because the seeds did not germinate, the fertilizer was not on time, a pest hit their main cash crop, a child fell ill and had to be taken to hospital, etcetera. The idea behind this approach is simple: enable seed companies to produce better seeds if this is a real problem causing low yields and low income, or enable fertilizer distribution to be more timely organized if this is a real problem causing low yields and low income, and in doing so make the world around the very poor work better, which in turn reduces uncertainties, risks and losses and enables them to help themselves, to work themselves out of poverty. However, the question that always—and, as I will argue, wrongly—surrounds this approach is: "does it reach and is relevant for the very poor from its 'high' vantage point 'somewhere' in the system, be it a corporate office or a government department. Can we be happy with this approach?

It is here that the paper begins to formulate its argument, only to arrive at a careful 'yes, but remember that the very poor face unique challenges in terms of market access, risk bearing capacity, etcetera'. It is an argument that on the one hand embraces a systemic approach, but at the same time embraces some to the fears associated with the approach and hence at times tends to 'retreat' to a terminology more associated with Position Two. I believe here the argument is too careful. Let me explain why.

Challenging convention: Conventional wisdom tells us that as one moves along this continuum from Position One to Position Three the approach becomes less suitable for the very poor. Perhaps it is time to turn this logic around.

1. Each approach can be suitable for very poor depending on what causes the very poor to be very poor.
One can find many very poor households very actively and very commercially involved in many value chains whereby what makes them poorer than their neighbours relates to having a little less land, having a few more mouths to feed, having just a little less room to invest in good seeds, being just a little less skilled in farming. There are no signs of more structural, individual poverty traps: money is being made and being re-invested, albeit in small amounts, in a little bit more land, a few chickens, etcetera. What is needed is a correct application of the 'making markets work for the poor' or value chain approach, namely an application that follows all the characteristics of the approach as listed in the paper while ensuring that the evidence based design sufficiently zooms in on the very poor, so that interventions will be relevant for them.

Then there are the very poor who are perhaps equally active and commercially oriented, but in less yielding value chains. They are in the wrong activities. If the analysis suggests that more rewarding activities are within reach of the very poor again a correct application of the value chain approach would do. Where there are insurmountable entry barriers first systemic solutions should be tried (such as contract production) before considering more subsidized approaches.

Only when the analysis shows that the very poor are stuck should the development practitioner consider a heavier medicine, potentially less sustainable, potentially less in outreach, a last resort, whether that is a subsidized entry into a value chain that is perhaps beyond their means, or the transfer of assets before even start contemplating commercial production.

2. **Based on an in-depth understanding of the very poor**, what makes them very poor and how this relates to the world around them one can start working from Position Three, applying all the principles of the approach as the paper rightfully argues, and from there move backwards along the continuum to Position One, until one finds a solution that fits. Essentially, once you understand the root cause of poverty, you can then apply a market based approach to find the right interventions. If this logic of analysis and work would be followed, what currently is the norm in terms of reaching the very poor (e.g. heavily subsidized provision of services and support) might become more of an exception and vice versa.

3. **Given the fact that the world around the poor is very diverse, and the livelihood strategies of the very poor are very diverse—far too diverse to investigate in this short comment—one should not too easily assume that the very poor are less connected, less exposed, less engaged, less equipped, more vulnerable, more abused.**

Yes, sometimes the very poor are stuck, sometimes they have hit rock bottom, but on many other occasions there are also stories of very consistent planning, saving and investing, with very deliberate interactions with many markets (albeit perhaps different ones than the less poor), and a complex mix of income earning and security maximizing activities (albeit a different mix than the less poor might have). The operative word here is 'different', not 'less' or 'weaker'.

The single biggest weakness in current development practice is the weak understanding of the world around the (very) poor, which leads to a development practice that too easily 'surrenders' Position Three and moves to Position Two or even One, because it too easily assumes there are no alternative options.

This paper leans towards that. It justifiably makes a strong argument for applying the principles related to Position Three. However, it too easily frames the very poor in a world of weaker positions and lesser options. Its analysis of the relevance of the approach for the very poor is more correct than its analysis of the world of the very poor.

Jan Maes *promotes the recognition of the need for both 'push' and 'pull' strategies, and encourages donors and practitioners "to break through the traditional silos that continue to separate market-based and non-market-based approaches", which partially explains why "the former often don't have an exit strategy and the latter typically fail to reach the very poor." Acknowledging that vulnerability is a powerful dimension of poverty, Mr. Maes highlights additional poverty dimensions that programs need also to consider, such as limited productive capacity from low asset bases. He closes by suggesting complementary discussion points to guide 'push' programs.*

Response: This discussion paper provides a comprehensive, useful set of key principles of the value chain approach to reach the very poor, by providing recommendations on how these principles need to be adapted according to the level of household poverty. The distinction between "push" and "pull" approaches to help the very poor participate productively in markets is very helpful because it acknowledges that making market-based approaches more inclusive is only one 'side of the coin', if the goal is to include very poor. The other 'side' consists of interventions and approaches to strengthen livelihood assets (both tangible and intangible) of the very poor so that they are more productive and viable as required to successfully engage in markets. These "push" programs and services are not typically inherent to the value chain approach, and have the potential to violate certain key principles of that approach, especially if they are implemented in isolation of value chain development programs. For instance, asset transfer programs or vocational skill programs aimed at the very poor are often conducted without a vision for sustainability, a market systems perspective, or consideration of end markets while designing a program. However, by connecting "push" programs to "pull" strategies, most of the principles of the value chain approach can be adhered to.

The acknowledgment by the paper that "push" and "pull" interventions are both needed also suggests that there is a need to carefully coordinate the two (as well as the different activities within each). This is encouraging, as it will induce donors and practitioners alike to break through the traditional silos that continue to separate market-based and non-market-based approaches. The fact that traditional "push" programs (e.g. social protection and assistance, food security, healthcare, livelihoods development) and "pull" market-based and value chain interventions are often isolated efforts is indeed an important cause for why the former often don't have an exit strategy and the latter typically fail to reach the very poor.

The paper focuses largely on the vulnerability (low risk mitigation and limited ability to manage losses) dimension of poverty when applying key principles of the value chain approach for very poor populations, as it emphasizes the importance of different household asset and income objectives according to different degrees of vulnerability. While vulnerability has indeed a strong influence on the level of market participation a household is willing and able to engage in, the paper pays less attention (except in the "Addressing Underlying Constraints" principle) to the very limited productive capacity of very poor individuals and households, due to their very low levels of assets (not only physical assets, but also the confidence, skills, health, social relations that are needed to be productive). It is important to acknowledge that asset-building programs or services are not only about reducing vulnerability, but also about increasing individual, household or community productive capacity.

When assessing the needs and assets of very poor populations, one must distinguish between poverty and vulnerability, as they will have different implications for program design, implementation and monitoring. High vulnerability does not necessarily imply extreme poverty, whereas the reverse is usually true. For instance, someone infected by HIV/AIDS can be very vulnerable as the result of this health condition, but not lacking other assets such as land, skills and membership in a farmer association. In such a case, access to appropriate healthcare and health insurance might be a sufficient "push" strategy to make this person less vulnerable and able to participate in a value chain development program. But reducing vulnerability would not be sufficient to enable someone without land, skills and social connections to become a producer in the same value chain, for example. This also highlights the importance of focusing on employment opportunities through value chain development programs in order to reach the very poor.

Lastly, there is an inherent tension between market-based approaches and more intensive, livelihood development (asset building) approaches directly targeting the very poor, directly addressing their most basic needs. While the former are often light touch, effective, scalable, and resulting in sustainable (market-based) changes, the latter are often rights-based, and can be customized and targeted directly at the very poor (addressing their most basic needs), but are rarely scalable or sustainable without continued subsidies. Since such asset-building activities typically belong to "push" approaches targeted at people who are too poor and/or too vulnerable to be reached by value chain approaches, some principles outlined in the paper should be looked through a broader lens and value chain programs should have a clear vision about their role.

Specifically, there is a need for systems thinking that goes beyond just market systems to identify and address systemic barriers (such as social exclusion, lack of social protection, and landlessness, for example) that make people too poor or too vulnerable to participate in value chain development programs. In addition to understanding the types of incentives, networks, behaviors and skills that very poor households need in order to achieve self-reliance, as part of a vision for sustainability value chain program designers should also identify other service providers who can help very poor households to build a minimal asset base needed to participate in value chain programs.

Moreover, value chain development practitioners and various service providers (from private, public and civic sectors) need to carefully coordinate and sequence their activities in order to promote integrated, continuous pathways out of poverty for the very poor. The most effective way to accomplish this is by designing value chain programs in places where sustainable "push" strategies are already in place and find entry points within existing economic strengthening programs that are succeeding in reaching the very poor. Examples of promising entry points are large-scale government social protection programs, such as conditional cash transfers or guaranteed employment programs for the poorest. Such programs have the potential to reduce vulnerability and provide basic needs, significantly improving the likelihood of very poor people to engage in more productive livelihood activities. Other promising entry points include HIV/AIDS, malaria and other programs to improve health, usually the most critical asset to improve the productivity of very poor people.

Andrew Shepherd *zeroes in on labor markets as an important livelihood for the very poor, discussing how labor can be part of a pathway and the primary form of participation in markets for many of the poorest. He emphasizes the importance of understanding mobility patterns of the poor in and out of various levels of poverty. In terms of vulnerability, he encourages practitioners to consider not only risk but the underlying political, social, regulatory and economic structures (both formal and informal) that can perpetuate structural poverty, heighten vulnerability, and lead to 'adverse incorporation' of the very poor into markets. Finally, he challenges value chain practitioners to embrace the transformational potential of inclusive value chain development itself. 'For this', he writes 'a vision is required.'*

Response:

1. Beware false stereotypes: the importance of getting the analysis of labor right

It is great that the discussion paper includes laborers and the labor market. This is a real step in the right direction, since so many of the poorest households do depend at least partly on labor, often casual labor opportunities. Such households may experience different levels and types of vulnerability compared to households which do not participate (much) in the labour market.

The poorest may not be entirely disconnected from value chains (page 2); they may be incorporated as laborers, often informally or causally employed, or employed by labor contractors. On the other hand laborers may not necessarily be the poorest – they may combine laboring with other livelihood strategies in escaping poverty: this is especially the case for households with male migrants. Stereotypes about the poorest and about laborers need careful examination. There are two schools of thought on the potential for casual (often agricultural) labor to provide a pathway out of poverty:

i). ***Informal employment*** is associated with chronic poverty in many situations, providing only the most insecure and low paid work, and poor working conditions.[3] The negative effects of informal employment on children (e.g. care arrangements and barriers to educational achievement) and access to social protection mean they may inherit parents' poverty. A lifetime of informal employment is also likely to mean that old age will bring poverty. Much informal employment is agricultural and therefore seasonal.

There is a debate about what responses are appropriate. Most economists and governments are reluctant to regulate informal labor markets for fear that they reduce available jobs, even if they do not offer 'decent work', and governments are reluctant to extend labor inspection to agriculture. The evidence suggest that many such jobs merely allow a bare minimum level of survival, and do not allow households to save and accumulate. Social protection is a more consensual way forwards. Ultimately governments will have to address labor conditions in agriculture if poverty is to be eradicated.

The growing use of ***contract labor*** in medium and large scale agriculture and processing represents a special problem because employment legislation is implemented through employers, who are dislocated from contract workers, passing

[3] Shepherd, A and Scott, L (2011) Tackling chronic poverty: policy implications of research on chronic poverty and poverty dynamics. Chronic Poverty Research Centre

responsibility to labor contractors as intermediaries.[4] Here regulation is more often called for by consumer and civil society watchdogs. It should be either voluntary through codes of practice and standards, or compulsory. However, voluntary codes often miss out informal and contract employees as inspections are carried out with the prior knowledge of companies being inspected. Media based campaigns against bad employers and labor contractors can achieve results but may represents 'spots on a canvas' – i.e. they do not address the labor market's wide nature of employment conditions. Employment legislation can usefully make employers and labor contractors jointly responsible for labor conditions, a South African innovation. Labor contractors can be subject to specific legislation, as in China's new contract labor law.[5] However, in most societies regulation by itself is likely not enough – social and political mobilization is required to make a difference and to support regulation.

ii). ***Agricultural labor in high value activities*** can be the way out of poverty, in combination with other household strategies, usually self employment in farm or nonfarm enterprise. A celebrated example is in the green bean industry in Senegal, where poorer smallholders started the 2000s as producers growing under contract for export, but finished the decade as laborers on the farms of medium sized commercial farms, benefiting from more a dynamic labor market than as producers – which runs counter to common development assumptions.[6] A further example is that women may choose wage laboring despite the insecurity, low wages and poor working conditions because it provides independence for them in their households, sociability, and contributions to household income.[7]

A program seeking to include the poorest needs to gain a real understanding of labor market conditions, which may provide some households with a pathway out of poverty, especially when linked to other livelihood activities.

2. Analyzing mobility patterns is a better alternative than static categories, and builds on disaggregating current poverty status

The approach and matrix so far relies on poverty status (very poor, poor, less poor). This is definitely an advance in terms of disaggregating very diverse populations. However, it presents a static picture, and does not enquire or convey which households are progressing well or not and why. A complementary approach would be to separate households into ascending/upwardly mobile, descending/downwardly mobile and chronically poor, always non poor. *Since the purpose of the approach is to help graduate people out of extreme poverty, and this involves changing status, programs will need an understanding of the factors which help graduation, or prevent it. It is rare that programs by themselves will have that effect, so they need to learn to work with the grain.* This understanding can be achieved through a variety of research methods: panel data (surveys following the same individuals or households over time); the 'stages of progress' method;[8] focus group discussions and life histories. These methods do not necessarily require massive resources, though good qualitative researchers are needed to lead the process. Good qualitative research will help especially with understanding the causes of mobility or its absence. These can then be addressed by programs aiming to include the poorest.

For example, if it is found that small holders farming cotton need to save money and acquire oxen and ploughs so they can plant cotton in good time to catch the rains, rather than depending on hiring or borrowing oxen and ploughs, a cotton contract farming program could add a mechanization component, targeted at plough-less farm households. From the perspective of mobility patterns, or graduated transitions, an alternate way to consider the poverty levels in the

[4] Barrientos, S (2011) Labor chains: analyzing the role of labor contractors in global production networks. BWPI Working Paper 153.
[5] Lan and Pickles (2011) China's New Labour Contract Law: State Regulation and Worker Rights in Global Production Networks. Capturing the Gains Working Paper 5.
[6] Maertens, Miet & Swinnen, J. (2009). "Trade, Standards, and Poverty: Evidence from Senegal," World Development, vol. 37(1).
[7] Barrientos, S (2007): Female Employment in Agriculture: Global challenges and global responses. Commonwealth Secretariat, April.
[8] This is a method based on participatory rural appraisal, which, in brief, asks groups of people to identify the welfare status of households and then to compare with previous periods eg 10 and 25 years previously. For more detail see: Krishna, A (2005) *Stages of Progress: a community based method for defining and understanding poverty. Duke University*

matrix, is as follows: the 'very poor' would be chronically poor; the 'poor' would divide into ascendant and descendent; the 'less poor' would become the upwardly mobile.

3. Risk is not the only determinant of vulnerability – economic, social and political structures and relationships also underlie vulnerability

There are critical socio-economic structures and relationships which promote vulnerability. These include land tenure systems and land acquisition processes, which can be critical constraints on escaping poverty. It is well documented that escaping extreme poverty often involves acquiring additional land. It may be difficult to acquire (purchase) land because of scarcity, price, or a sluggish land market. Poor people often find it easier to rent land, but inadequate rental systems may constrain this. Land owners may not feel secure enough to rent out surplus land. And tenants may experience excessive insecurity of tenure.

Women often experience inadequate access to land and other resources. Maintenance of adequate rights to resources is especially important to prevent impoverishment of women and their children on separation, divorce, and widowhood. Many countries have reformed marriage and inheritance legislation but reforms in domestic law are not easy to implement. Local institutions such as courts and local leaders play a strong role, and these may need to be won round. *Inclusive value chain approaches are unlikely to be able to address such issues, but can recognize them, and act as policy advocates*.

Employment relationships can be limiting – 'Faustian bargains' can be struck, where a laborer trades off prosperity for security – the knowledge that an employer will provide food or money or other needs at times of crisis.[9] Where the labor market is characterized by an excess of supply over demand it is an employers' market, and there may be limited scope to improve working conditions and wages. Laborers may also have weak collective bargaining capabilities: having some basic education makes a difference to these. These structural conditions result in 'adverse incorporation': poor people are fully incorporated in an economy, but on adverse terms.

Chronically poor people may be excluded, experience social and political stigma, and a low (or even non) citizenship status. Their low levels of literacy/numeracy and education status can reinforce such exclusion. *Value chain approaches can directly challenge adverse incorporation and social exclusion***.** Attempting to include the very poor and laborers in value chain development may require programmers to confront some of these barriers – a value chain program may for example need to ensure higher levels of education for laborers coming into the chain. This could be done directly by providing supplementary education resources and programs 'on the job', but could also be achieved by ensuring that education institutions, including adult and skills education, did not discriminate against laborers, for example migrants, or from particular social groups.

4. The analysis suggests programs need to become more complex, or is it just the understanding which needs to be more complex?

It is quite correct that the poorest access fewer services (page 3). If the analysis identifies 'binding constraints' on graduation out of poverty these would need to be addressed. The mechanization example in section 2 above would need to be addressed somehow if the poorest households are to escape poverty through contract farming.

Such 'add-ons' could be through a joint or a separate program run by another, specialist organization – this would be better than a specialized value chain program taking on components where it has no comparative advantage. On the other hand it might be easier for some value chain program organizations to take on mechanization than, say, education, or advocacy. So the practical organizational implication is perhaps for more partnerships (assuming there are actors addressing these areas with whom to partner) rather than more complex programs.

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[9] Wood, G (2003) 'Staying secure, staying poor: The "Faustian Bargain"', *World Development*, Vol 31 No 3

It is not only the complementary components – asset acquisition, human capital development, legislative change – which will be transformational. Inclusive value chain development itself could also be transformational: it could change relationships and also be part of an economic and political structure which is changing for the better. The aim should be a transformation of the relationships of the poorest with market actors, such that their security and prosperity increases significantly. *For this, vision is required – of how the poorest might participate if the chain was organized differently or if their capabilities were greater.*

A missing element in the report to date is the horizontal organization of the poorest which is essential for most upgrading within value chains.[10] This is also an essential aspect of transformation and is key to sustainable graduation (page 5/section 7). A knowledge of pre-existing groups which are inclusive (burial societies, hamlet/kin based groups) can be leveraged to create new, market related groupings.

Finally, in addition to the greater complexity of understanding or programming, a longer time perspective may be required than is common practice in value chain work. This may mean that while the value chain might be the entry point, other components necessary to including the poorest would take over once the value chain improvement is achieved. However, this would need to be planned from the beginning.

[10] Mitchell, J and Coles, C (eds) (2011) Markets and poverty. Earthscan