ADDING VALUE TO VALUE CHAINS

How to unlock the poverty-fighting potential of value chains

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INTRODUCTION

Poor people interact with markets and companies on a daily basis. Just like wealthier people, they are producers, workers, entrepreneurs and consumers. However, the poorest people are the most disadvantaged in market systems. They are generally exploited rather than rewarded, which limits their ability to realise their full economic potential and work their way out of poverty. Their productivity is held back by limited access to business training, technical training, financial services and market information, as well as other assets, skills and networks.

Women are particularly excluded. They typically work in low-skilled, low-paid, vulnerable or precarious jobs; they have to balance work with family and other caring responsibilities; they have less access than men to livelihood opportunities, training and financial services; they have less say than men over decision-making and assets ownership; and they face discrimination every step of the way. Yet improving the situation of women in markets not only improves their lives – and the lives of their families – but also grows the economy. According to UN Women, increasing female labour force participation, or reducing the gap between women's and men's participation, will result in faster economic growth.[1]

Unlocking the potential of poor people, especially women, to participate more equitably in markets can increase their ability to earn a more sustainable income – and at the same time strengthen value chains through the input and involvement, as producers, workers, entrepreneurs and consumers, of these previously excluded populations.

For decades, CARE International has pioneered efforts to co-create, with a number of donors and private sector partners, innovative, inclusive business models that give poor people – especially women – greater and fairer access to goods, services and livelihood opportunities. Our interventions are working, reaching more than 1.7 million men, women and children globally since 2007. Many more of the world's most vulnerable people are now empowered to participate in markets, and build more secure and resilient livelihoods. Yet billions continue to live in poverty. Change is happening, but far too slowly.

Why are we not further ahead?

Why do so many people remain at the bottom of the pyramid, unable to participate equitably in markets and improve their livelihoods?

What are the barriers to their progress?

We think it's time to explore these questions with our partners and stakeholders, and to put forward what we think are some of the key issues that need to be addressed.

The challenges

We've identified four major issues we think need to be addressed in order to enable more poor people to participate effectively and sustainably in market systems and value chains, enabling them to work their way out of poverty. Donors, private sector partners, governments and NGOs need to come together to recognise these fundamental challenges, and find ways in which we can work together to overcome them.

RISK

Poor people shoulder the biggest risks in market systems and value chains. If crops fail, prices drop, or there is an illness in the household, they may have nothing to fall back on. These disproportionate risks, and their inability to mitigate them, prevent poor people from effectively participating in markets. This also weakens and destabilises value chains for actors who process, distribute and retail the products. Creative solutions that work with all stakeholders in the value chain are needed to alleviate the burden of risk from the poor. Investing in a risk-management ecosystem will benefit people at the bottom of the pyramid while building a more resilient and reliable value chain.

SYSTEMS

Poor people face multiple barriers to participating in markets. These can be social or educational as well as economic and infrastructural. Complex, inter-related issues are systemic and need to be tackled as a whole. By looking holistically at the system that poor people operate in, we can identify the key levers for change.

INNOVATION

The development sector needs more space to try new approaches without the pressure to deliver to specific targets. Small-scale trial and error is an efficient way of identifying what works, but (donor) budgets typically don't allow for this. We need the freedom to fail constructively so we can identify new and cost-effective solutions rather than becoming overly reliant on a few models that as yet haven't solved the global problem.

SCALE

The scale of the challenge of eradicating poverty means we also need large-scale solutions. But what does scale mean? We think it means collaborating with and leveraging the reach of public and private sector partners on the design of policies and interventions. Only by working together in this way can we lift millions, rather than thousands, of people out of poverty.

We don't know all the answers, though we do have some examples from our work to show how development organisations can successfully work with donors, governments and the private sector to overcome these challenges. CARE believes many more poor people can be empowered to lift themselves out of poverty, but we need to work together to speed up the process. This report is an opportunity to open up a dialogue on how to do it.

RISK


ACCESS TO INSURANCE
SOLUTIONS
SOLUTIONS
ACCESS TO MARKET INFORMATION
ACCESS TO CREDIT
NATURAL DISASTERS
CROP FAILURE
LACK OF TOOLS
LACK OF INPUTS
PRICES DROP
PRODUCERS
LAND DISPUTES
HEALTH PROBLEMS
LACK OF STORAGE
SOLUTIONS
SOLUTIONS
TECHNICAL ASSISTANCE
ACCESS TO HEALTH CARE
RISK
LOSS OF SUPPLY
LOSS OF INCOME
ENTERPRISES
LOSS OF MARKET SHARE

- Poor people can't manage or mitigate risks, such as sickness, natural disasters or crop failure, as easily as other participants in a value chain.
- When things go wrong, this affects not just poor people but everybody participating in the value chain as well as their households and communities.
- It's therefore in the interests of all participants in the value chain to help poor people mitigate their risk.
- We can do this through partnerships that make managing risk a shared concern – because creating a more robust and sustainable value chain benefits everybody participating in the value chain.

The poorest face the biggest risk

Too many of the world's poorest people are unable to effectively participate in value chains because – unlike their counterparts in developed countries – they have no safety net. If things go wrong, they could lose everything.

Most of the world's poorest people are small-scale farmers.[2] They often don't own the small plots where they work, have limited training and poor access to inputs or extension services, and are unlikely to turn a profit. This is particularly the case for women farmers, who also have to balance household and childcare responsibilities. Yet women small-scale farmers account for more than 50% of food production in developing countries,[3] so their contribution is vital. To potentially benefit from markets, they have to invest their labour and inputs into a particular crop cycle. If the crop fails – perhaps due to the impact of climate change – the consequences can be severe. The money they spend on inputs is lost (or owed) and the income they relied on has failed to materialise. Can they take the risk?

The inability of producers like small-scale farmers to mitigate their risks means many are unable to benefit from the income that market participation could bring. In some cases, excessive risk can even force existing producers at the base of the pyramid out of the market.

This represents a lost opportunity for people to improve their livelihoods, and it weakens and destabilises whole value chains, creating risks for others further along in the value chain, too.

The poorest are least able to manage risk

Actors such as processors, distributors, suppliers and retailers, and people in developed countries, have access to many products and services to mitigate their risks. The most vulnerable people on the planet – small-scale farmers – do not.

These farmers need more market information, technical assistance, fairer and more transparent terms of trade, access to high-quality inputs, income diversification strategies, and access to affordable financial products (credit, savings, insurance) to mitigate their risk.

Women farmers are particularly marginalised. They are the main producers of food in developing countries, yet only 5% of all agricultural services, such as training in agriculture techniques and livestock vaccination programmes, ever reach women farmers. Women are also often under-represented in farmer-based organisations, and receive as little as 10% of the loans granted to smallholders.[4] On a daily basis they face systemic gender discrimination and deal with the risk of gender-based violence.

This means that the people who are most in need of support to manage risk are least able to get it.

Creating a risk-management ecosystem

All participants in value chains benefit from reducing risk and encouraging growth at all stages along the value chain – and all participants potentially lose out when something goes wrong.

Too often, lead firms in value chains don't know enough about the risks faced by producers at the other end of the chain, who may be left with nothing to eat or sell if prices collapse or crops fail. They also aren't fully aware of what they could do to support those producers and their communities to ensure they can be sustainable as suppliers (and therefore continue to contribute to, and add value to, the value chain).

CARE would like to see more actors further along value chains investing coherently in creating a risk-management ecosystem that both reduces risk for poor people and shares it more fairly. Doing this would enable more small-scale producers, especially women, to participate in value chains and to contribute more effectively, reliably and sustainably when they do so – adding value to the chain as a whole, and reducing risk for all participants.

Addressing inter-connected risks

Within a particular value chain – such as cocoa – risks effect value chain participants both upstream (among producer communities) and downstream (among multinational traders). Producer communities can face risks in the form of low and volatile prices, over-dependency on a single cash crop, unsafe work practices, conflict over land, and environmental damage. Brands and traders face the risk of inadequate supplies if, for example, crop production becomes unsustainable, or of reputational damage if, for example, child labour is used in production.

However, if all participants in the value chain (and other key stakeholders such as governments and NGOs) work together to collectively address the inter-connected dimensions of risk, the value chain will be more sustainable for everyone.

The need for partnerships

CARE's work with cocoa farmers in partnership with Mondelēz International (see case study) has shown that it's possible to do this successfully. If we are to reduce or even eradicate global poverty, we need many more of these partnerships, across many more value chains and industries.

We know that markets do have the potential to lift people out of poverty, but this is

Affordable insurance

In India, CARE has worked with Allianz to offer insurance costing under 8p ($0.13) a month, to protect small-scale producers from the effects of natural catastrophes or accidents. These micro-insurance policies, co-designed by the communities themselves, are affordable even for those who earn less than £1.50 ($2.50) a day.

Over 300,000 of these insurance policies have been sold (primarily to women), offering a safety net in case of emergency. By leveraging the existing Self Help Groups and starting new associations, the project has reached a target market of financially literate women with the funds to purchase the product.

In 2008, the insurance product was put into practice as cyclone Nisha struck the coast of Tamil Nadu, resulting in more than 16,000 claims across 44 villages. The payments to policy holders exceeded the amount collected in premiums and while the programme found ways to cut back on the cost of delivery, the model has yet to reach full financial sustainability. Finding a long-term solution will require collaboration between NGOs, the private sector and governments to reach the needed scale.

only going to happen on a significant scale and in a sustainable manner if the uneven distribution of risk is better understood and mitigated. It's not just the companies sourcing raw materials who can help: banks, insurers, governments, manufacturers, buyers, input suppliers, NGOs and donors can all act in the interest of the whole value chain and subsequently benefit from the sustainability gains too.

- The poorest people in the world shoulder the biggest risks and are least equipped to deal with them and this needs to change.
- Those risks threaten the viability and sustainability of value chains.
- Actors in the value chain, such as processors, distributors, input suppliers and retailers, and other stakeholders such as governments, need to invest more in creating a risk-management ecosystem that includes the poorest producers in a sustainable manner.

What are the business models that encourage actors in value chains to subsidise risk mitigation products for the poor in exchange for higher quality and consistency?

What would be the appropriate private/public partnerships to put in place to mitigate risks for small-scale farmers, especially women, involved in staple crop production (where private sector interest might not be as strong as in cash crops such as cocoa) to ensure food, nutrition and income security?

How could behaviour and practices change at the smallholder level to adopt resilient agricultural production and active engagement in the agriculture value chains? What role could other market actors play in this?

CASE STUDY

Managing risk can be a shared concern

Kone Tourougnandjeme, a cocoa farmer in Boundiali, Cote d'Ivoire. "Now I get a bigger profit margin," she says. "This allows me to pay school fees for my son, and food and health costs for my family."

Ghana and Côte d'Ivoire supply 60% of the world's cocoa, mostly from small farms of 2 to 5 hectares. Many communities depend on it, but lack of training and access to finance and good-quality inputs has made cocoa an increasingly risky crop for small-scale producers. Poor farming practices, crop diseases, and a lack of new planting materials have led to low yields and incomes, and young people are leaving cocoa communities for the cities in search of more secure livelihood opportunities.

Multinationals such as Mondelēz International, a producer of confectionery and currently the world's biggest chocolate company, depend on the cocoa grown by smallholders in Ghana and other key origin countries. If those smallholders cannot make a living from growing cocoa, that also represents a risk to downstream buyers such as Mondelēz as production and thus supply become insecure.

Mondelēz started working in 2009 in Ghana with CARE and other stakeholders on the Cadbury Cocoa Partnership, which evolved into the Cocoa Life programme in 2012. The initiative was designed from the start to create a risk-management ecosystem to address the risks affecting growers (and, by extension, Mondelēz itself) in hundreds of communities in Ghana and Côte d'Ivoire.

Mondelēz recognised how risk was a shared concern and that it needed to act. By working with CARE to help producers to mitigate their risks (by improving their resiliency through higher incomes, skills training, rehabilitating farmland and empowering women through income diversification), Mondelēz has also mitigated

RISK

its own risk (through increased and more reliable production while protecting its brand image) and made the entire value chain more sustainable.

Farmer unions

Two cooperative farmer unions, with over 6,900 members, were supported to secure better pricing for farmers.

Increased production

Over 10,000 metric tonnes of cocoa were produced by the two farmer unions from 2012 to 2015.

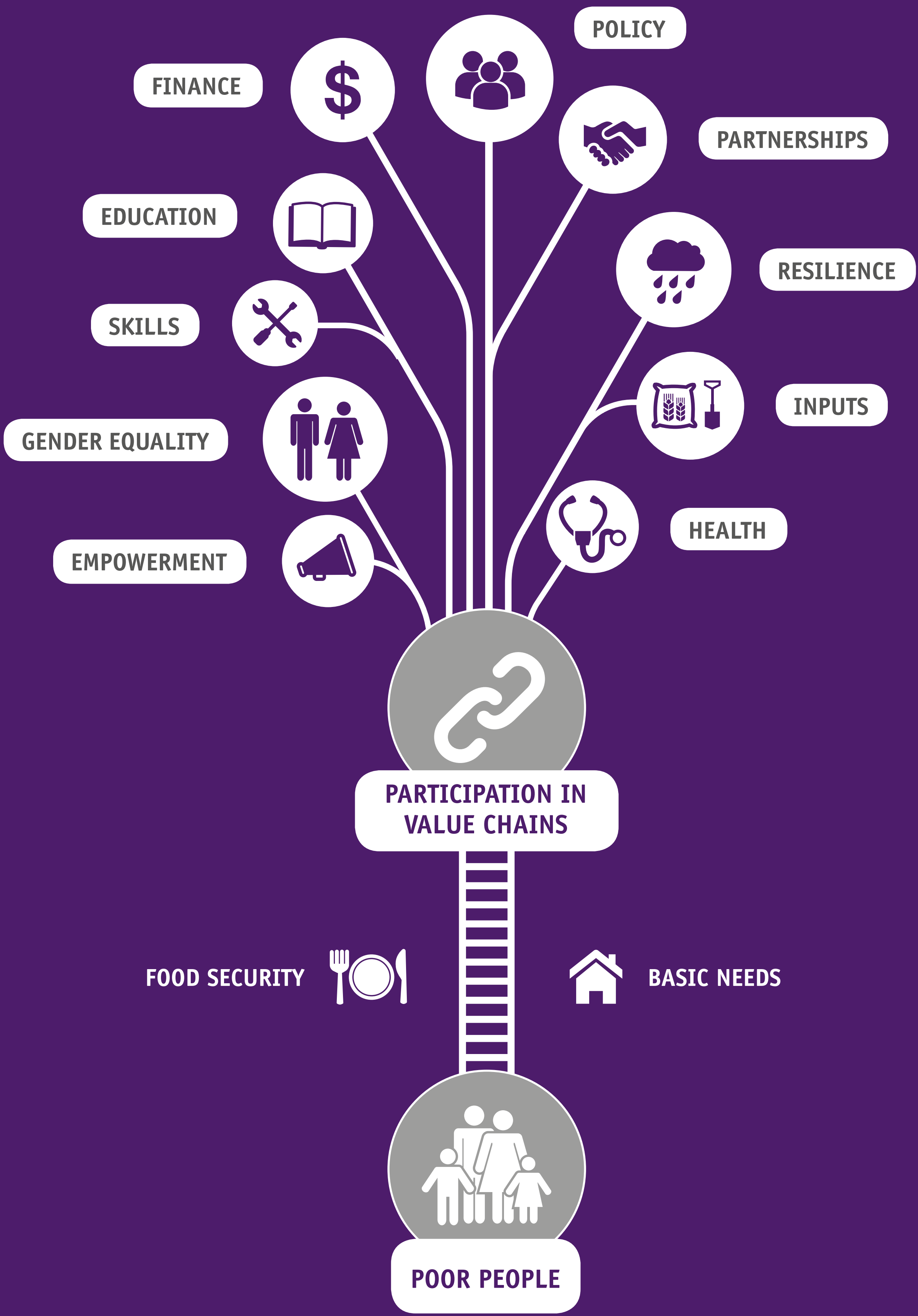
Income diversification

Over 900 farmers diversified their crops with either vegetables or plantains.

Financial literacy

Over 5,000 community members joined Village Savings and Loan Associations to improve their ability to save and to access credit.

SYSTEMS


POLICY
FINANCE
PARTNERSHIPS
EDUCATION
RESILIENCE
SKILLS
INPUTS
GENDER EQUALITY
HEALTH
EMPOWERMENT
PARTICIPATION IN VALUE CHAINS
FOOD SECURITY
BASIC NEEDS
POOR PEOPLE

- As well as economic or technical challenges, issues such as lack of healthcare or education, social norms and practices, status and gender discrimination can prevent poor people from participating in value chains.
- Enabling poor people to successfully participate in value chains requires a systemic approach that addresses the range of obstacles holding them back.
- By making poor people's participation more effective and sustainable, this systemic approach will strengthen the value chain as a whole, to the benefit of all participants throughout the value chain.

Identifying the issues

Value chains don't operate in a social, cultural and environmental vacuum. If we want to strengthen value chains by including poor producers, we cannot focus solely on market-based interventions. For example, a community can only thrive around a crop if it also has schools for its children, access to healthcare, needed infrastructure (roads, electricity) and gender equality. So we need to take account of the things that exclude poor people and can prevent them from participating effectively in value chains.

CARE's experience shows that successful interventions start by spending appropriate time (with communities and local market actors) looking holistically at the system that poor people operate in. CARE believes that poverty is caused and maintained by unequal power relations that result in the unfair distribution of resources and opportunities. By identifying the systemic and inter-related issues that create and perpetuate these relations, we can target the key levers for change that will remove barriers to participation in value chains. In our work we've found that these key levers may relate to the social and economic position of women, the engagement of youth, the management of local natural resources, the diversification of income sources leading for example to better food security, and the community's access to basic services such as healthcare and education.

To address these issues, CARE has identified two approaches that are implemented depending on the ability of a community to interact with markets. Both rely on a systemic analysis of the challenges or obstacles to participation in markets, and a systemic approach to overcoming those obstacles. These challenges or obstacles cannot be resolved through a single programme. For example, engaging with governments to change policy or shifting social norms around gender are long-term activities. A systemic and long-term approach is not yet standard in value chain development, but it should be if we are to make any lasting impact on poverty.

The matrix approach

If a number of inter-locking factors are holding people back from participation in value chains, then the best approach may be to address these issues all together. Our work with cocoa-producing communities in West Africa is an example of this kind of systemic approach (see box).

Implementing a range of initiatives in a planned, systemic way has a cumulative impact on the value chain. The effect is one of a matrix that includes mutually-reinforcing interventions: the whole becomes more than the sum of its parts.

Wide-ranging interventions

Cocoa yields in Ghana and Côte d'Ivoire had been decreasing and farmers had been leaving the sector, destabilising the value chain and reducing the viability of those communities.

Improving cocoa yields and raising people's incomes sustainably requires some technical interventions, but our systemic approach reflects the complexity of all the underlying issues affecting cocoa production. This includes social, financial, and environmental issues as well as technical (agronomic) ones. CARE worked with other NGOs and stakeholders to take a long-term approach to changing the cocoa value chain through a wide range of interventions, including:

- Helping communities to organise themselves so they're more empowered to plan and take control of their own development, interact with local authorities and voice their need for schools and essential infrastructure.
- Supporting cocoa 'ambassadors' to encourage young people – for example through youth groups and demonstration gardens – to consider cocoa as a viable business opportunity for their future.
- Through Village Savings and Loan Associations (VSLAs) and financial and business skills training, helping women to set up small businesses to boost and diversify household incomes, thereby increasing household food security and well-being. The VSLA programme also addressed gender inequalities by working with men and boys to address gender norms that perpetuate inequalities.
- In Côte d'Ivoire, post-conflict issues – for example related to land access and ownership – are being addressed through conflict sensitivity analysis, leveraging VSLA groups and by building community capacity (in terms both of skills and structures) for peaceful negotiation and mediation.
- Participating in the multi-stakeholder Platform for Public-Private Partnerships working groups established by the national government in Cote d'Ivoire. The goals of the working groups are to set policy and improve relations with the cocoa industry and key stakeholders.

The targeted or sequential approach

In some settings, building the capacity of the community must be supported so that they can begin to interact with markets. For example, for the poorest people – those who are chronically food-insecure – participating in value chains might ultimately give them a sustained income, but their ability to interact with the market – and their opportunities to do so – can be limited as they are focused on short-term survival and meeting basic needs.

The targeted approach uses a 'push and pull' strategy to move people to a level where they are able to interact with markets. Push strategies build capacities, improve skills and strengthen associations while pull strategies improve access to social services and the market.

By analysing the whole system in which the poorest people operate, we can identify the most appropriate entry points, which may or may not be linked directly to economic barriers. In Ethiopia (see case study) we have worked with communities where the first steps in value chain development included taking part in support groups at the village level, gaining confidence, building household savings as a group, and encouraging women's participation in decision-making, before graduating on to other steps designed to improve women's ability to participate in markets. Through this process, household assets, such as livestock, can move from simply providing food security to becoming a productive asset.

This shift can impact the role of women as their activities at home now have value as judged by the market. Breaking through the barrier that women's work doesn't have value is a first step to their work – and their current and potential contribution to the household – being recognised.

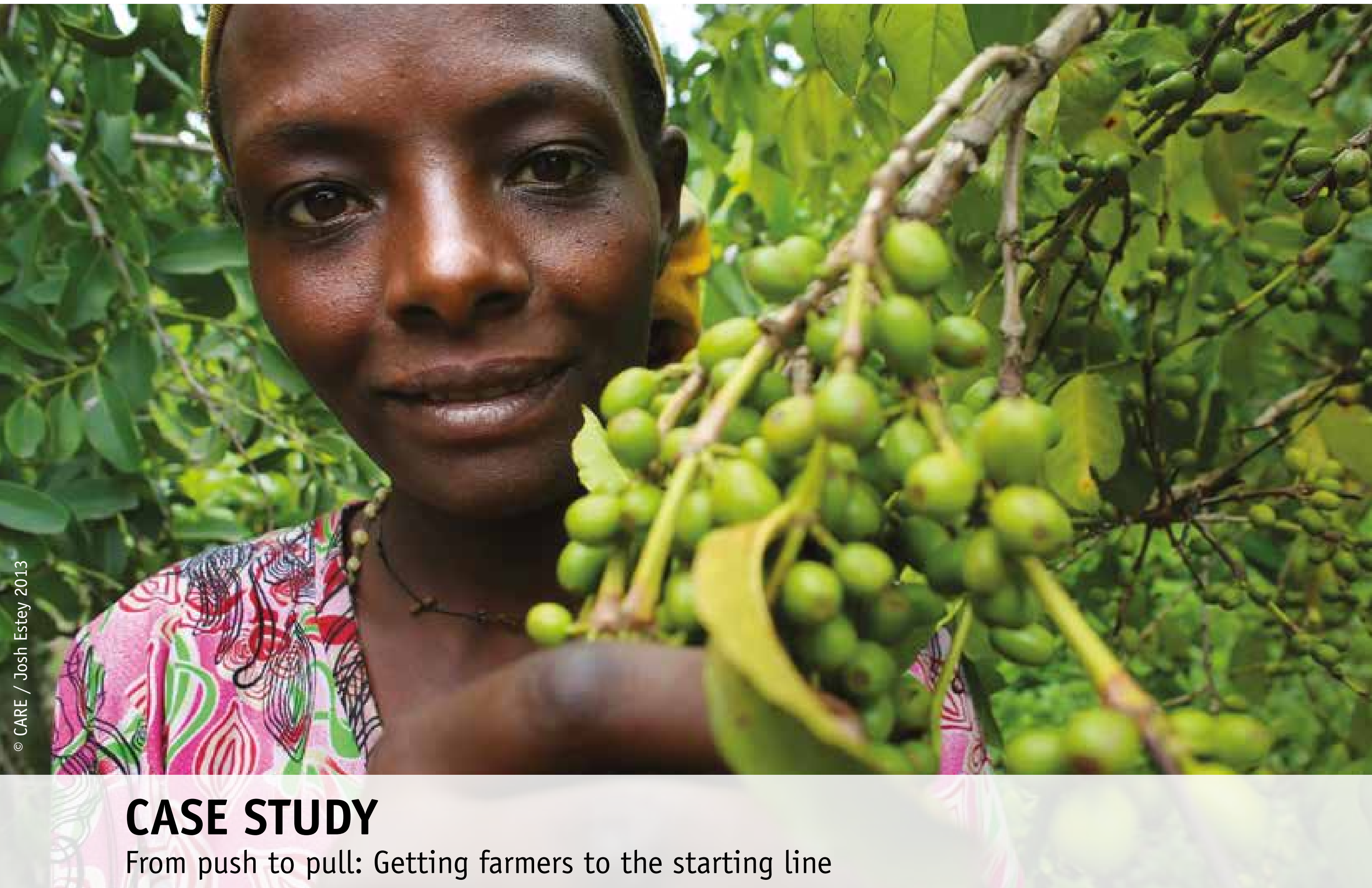
Once interaction with markets has been established, the matrix approach can be implemented to ensure market participation is optimal.

- There's no short-cut to creating market-based opportunities for poor people: a thorough, systemic approach is the only way to deliver sustainable results.
- Donors, companies and NGOs need to focus on identifying and tackling these complex and inter-related issues when planning value chain interventions.
- We need strong partnerships with public and private actors at a local and national level to be able to properly assess the gaps and weaknesses in a system.

Are NGOs the most effective stakeholder to oversee the implementation of a matrix approach?

What role can the private sector take in influencing social norms and practices to improve gender equality in value chain interventions?

Who else needs to be involved to address the needs within the system? How do we make this happen?



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CASE STUDY

From push to pull: Getting farmers to the starting line

Hana Eliyas and her husband have four children and they farm one hectare of land. "Through GRAD I have been able to save money for the first time in my life," she says.

An estimated eight million Ethiopians live in chronic food insecurity. Most of them are rural small-scale producers, dependent on rain-fed agriculture.

Participating in value chains is not a straightforward proposition for these people, because they face so many different constraints. There are technical (agronomic) challenges to producing more with their limited resources, but they also lack access to financial services and market information. Social constraints include women's disempowerment, which limits their income-generating opportunities. Chronic malnutrition and climate change add further complexity.

The USAID-funded GRAD programme (Graduation with Resilience to Achieve Sustainable Development), implemented by CARE and other partners, is enabling 50,000 of these chronically food-insecure households to move towards value chain participation through a series of graduated steps, addressing a variety of constraints in a logical sequence.

Our model is designed to help the most vulnerable people by initially 'pushing' them toward asset stabilisation – strengthening their ability to plan, be productive, make decisions, and so be more resilient to shocks and setbacks. This support includes encouraging people – especially women – to participate in groups such as Village Economic and Social Associations (VESAs). VESAs incorporate a range of social interventions aimed, for example, at empowering women, improving nutrition, and adapting to climate change, but at their core they have a strong savings and loan component, providing a safe and supportive way for people to learn about saving small amounts of money and to access loans.

As participants become more resilient, and as their confidence, aspirations and productivity improve, the 'pull' elements will draw increasingly viable households into the formal economic sector. 'Pull' strategies include improving access to mainstream services (such as agricultural support services), markets and private sector actors. The micro-franchising initiative in the GRAD programme is a step in this direction, selecting women to become door-to-door sales people. Over 300 women now generate supplemental income while increasing access to consumable goods in rural communities.

Together, the mix of 'push' and 'pull' elements holistically address the underlying constraints to successful value chain participation, from low productivity to gender inequality and poor nutrition, and enable previously poor and food-insecure households to sustain long-term improvements in their livelihoods.

INNOVATION

1 DEFINE PROBLEM
2 EXPLORE SOLUTIONS
3 PILOT IDEAS
4 MEASURE IMPACT
5 LEARN AND ADAPT
6 IMPLEMENT
7 SCALE UP
1
2
3
4
5
6
7

- We urgently need more effective models to economically empower poor people, especially women. More testing and trialling is needed to find innovative solutions.
- CARE believes a really important way to achieve this is by giving development organisations and their partners greater freedom to experiment and innovate.

Working out what works

At present, development programmes typically start with analysis to determine challenges and identify solutions. The work of the organisations delivering these programmes is then to pursue those solutions, often as part of multi-year plans with set milestones.

But market systems are complex and dynamic – and that can clash with the traditional development model of set milestones within a specified timeframe. When you are working with moving targets such as fluctuations in price, the interplay of supply and demand, the effects of subsidies on market prices, and the availability of inputs and products combined with changing human behaviour, having the freedom to innovate and adapt is crucial.

Unfortunately, this doesn't happen enough because the cost of pioneering and failing is not usually an accepted component of project costs. Our experience has shown us that, as a sector, we lack the space to innovate without the pressure to deliver to pre-determined targets.

To work out the best ways to enable poor people to participate in (and strengthen) a variety of value chains in a variety of contexts, we need to be able to try out new approaches – and be prepared to fail and be honest about it, so long as our failures show us how to do it better in future.

Managing risk and being accountable

The risk of failure must not fall on the poor: we want to test processes and approaches, not people. We can't take chances with their livelihoods. Testing new processes and approaches through pilot projects helps to manage risks, such as unintended negative consequences for participants or other vulnerable people potentially affected by the project. There should be space within the innovation process for participants to share their own views on what the risks are, the degree of risk that is acceptable to them, and how these risks might be mitigated.

We acknowledge the importance of accountability in the use of resources. Projects pursuing innovation should be held accountable for their final outcomes and their cost-effectiveness. Donors should also allow for flexibility in the pathways to achieve the outcomes, and accept that what we learn from failures along the way can play a crucial part in a future positive outcome.

Small-scale trial and error

Small-scale trial and error (but with scaling up in mind) is a cost-effective way of quickly finding the solutions that work, and just as importantly, those that don't. This can then enable us to scale up the models that we feel certain will improve poor people's livelihoods and help millions out of poverty in a sustainable way.

One way that CARE has done this is by housing small-scale pilots within the structure of more established programmes – such as in the GRAD programme in Ethiopia (see box).

If the pilot works, then it can be scaled up. If it doesn't, we can still learn from what went wrong, being honest about it and sharing to avoid others repeating the

A gradual approach

Through the GRAD programme in Ethiopia, CARE is working with the private sector and government to help 50,000 households achieve food security. A particular challenge is how to help poor rural households – and women in particular – diversify and increase their incomes. There are many households facing this challenge, so we need a range of opportunities.

One idea was to set up a rural distribution pilot with East Africa Tiger Brands, an affiliate of a South African fast-moving consumer goods company. This small trial recruited just 24 chronically food-insecure women to work as door-to-door salespeople, selling consumer goods to earn extra income. To manage risk, the pilot started small and women worked flexible hours based on their existing commitments. The pilot generated sales of over $20,000 in just four months, and has since been scaled up to 300 women. CARE and Tiger Brands are looking to continue working together to scale up the programme further.

same mistakes. If any outcome is permitted, including failure, each attempt can add to the learning experience. In this way, trials and pilots become an iterative process where we build up a body of experience to guide us to the solutions that really do work.

Budgets for R&D

Such a staged approach to innovation is nothing new in the business world, where research and development is often a core activity, typically with dedicated resources and the scope of learning from failure built into budget plans. Why can't development organisations do the same? Can donors and private sector partners find ways to support research and development within programme budgets, or even support R&D as a specific activity in itself?

New partnerships

One way is to rethink the structure of the relationship between donors and development organisations. Traditionally, many donors have kept their distance, entrusting organisations with the implementation of defined projects. In our experience, it can be fruitful to make donors part of the process. If their role is more one of partnership than external evaluation, it can allow more regular and open communication, and a better understanding of what we as an organisation are trying to do. With budget constraints at the donor level, it can be a challenge to get this level of commitment but we feel it will lead to more effective programming.

There's scope to change our relationship with the private sector too. Development organisations can partner with businesses on innovation itself, not just the delivery of it. The private sector is increasingly showing it is willing to co-innovate with development organisations to do this.

Research organisations, such as universities, can play a key role in helping to draw out impacts and lessons learned. CARE has had successful partnerships with, for example, Coady International Institute and the Overseas Development Institute.

'Failing forward'

The idea of 'falling forward' has been seen in both the military and business sectors as a philosophy for learning from past mistakes to improve future results. CARE would like to see a culture in the development sector where experimentation becomes more mainstream, and where failure can have value and be talked about honestly. To achieve this, we need to better demonstrate how failures can become assets. Handled constructively, they can be a form of knowledge capital, and go on to become the building blocks of success.

We can fail forward by changing the way we plan and launch programmes. CARE has already been able to create space in some programmes to innovate, and the successes we've seen are encouraging. We want to do more, and would like others to join to make this cultural shift happen.

The development community as a whole should recognise that the complexity of the challenge of eradicating poverty requires us to work in a smarter way. A lean, flexible and short-cycle approach to developing new products and processes recognises that failure is a valuable part of innovation. It helps to reveal the solutions that do work, and makes long-term success more likely.

- Development organisations and their partners need to build in freedom to experiment, innovate and adapt.
- Small-scale trial and error is a cost-effective way of quickly finding the solutions that work.
- Donors and private sector partners should consider supporting value chain R&D as a specific activity in itself.
- Development organisations and the private sector should work together on innovation itself, not just the delivery of it.
- Communities and programme participants should be involved in innovation planning, delivery and assessment.
- Partnership with research organisations could bring additional expertise and credibility, and help distil and disseminate learning.

Are there better ways to promote innovation from within the communities where we work?

Are there low-tech innovations that are being used, but overlooked by our sector which, if scaled, could have a significant impact?

CASE STUDY

Trial, error, learning, success: Strengthening a dairy value chain in Bangladesh

Sabina Begum (pictured with her youngest daughter) keeps records of milk collection as part of CARE's Strengthening the Dairy Value Chain project in Bangladesh.

Small-scale farmers in Bangladesh produce 90% of the country's milk supply, but they are disconnected from the major processors further down the value chain. At the same time, processors struggle to source enough milk to meet growing urban demand.

Linking smallholders to the formal dairy market can increase their incomes, but doing so means overcoming various challenges, one of which is improving smallholder access to animal feed, medicine and veterinary services.

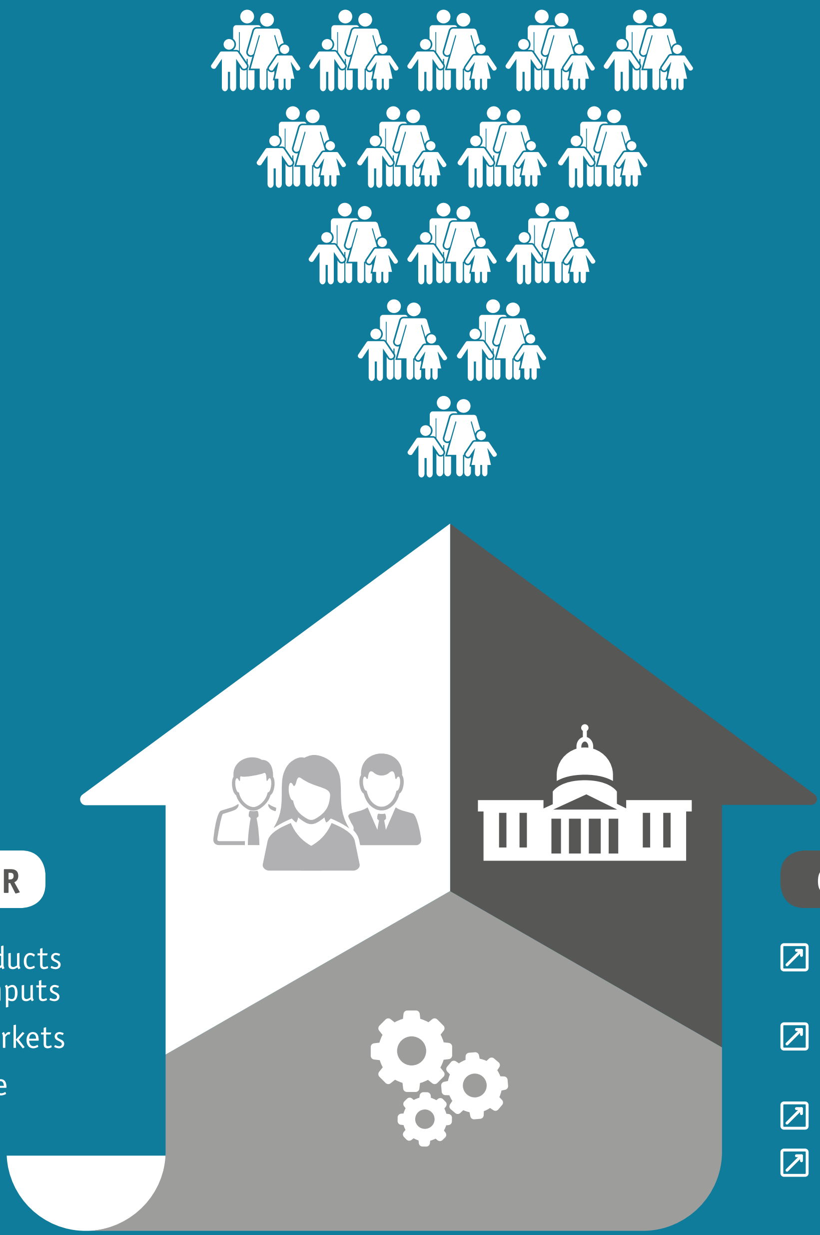
CARE tested a model in which we worked in partnership with PRAN, a major processing company, to provide these inputs and services at a discounted rate in exchange for smallholder sales to the company. The result was that farmers increased their production by 78% and their profits by 31%, while PRAN increased its supply of high-quality milk: deliveries to processing plants in the pilot region, which previously were operating below full capacity, increased by 43%.

In spite of these good results, the project ultimately failed. While PRAN had initially seemed to be a good fit, the company's long-term interest lay in working with larger producers and it could not commit to scaling up the smallholder-based project.

However, the results from the pilot did show that the model itself had potential, so CARE began working with another major processor, BRAC Dairy. Building on learning from the initial pilot with PRAN, we improved our due diligence with regard to the company's long-term plans; and took a more incremental approach to building collaboration by initially working with BRAC to improve its business operations, before moving into a more transformative collaboration, such as piloting and scaling a new digital fat-testing system for farmers. The fat content of milk is an indicator of quality and determines the price farmers can receive, so by introducing this service at scale through the partnership with BRAC, we've ensured fair payment to producers, and smallholder farmers are selling 70% more milk.

Risks to all participating farmers were mitigated during these pilots by ensuring that, while they were never tied to any contractual obligations, there were market incentives for both producers, processors and traders. Also key to the success of this effort was the flexibility and willingness of the donor agency, The Bill and Melinda Gates Foundation, to trust our 'piloting' approach and to engage with CARE throughout an iterative learning process.

SCALE



PRIVATE SECTOR

- Access to products / services / inputs
- Reach new markets
- Improve image

GOVERNMENTS

- Solutions to social & economic challenges
- Share risk with partners
- Support local markets
- Grow the economy

NGOs

- Facilitating partnerships
- Proven models
- Reach more people
- Access to funding

- If we want to lift millions of people – rather than just thousands – out of poverty, then we need to find ways to scale up successful value chain interventions.
- Collaboration – working with other stakeholders who have a vested interest in strengthening value chains – is key to unlocking scale and reaching more people.
- Proving that a value chain intervention works is the best way to win commitment to scaling up from private and public sector partners.

Designing for scale

To make a global impact on poverty, programmes must reach scale at national and international levels. At CARE, programmes are designed at the outset with opportunities for scaling up in future in mind. This requires planning and consultation with potential partners at the design stage – both internal partners across teams and areas of specialism, and external partners across sectors and regions.

Scaling up through replication

During the innovation stage, models are trialled and tested so that they can be refined to facilitate scaling in the future. The most common way to scale models is by replicating them in other target markets, nationally or internationally. Lessons learned through a pilot will reduce the start-up work needed during replication, resulting in cost savings and more efficient programme delivery. Publication and dissemination of replicable models, and the use of champions and other development organisations to promote new approaches to stakeholders and influence local norms and behaviours, can help to foster and cement new partnerships to replicate programmes and achieve scale.

Scaling up with the private sector

Our partnerships with the private sector in Bangladesh show how effective collaboration can unlock scale with a focus on women.

Many small-scale dairy farmers in Bangladesh produce too little milk (as little as 1.2 litres per day) to be able to sell to large processors – something which obviously constrains their income-earning opportunities. So we piloted a number of community-based livestock services, including vets to improve livestock health, artificial insemination workers, agriculture input shops and farmer groups who can aggregate their milk and sell it to BRAC Dairy, a major private sector dairy processor.

This project scaled from a number of pilots impacting 1,500 farmers, to a dairy hub model which now reaches over 36,000 farmers, of which 82% are women. Women play a key role in the community as 71% of farmer groups are led by women.

Most importantly, partnering with BRAC Dairy unlocked scalability because the company is the second largest dairy processor in Bangladesh with 170,000 litres of sourcing capacity each day. It has 101 chilling plants around the country, and this model provides it with a replicable mechanism to source from small-scale producers in the vicinity of all of those plants.

The model has also influenced and helped standardise CARE's value chain interventions across Bangladesh, which now reach over 150,000 smallholder and vulnerable women farmers in at least six value chains (jute, mung beans, chilli, groundnut, aquaculture and watermelon). Our network of rural saleswomen in the JITA programme (see case study) is another example. Replicability is designed into these models, and with the right support from partners, such as the private sector, they become a cost-effective way of reaching millions of people.

Scaling up with government

Partnership with large-scale private sector companies isn't the only option. In Peru, CARE worked with local and regional governments to scale up a solution to a problem faced by livestock producers in the Puno region of the country.

Like dairy farmers in Bangladesh, these small-scale producers lacked access to quality inputs such as veterinary services. The lack of such support meant their cattle were slow to fatten, and 87% of producers were living below the poverty line. CARE's solution was to train 109 people within a community of 2,250 livestock-producing families to act as Technical Assistance Providers (TAPs). These TAPs could then provide good quality, accessible services (such as immunisations) for a small fee to the rest of the community, improving the quality of their cattle and reducing the time it took to fatten them up.

Within two years, family incomes had increased by 350%, and by carrying out rigorous impact evaluation we ensured we had data to prove the effectiveness of the model. This enabled us to successfully lobby the government to commit to the TAP approach as part of its existing programme of agricultural support. The government has officially certified existing TAPs as rural extension agents, and this has encouraged many more people to train as TAPs. By legitimising the approach, providing funding for training facilities and offering training opportunities itself, the government has assisted in scaling up the programme.

Collaborating to unlock scale

The problems faced by the producers in Bangladesh and Peru were not dissimilar, but the way to scale up the solution was very different. One used a market-based intermediary to link to a large-scale private sector partner, while the other leveraged government capacity.

We think this kind of collaboration around innovative models is essential if we are to achieve the maximum impact in the most cost-effective way – and ultimately eradicate poverty. But it's not just good for poor and marginalised people and communities. The private sector benefits from improved access to and improved quality of products or services that they require to grow their business. And it's good for governments too as they find solutions and partners to create social and economic development.

In fact, it could represent a new model for development: a win-win-win with the private sector, governments, and poor and marginalised people and communities all benefiting from unlocking scale through partnership and collaboration.

- Value chain initiatives need to consider and build in replicability, and the potential to scale up, from the start.
- Scaling up through replication requires partnerships with a variety of stakeholders which requires the documentation of direct and indirect impact and results from programming.
- The greatest impact on poverty can be achieved by value chain interventions that target women participants.

What criteria determine if an intervention has the potential to scale?

What is the best way to prove that an intervention has reached scale?

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CASE STUDY

Designing scaleability in from the start

In rural parts of Bangladesh, women have few income opportunities and little access to basic household products. CARE put these two problems together to create an opportunity, with a pilot programme in 2006 in which 49 women were provided with baskets of products to sell to other households.

The products were supplied by large private sector companies, initially Bata and later also Unilever and Danone. The idea was to provide the saleswomen with an income, rural buyers with access to products, and private-sector partners with access to those consumers. This successful pilot became JITA, which now operates as an independent social enterprise. The model has remained the same: products go to distributor hubs around the country, and saleswomen then take them by motorcycle to sell to households in under-served areas.

JITA now employs 3,500 women and provides around two million customers with essential products in small, affordable formats. The saleswomen themselves have seen their incomes rise from around 440 taka (£3.40) to 1,500 taka (£11.60) per month.

Scalability is designed into this model. Multiple supplier companies are involved, who all have an interest in selling to under-served communities, where there is real demand for products. For many of the saleswomen, JITA provides their first opportunity to earn an independent income. It's a win-win model, which makes it financially self-sustaining and easy to replicate by adding more hubs and recruiting more saleswomen. CARE has scaled up the JITA model by introducing versions in Ethiopia, Haiti, Kenya and Zambia.

Joytara, one of the 'Aparajitas' – meaning 'women who will not accept defeat' – who work as rural saleswomen for JITA. "I can keep both my daughters in school and my husband has more respect for me. I have become the main decision-maker in our household," she says.

NOTES

[1] UN Women web page, Facts and Figures: Economic Empowerment: Benefits of economic empowerment, www.unwomen.org/en/what-we-do/economic-empowerment/facts-and-figures (accessed October 2015)

[2] See Food and Agriculture Organisation of the United Nations (2013), Resilient livelihoods: Disaster risk reduction for food and nutrition security, p2, www.fao.org/docrep/015/i2540e/i2540e00.pdf; Humanist Institute for Development Cooperation (Hivos) and the International Institute for Environment and Development (IIED) (2012), Small-scale farmers' agency: How the poor make markets work for them, p1, http://pubs.iied.org/pdfs/G03384.pdf (accessed October 2015)

[3] See Food and Agriculture Organisation of the United Nations (undated), Women's contributions to agricultural production and food security: Current status and perspectives, www.fao.org/docrep/x0198e/x0198e02.htm (accessed October 2015)

[4] See Food and Agriculture Organisation of the United Nations (undated), Agricultural support system, www.fao.org/docrep/005/y3969e/y3969e05.htm for all stats in this paragraph (accessed October 2015)

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