Chronic Poverty Research Centre

Working Paper

June 2008 No. 111

Developing a 'vertical' dimension to chronic poverty research: Some lessons from global value chain analysis

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What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty.

Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation.

This is different from the transitorily poor, who move in and out of poverty, or only occasionally fall below the poverty line.

www.chronicpoverty.org

Chronic Poverty Research Centre
ISBN: 978-1-906433-12-3

Abstract

This paper aims at developing an explicit 'vertical' dimension to chronic poverty research that focuses on 'adverse incorporation and social exclusion' (AISE). So far, AISE research has been quite successful in unpacking the local, regional and national contexts within which some of the structural and causal elements of chronic poverty play out. Yet, it has been much less concerned with the dimensions of context that go beyond the nation state, with the exception of generic links to the dynamics of contemporary capitalism(s). At the same time, an effort is made here to sensitise literatures that are almost exclusively concerned with 'vertical' elements of marginalisation (such as global value chain analysis) to the need for more systematic attention to the impact of chain functioning and/or restructuring on marginal groups and/or communities along the various stages of commodity trade.

The four case studies presented in this paper (on wine, cut flowers, sustainable coffee and fish) teach us that integration of people or areas into global value chains and trading relationships will exacerbate chronic poverty if the 'normal functioning' of these chains is left unchecked. This is especially the case for value chains that are driven by retailers and branded manufacturers. Where value chains are less clearly driven from Northern-based actors, integration in even 'normal' strands of value chains can have substantial and positive impacts on poverty, and where appropriate, chronic poverty. In other words, the *conditions* of inclusion in and/or exclusion from value chains and trade more generally are more important than inclusion and exclusion *per se.*

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Keywords: adverse incorporation, social exclusion, value chains, capitalism, global trade

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1 Introduction

Many development solutions and policy prescriptions for the reduction of poverty and chronic poverty place emphasis on the potential for closer integration of poor people or areas with global markets. But the prospects for the reduction of 'chronic poverty' depend in great measure on the nature of broader economic processes that, depending on how they are configured, can either exacerbate or alleviate poverty, and on the forms of local economic growth that impact on the lives of those stuck in long-term poverty, struggling to get out of it, or threatened with impoverishment.

Chronic poverty is defined in Chronic Poverty Research Centre research as absolute poverty that is experienced for an extended period of time – be that long-term, life-course and/or intergenerational (Shepherd 2007). In this line of enquiry, the 'chronically poor' are 'always' or 'usually' poor for a defined period of time, as opposed to the 'transitorily poor' or 'non-poor' (Ibid.: 5). The concept of chronic poverty was developed as a partial critique of other approaches that treat 'poverty' as largely a transitory phenomenon. Specific strands in this literature focus on 'pro-poorest growth' (Osmani 2007 insecurity, vulnerability and assetlessness (Barrientos 2007; Prowse 2003; Scott 2006), and social exclusion/adverse incorporation (de Haan 1998; du Toit 2004a, 2004b; Hickey 2003; Hickey and Bracking 2005).

Initially, the latter literature was concerned with critical examinations of the implicit normative assumptions of 'social exclusion', the apparent lack of a conception of agency in applications of the term, and the limits of using it in contexts where poverty is the mainstream and not the condition of a minority. In opposition to social exclusion, it proposed to account for persistent poverty based on 'adverse incorporation' (Bracking, 2003; du Toit, 2004a; 2005; Murray, 2001). What this body of literature suggested is that marginality is not necessarily shaped by 'exclusion' (or even imperfect inclusion), but rather by the terms and conditions of incorporation. Linked to this, according to these critics, was a preoccupation with the terms of a supposedly 'normal' incorporation in abstractly imagined global, regional and/or local economies, rather than focus on exactly how the 'excluded' are losing out on the bounty of growth and 'development' in particular and concrete instances. In more recent contributions, a process of mutual clarification and amalgamation seems to have taken place between the 'social exclusion' and 'adverse incorporation' camps. Hickey and du Toit (2007) now call for a 'closer interrogation of the linkages between the *state* of chronic poverty on the one hand and, on the other, the *processes* of adverse incorporation and/or social exclusion that trap people under poverty' (Ibid.: 1, original emphasis). This *rapprochement* is also based on reflection that both approaches share a preoccupation with causality, politics, and the multi-dimensional aspects of deprivation (Hickey 2003; Hickey and Bracking 2005; Hickey and du Toit 2007; Harriss 2007). What has ensued is a programmatic approach to chronic poverty and marginalisation termed ‘adverse incorporation and social exclusion’ (AISE) research (Hickey and du Toit 2007).

AISE is part of a more general causal and structuralist (re-)turn to understanding poverty and marginalisation (Bebbington 2007; du Toit 2005; Francis 2006; Green and Hulme 2005) that builds upon earlier political economy approaches that highlighted the relational (Bernstein et al 1992) and long-term (Murray 1987) aspects of poverty. At the same time, AISE authors claim that they want avoid some of the economistic and reductive tendencies of this earlier tradition, and they seek to blend issues related to structure, social relations, discourse and representation, and techniques of government (du Toit 2002, 2004a, 2004b, Green and Hulme 2005, Bebbington 2007). At a more pragmatic level, Hickey and du Toit (2007) argue that specific empirical situations will dictate whether a focus on social exclusion, adverse incorporation, or a combination of the two can be applied. Finally, they draw possible links to other contemporary approaches to chronic poverty that focus on intergenerational transmission, vulnerability, and/or assets; in relation to these other approaches, they argue that AISE research can usefully contribute to: highlighting the broader social, political and economic context in which intergenerational transmission occur; act as a healthy counter-balance to an exclusive preoccupation with shocks and hazards, by examining the ‘normal’ functioning of poverty; and help understanding the nature and causes of low asset holding (Hickey and du Toit 2007).

A first objective of this paper is to further develop the conceptual framework of AISE research by building an explicit ‘vertical’ dimension to it. So far, AISE-type research has been quite successful in unpacking the local, regional and national contexts within which some of the structural and causal elements of ‘chronic poverty’ play out (see, among others, Fisher 2007, du Toit 2004a, 2005). Yet, it has been much less concerned with the dimensions of ‘context’ that go beyond the nation state, with the exception of generic links to the dynamics of contemporary capitalism(s) (Bracking 2003). When broader contexts have been examined, they have been embedded in state-centric frameworks of action and policy, such as calls for a ‘developmental state’, for changes in the ‘macro-economic’ policy climate and/or more focus on redistribution (du Toit 2004a, Francis 2006, Hickey and du Toit 2007). Others have made reference to the role of social movements and to redistributive justice more generally (Bebbington 2007; Hickey and Bracking 2005). Because the AISE agenda was built to expand attention beyond the ‘internal’ elements highlighted by livelihood approaches, it got caught in concerns with more general ‘external influences’ (Green and Hulme 2005) rather than specific ‘vertical’ causal elements of poverty (for an exception, see du Toit 2004a, 2004b).

Emphasising a ‘vertical dimension’ to AISE research entails drawing on narrower and more specific elements of exclusion and/or adverse incorporation of individuals, households, communities and countries from/in value chains and commodity networks/circuits (hereafter, ‘value chains’). It also means expanding the conceptual menu to other categories beyond *adverse incorporation* and *exclusion*, such as *voluntary non-participation*, *expulsion* and/or *partial inclusion*. Questions also need to be asked about the hidden corners of apparently 'beneficial participation'.

In the same way that it is important to understand the local, regional and global processes that make exclusion and adverse incorporation operate, it is equally germane to understand how and why actors have been expelled from or are only partially included in value chains. Voluntary non-participation in a value chain does not arise only from lack of knowledge of possible participation, but also from a micro- or community-level judgment that participation is not beneficial, is risky and/or heightens vulnerability. This has quite different implications (not only psychological) from exclusion that results from lack of financial means, competences, access to assets, or political/social connections. Similarly, understanding processes of 'expulsion' is also essential: here, the consequences can be even more dramatic than 'mere' exclusion, due to possible investments in specific assets and/or knowledge, indebtedness, and/or loss of social status. Finally, even 'beneficial inclusion' can have its dark sides: for example, while participation in Fair Trade networks is generally accepted as having a generally positive impact on communities (and on the 'chronically poor' when they grow the Fair Trade crop or can benefit indirectly from community-level projects), not all cooperatives in a certain region can obtain accreditation and/or orders from Fair Trade buyers; the less socially-connected and more asset-poor individuals and households are also less likely to be members of the cooperative. This can create new divisions and fractures within communities or exacerbate existing ones. Chronic poverty research has to remain particularly alert to the uneven ways in which the benefits of economic activity are felt.

A second objective of this paper is to sensitise literatures that are almost exclusively concerned with 'vertical' elements of marginalisation (such as global value chain analysis) to the need for more systematic attention to the impact of chain functioning and/or restructuring on marginal groups and/or communities along the various stages of commodity trade. Since the mid-1990s, a literature has emerged on value chains that has helped increase our understanding of how firms and farms in developing countries are integrated and/or marginalised in global markets. Studies using the global value chain (GVC) approach examine different types of value chain governance and the opportunities they provide for technological or functional upgrading of traders and producers in developing countries (in the case of African agro-food exports see, among others, Daviron and Ponte 2005, Dolan and Humphrey 2000, Fold 2002, Gibbon and Ponte 2005, Mather and Greenberg 2003). The approach developed in this literature revolves around analysing the structure, actors and dynamics of value chains. It includes the examination of typologies and locations of chain actors, the linkages between them, and the dynamics of inclusion and exclusion in value chains. Finally, it entails understanding the structure of rewards in case of participation, the functional division of labour along a chain and its changing shape, the role of standards and labels in facilitating or hindering participation, and the distribution of value added along the chain. Moreover, few value chain studies have succeeded in explicitly documenting the impact of value chain activities on poverty. The few attempts to quantitatively assess poverty impacts have been carried out narrowly, mainly in terms of household income and/or assets (see Gibbon and Bolwig 2007, Kadigi *et al.* 2007). Moreover, little attention has been paid to how participation in value chains exposes poor people to risks, as opposed to how it affects income opportunities.

Because GVC research has generally not been designed so far with the preoccupations of understanding 'chronic poverty' in mind, the case studies analysed in this paper do not provide measurable answers to the issue of how value chain participation and/or restructuring impacts the chronically poor. What it does is provide a set of suggestions on where and how to look for the possible impacts and the ways in which one could detect such impacts. Therefore, rather than an assessment of GVC impacts on the chronically poor, this is a programmatic paper seeking to develop an analytical framework that expands the 'vertical elements' of AISE research.

In Section 2, the basic conceptual elements of GVC analysis are provided. Section 3 examines how a vertical dimension could be developed in AISE research. Section 4 highlights these vertical dimensions with specific reference to four GVC case studies that illustrate different analytical scenarios. Section 5 concludes by reflecting on what the combination of horizontal and vertical elements to understanding chronic poverty means in terms of action beyond the restrictive boundaries of policy and the nation state.

2 Global Value Chain (GVC) analysis: An overview

Global value chain (GVC) analysis[1] has emerged since the early 1990s as a novel methodological tool for understanding the dynamics of economic globalisation and international trade. It is based on the analysis of discrete 'value chains' where input supply, production, trade and consumption or disposal are explicitly and (at least to some extent) coherently linked. In addition to the descriptive aspects of territoriality and input-output structure, much GVC discussion has revolved around two analytical issues: how GVC are governed (in the context of a larger institutional framework); and how upgrading or downgrading takes place along GVCs. Much of these discussions have been carried out with an interest in how power and rewards are embodied and distributed along GVCs, what entry barriers characterise GVCs, and how unequal distributions of rewards can be challenged in favour of labour and/or developing countries.

The use of the terminology '*chain*' suggests a focus on 'vertical' relationships between buyers and suppliers and the movement of a good or service from producer to consumer. This entails an analysis centred on *flows* of material resources, finance, knowledge and information between buyers and suppliers. Processes of coordination and competition

[1] This term is used in this paper to include also work known as 'global commodity chain' (GCC) analysis.

among actors operating in the same function or segment of a particular market are given less attention in GVC analysis.

2.1 Governance

The debate in the GVC literature on governance has been a rich one in the last decade or so, with evolving and sometimes conflicting views on terms, interpretations and applicability. This is not the place to rehearse these debates in detail (see Bair 2005; Gereffi *et al*. 2005; Gibbon and Ponte 2005) but, in short, GVC governance is presented in this paper as the process of organising activities with the purpose of achieving a certain functional division of labour along a value chain – resulting in specific allocations of resources and distributions of gains. From this perspective, governance involves the definition of the terms of chain membership, incorporation/exclusion of other actors accordingly, and re-allocation of value-adding activities (Gereffi 1994; Kaplinsky 2000; Ponte and Gibbon 2005; Raikes *et al* 2000). GVC research attempts to identify a group of ‘lead firms’ that are placed in one or more functional positions along a value chain which are able to ‘drive’ it — in different ways and to a different degree. Thus, GVCs can be highly-driven, somewhat driven or not driven at all (in the latter case, they are akin to neoclassical ‘markets’).

In the GVC literature, lead firms are seen as not only dictating the terms of participation to their immediate suppliers (and/or buyers, if applicable) (Gereffi *et al.,* 2005), but also as managing to transmit these demands upstream towards further layers of suppliers, sometimes all the way to primary producers. Lead firms can drive GVCs through a *hands-on* approach (vertical integration, long-term contracts, explicit control of suppliers, regular engagement with suppliers or buyers), a *hands-off* approach (use of specifications that can be transmitted in codified, objective and measurable or auditable ways; ability to set standards that are then followed along the GVCs; ability to transmit information that is not easily codifiable in other ways), or a combination of the two (Ponte and Gibbon 2005). New research has also attempted to differentiate governance in different ‘strands’ of GVCs (Palpacuer *et al*. 2005; Ponte 2007a; Risgaard 2007). Strands may differ because of different product characteristics (e.g. specialty coffee vs. commercial coffee); a different institutional configuration (e.g. cut flowers sold directly to retailers vs. those sold at an auction in the Netherlands); or a different end-market/origin of production. Different governance dynamics have important consequences on both the impact of restructuring on small-scale, marginal and/or vulnerable participants and on the kind of policy or action space available to improve the situation for these communities or groups.

2.2 Upgrading

In GVC analysis, upgrading is used to identify the possibilities for producers to ‘move up the value chain’, either by shifting to more rewarding functional positions, or by making products that have more value-added invested in them, and that can provide better returns to producers. In the GVC approach, the upgrading process is examined through the lenses of how knowledge and information flow within value chains from ‘lead firms’ to their suppliers (or buyers) (Gereffi, 1999). Upgrading is about acquiring capabilities and accessing new market segments through participating in particular chains (Humphrey and Schmitz, 2002b). Humphrey and Schmitz (2002a) have developed a typology of upgrading based on four categories; a fifth type has been added here – ‘other forms’ – which are less conspicuous improvements that may in fact be the most common forms of upgrading among poorer producers (some are related to process or product upgrading):

(1) *process* upgrading: achieving a more efficient transformation of inputs into outputs through the reorganisation of productive activities;
(2) *product* upgrading: moving into more sophisticated products with increased unit value;
(3) *functional* upgrading: acquiring new functions (or abandoning old ones) that increase the skill content of activities;
(4) *inter-chain* upgrading: applying competences acquired in one function of a chain and using them in a different sector/chain;
(5) *other forms of ‘upgrading’*: delivering larger volumes (even at lower quality), matching standards and certifications, delivering on logistics and lead times, getting paid better for the same product (i.e. Fair Trade).

Although functional upgrading continues to be regarded by GVC analysts as the optimal form that developing country farms and firms can achieve, attention has also been being paid to the practical difficulties lying in its path (Gibbon 2001; Gibbon and Ponte 2005; Schmitz and Knorriga, 1999) and to the fact that functional downgrading, combined with economies of scale, can also be successfully employed to maximise returns or to remain in an increasingly demanding GVC.

The specific links between upgrading trajectories and chronic poverty can only be verified empirically. However, at the very least, one should keep in mind that upgrading trajectories have implications for permanent and casual employees of enterprises that are involved in specific GVCs, for the possibility of smallholder production of particular items (as opposed to production in commercial or semi-commercial farms) and for the labour intensity of production processes. These, in turn, have implications for participants and non-participants, different groups and regions, and processes of marginalisation and exclusions.

2.3 Standards and certifications

An existing way of linking vertical and horizontal concerns in GVC analysis has been explored through the analysis of social, labour and environmental standards and certifications, which have proliferated in the last two decades and include Fair Trade, codes of practice of enterprises, eco-labels, forest and fisheries certification, and ethical sourcing initiatives of major retailers and brand owners.

Much of the burgeoning literature on the 'developmental' impact of standards, labels and certifications has focused on standard setting (the development of principles, indicators, measurement devices and compliance systems) and standard implementation (compliance and certification) (most recently, see Gibbon and Bolwig 2007; Hanataka *et al.* 2005; Henson and Reardon 2005; Raynolds 2004; World Bank 2005).[2] This literature shows that while these initiatives have created new opportunities for their supposed beneficiaries, there have also been negative impacts among those who are unable or unwilling to participate. In some cases, consumer concerns, perceived or real, have even had negative consequences on their 'beneficiaries' and/or have been weak in targeting disadvantaged groups (see*, inter alia*, Barrientos and Dolan 2006; Constance and Bonanno 2000; du Toit 2002; Giovannucci and Ponte 2005; Klooster 2005; Morris and Dunne 2004; Mutersbaugh 2005; Pattberg 2006; Ponte 2008).[3] Finally, stakeholders have rarely been able to influence codes of practice and labels, with the result that they may not address the priority issues for workers, labour unions and smallholders (Blowfield 1999; Giovannucci and Ponte 2005; Riisgaard 2007).

3 Developing a vertical dimension to AISE research

Approaches that look in detail at the local dynamics of livelihoods and changes in the depth or nature of poverty are often oblivious to the ways in which these issues are shaped by value chain dynamics and restructuring. While the livelihood approach to understanding poverty is useful, and focuses research attention on the need for understanding economic activity in a cross-sectoral and multi-scaled way (Murray 2002), it is often reduced to enumeration of different kinds of 'capital', with very little understanding of the political processes, contextual factors and social relations that make the various kinds of 'capital' what they are and that shape the ways in which they can be used (du Toit 2005). Thus used, livelihoods analysis can become divorced from an understanding of the broader and more

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[2] Other work has examined the ethics and governance of standards; standards as a tool of governance; standard adoption (the decision to attempt compliance and certification); standard verification after certification (routine monitoring, auditing, re-certification); and the service industry of consultants, auditors and certifiers that has emerged around these standards (among others, see Busch, 2000; 2002; Hughes 2006; Mutersbaugh 2005; Ponte and Gibbon 2005; Ponte 2007b; 2008; Taylor 2005).

[3] A recent example is a proposal from the main organic standard setting body in the United Kingdom not to certify or re-certify organic products imported by air. It has been estimated that such a ban on air-freight of organics in the UK alone would compromise more than 20,000 livelihoods in developing countries (Gibbon and Bolwig 2007).

complex social relations and processes created and dissolved through GVC restructuring (Bolwig *et al.,* 2008).

But even when chronic poverty research has attempted to understand these processes, 'vertical elements' are usually included as an afterthought (with a few exceptions, see e.g. du Toit 2004b). The CPRC programmatic paper (Hulme *et al*., 2001) contains only some vague references to terms of trade, economic shocks and globalisation (Ibid: 23). Alternatively, the discussion is pitched at such a global level (or in any case at the 'macro-level') that it loses sight of the connection with local people/communities (see Bracking 2003; Murray 2001). GVC analysis can provide a meso-level tool linking changes at the global level to the dynamics of specific value chains that actually touch down on identifiable communities or regions.

In the chronic poverty literature, at the conceptual level, the idea of linking 'horizontal' and 'vertical' processes is not new. It was first mentioned by Bracking (2003) and then partially developed by du Toit (2004a; 2004b; 2005). Their call, however, has remained to a large extent unanswered. Instead of looking at the nature of changes that are impacting on local communities (and possible actions to counteract these), the focus has been on describe how 'external' changes are locally and regionally mediated (du Toit 2004b: 9).

GVC analysis can help to further develop a vertical dimension to AISE research. There are obvious commonalities between the two. Both highlight the dynamics of inclusion/exclusion and marginalisation of specific producers, groups, and/or locations, and both are preoccupied with avoiding simplistic structuralist explanations. For example, Gibbon and Ponte (2005), with particular reference to Africa, have argued against ignoring the continent simply as 'marginal' in the dynamics of global economic change and against the oversimplified 'lost case' scenario that Africa often comes to represent (see also Ferguson 2006, who pointed to a similar direction from a different analytical perspective). Gibbon and Ponte show that there are uneven trajectories within the continent – and that outcomes are different, depending on the value chain analysed and the regulatory structure of the country under study. The kinds of opportunities and constraints that small producers face have also varied over time – in relation to changing international trade regimes and global business strategies. There have been cases of marginalisation and of increased opportunity; inclusion and exclusion; new processes of trade integration as well as increased fragmentation; cases of exploitation of local resources (both physical and human) and cases of genuine upgrading. Gibbon and Ponte (2005) suggest that the dynamics of value chain participation (and exclusion) have implications on the requirements and rewards that accrue to small producers of these commodities, who are often poor and vulnerable to price and other shocks in ways that are more pronounced than was the case even a decade or two ago when domestic marketing arrangements could shield them from such variability. In general, in order to remain competitive in agro-food GVCs, producers have to match an increasing number of functions and stricter performance requirement. These combined processes have tended to marginalise or exclude many Africa-based traders/processors, while also selectively marginalising or excluding primary suppliers. Yet, marginalisation and exclusion may also arise when demands on suppliers are reduced in number – since those that remain may become more difficult to meet.

These observations are of significance for understanding chronic poverty. Depending on the way in which integration into GVCs takes place, it can lead either to the creation of significant opportunities, or to the exacerbation of dynamics that could exclude people or disadvantage them systematically in their livelihood strategies – and lead to the worsening of both transitory and chronic poverty. For AISE research, this means that in addition to a careful and detailed analysis of the various kinds of resources upon which individuals and households draw for their livelihoods, there is a need for forms of analysis and theoretical accounts that can mediate between different arenas and levels of social process — that can link, for example, household and intra-household level micro-analyses with accounts of global, national, regional and sub-regional processes (Murray 2001). Attention has to be paid both to the vertical links — the value chains that link local livelihoods ‘upstream’ and ‘downstream’ to distant and complex networks of economic production and exchange (du Toit 2002, 2004b, Kaplinsky 2000) — and to the horizontal ones — the ways in which the impact and nature of integration and inclusion into globalised systems are locally mediated (Goodman and Watts 1994). These processes and institutions can work to integrate poor people into the circuits and networks of ‘developed’ society in ways that marginalise them, undermining their ability to control and impact upon the systems into which they are locked. This confirms the importance of moving beyond any simple conceptual opposition of ‘inclusion’ or ‘exclusion’ (as called for in Hickey and du Toit, 2007), towards an understanding of ‘how, when and under what conditions’. Integration and incorporation are not necessarily empowering. Sometimes exclusion and separation can be valid strategies for the poor.

In sum, developing a ‘vertical agenda’ into AISE research entails addressing questions such as:

- How does integration of people or areas into global value chains and trading relationships help reduce or exacerbate chronic poverty?
- What are the implications of conditions of inclusion and exclusion for the articulation of ‘solutions’ and frameworks for pro-poor growth?

Or, more specifically:

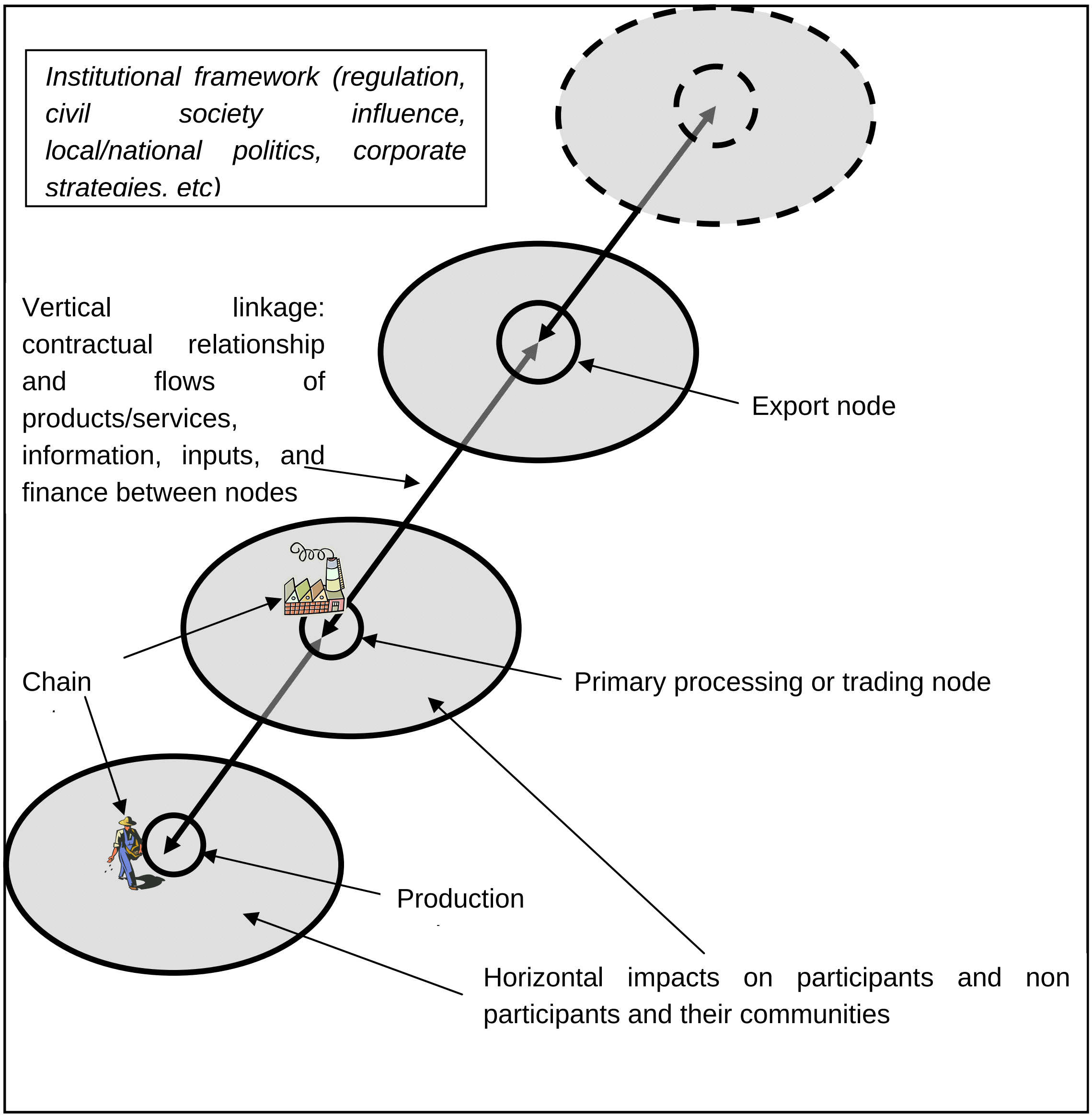
- In what circumstances are people/communities able to find pathways out of chronic poverty, or recover rapidly from shocks that would otherwise push them into it?
- Is incorporation in agro-food value chains and networks a viable option for pathways out of chronic poverty? In what ways, when, and under what conditions?

- Is incorporation improving conditions for some while worsening it for others? How stable are the gains/positive spinoffs of becoming more closely integrated into global markets?
- What are the short and long term dynamics of incorporation? What are the risks, the level and nature of vulnerability? How do they change?
- What kinds of chains and/or strands of GVCs are more likely to provide better opportunities?
- Is exclusion always a 'bad deal'? What other alternatives does it open? Is exclusion that follows inclusion any different from exclusion to start with?

But before these questions can be tackled empirically, a conceptual framework that is capable of linking horizontal and vertical elements is needed. A full discussion of what such a framework could look like is available elsewhere (Bolwig *et al*. 2008). For the purposes of this paper, two dimensions are highlighted here. First, attention is paid to four key processes:

1. *Inclusion of new participants*. This refers to the (beneficial/adverse) incorporation of new actors in an existing or newly created value chain (or strand of a chain) – for example when small coffee farmers take up the production of vanilla for export.
2. *Restructuring of value chains with continued participation.* This refers to changes in an existing value chain that alter the terms and conditions of participation for chain actors already in the chain. For example, when supermarkets impose stricter quality standards, require conformity to Fair Trade standards, or simply squeeze prices, this can significantly change investment demands, rewards or risk exposure for small (and/or marginal) producers, and salary levels and employment opportunities for permanent and casual workers.
3. *Expulsion of participants*. This can be the result of value chain restructuring; for example, when vegetable importers change their sourcing strategies towards fewer and larger producer-exporters (and/or towards processed products) small producers are likely to be squeezed out (unless they get sub-contracted by the producer-exporters).
4. *Exclusion/non-participation*. This concerns implications of value chain activities on local people who are not part of the chain. Exclusion can derive from lack of knowledge of the opportunities available, from lack of capabilities, assets and finance, or from a conscious decision to not participate.

Figure 1 Vertical and horizontal linkages in GVCs



Source: Adapted from Bolwig et al. (2008)

Second, these processes can be examined in relation to both vertical and horizontal linkages in value chains, as graphically represented in Figure 1. The figure shows selected nodes in terms of the *vertical linkages* between a node and other nodes in the chain (illustrated by arrows) and in terms of the chain actor and external actors at each node. The arrows also represent flows of products/services, inputs and finance between the nodes, but for graphical clarity these are not made explicit. The *horizontal impacts* of value chain dynamics are represented by 'discs' radiating from each node. We find the chain actors in the centre of the disc and in the periphery the external actors, the excluded actors, the non-participants, and the communities surrounding these. Considering the excluded and the non-participants is not only relevant at the production level but also in nodes further downstream (towards consumption). Around all of this is an institutional framework which shapes the ‘rules of the game’ – including regulation, international trade rules, influence by social movements and civil society, corporate strategies, etc.

4 Case studies

Four case studies are presented in this section to highlight some of the specific vertical dynamics of GVCs that can have an impact on small-scale producers, workers and their communities. Originally, these case studies had not been carried out with the concerns of chronic poverty in mind, so they are unable to tell us to what extent the dynamics of these GVCs affect the chronically poor in practice. They present a selection of different analytical scenarios, thus are not exhaustive of the various combinations of adverse/beneficial incorporation (whether full or partial), expulsion, marginalisation/upgrading via restructuring of GVCs, exclusion and non-participation. The goal here is to highlight directions for future empirical work that combines GVC and chronic poverty research, rather than an evaluation of the actual and specific impacts on chronic poverty.

The case studies illustrate four analytical scenarios:

(1) A first examining a ‘mainstream’ GVC (wine) that is governed by supermarket chains in the North and where a process of restructuring is taking place – the focus here is on the indirect impact on labour casualisation of broader changes that are taking place upstream in the GVC.
(2) A second where two different strands of a ‘mainstream’ GVC (cut flowers) are governed in different ways (one by supermarket chains via direct supply, the other via auction centers in the Netherlands) – the focus here is on the impact of different modes of governance on the possibility for labour to organise and use social standards to its advantage.
(3) A third comparing different ‘sustainability’ strands of a GVC (such as Fair Trade, Utz-certified and Rainforest Alliance-certified coffee) – the focus here is on the differential rewards and inclusion/exclusion thresholds in each for smallholder farmers and indirect impacts on communities.
(4) A fourth where a ‘mainstream’ versus a ‘sustainable’ strand of a GVC are compared (‘regular’ fish and fish that is certified against the Marine Stewardship Council code of conduct) – the focus here is on the impact of inclusion, the changing terms of inclusion, and exclusion on developing country, artisanal, data-poor fisheries.

4.1 Wine (South Africa)

The case study of wine is instructive for AISE research because it specifies the challenges attached to incorporation in a value chain that arise through its 'normal functioning'. It also highlights that the features of 'normal functioning' change all the time due to the increasing expectations that retailers transmit directly to their suppliers and indirectly all the way to primary producers and workers. These changes are not only imparted to 'please' the (perceived or constructed) preference of consumers, but also to 'extract value' from suppliers, which has become one of the (if not *the*) main sources of contemporary corporate profit making (Milberg 2007). In the following discussion, the restructuring of 'normal functioning' will be examined in relation to wine suppliers based in South Africa.

South Africa is not a new player in the global wine trade. The first vineyards were planted in the Cape peninsula by Dutch settlers as early as 1655. Constantia wine was very popular in Europe at one time, and apparently was a favourite of Napoleon's. At the beginning of the 19th century, wine represented almost 90 percent of exports from the Colony (Vink *et al*. 2004: 229). But by the end of the century exports had almost collapsed. In 1861, France and the UK – the main importer of South African wine at that time and still currently – signed a trade agreement that made French wines cheaper to import. The spread of phylloxera in the late 19th century destroyed most of the vineyard in the Cape (Ewert and du Toit 2005). In the early 20th century, a new co-operative, the 'Ko-öperatieve Wijnbouwers Vereniging van Zuid-Afrika' (KWV) was granted the statutory powers to regulate the industry. KWV controlled sales and stabilised prices, and later on managed a quota system regulating new plantings, varietal choices and vine material imports. This period was characterised by a focus on high yields and volume over quality, and an overall orientation to brandy and fortified wine production. This continuing orientation, and the imposition of international trade sanctions in the 1980s, later brought the industry almost to a halt (Williams 2005; Williams and Vink 1999). Between 1964 and 1989, official exports fell by two-thirds, and the industry survived through exports of low-quality wine to Eastern Europe and through domestic consumption, particularly of brandy (Vink *et al.* 2004: 236).

Throughout much of the 20th century, the wine industry was centred around co-operative wine cellars, which were responsible for a large proportion of total wine production, supplied bulk wine of low quality, and whose farmers were dependent on cheap black labour (du Toit 2002; du Toit and Ewert 2002; Ewert and du Toit 2005; Ewert and Hamman 1999). Labour arrangements on wine farms after the end of slavery in the 1830s and up to the 1980s have been described in the literature as 'authentic, undiluted paternalism' (Ewert and Hamman 1999: 208) – a mixture of punishment and rewards, where workers received social dividends (housing, water, electricity) in exchange for low wages, no unionisation, the part-payment of wages in alcohol (the infamous 'tot' system) and generally appalling working conditions (McEwan and Bek 2006). In the 1980s, initiatives for 'social upliftment' of farm workers aimed at reducing social costs and improving productivity and the poor image of the industry, but did not succeed in ending sanctions. Rather than transforming labour relations, they created a kind of 'neo-paternalism' – a combination of 'modern' and 'paternalist' farm management (Ewert and du Toit 2005).

The political transition of the 1990s brought about a wave of change in the political and economic position of the white Afrikaner elite that had benefited from National Party patronage. With the new democratically-elected ANC government in power, labour and employment legislation was brought to a minimum ILO level and beyond to ensure that basic human and social rights were afforded to all workers under the law. But the extension of basic human, social and economic rights to farm workers resulted, *inter alia*, in increased levels of casualisation and externalisation – which were carried out to mitigate the consequences of increased labour costs and the costs of complying with labour legislation (Kruger *et al*. 2006). This movement towards the minimisation of a permanent labour force and the casualisation of unskilled and low-skilled labour is not confined to the wine industry, but is part of a wider process taking place in the Western Cape and elsewhere in South Africa, especially in labour-intensive farms (du Toit and Ewert 2002; Kritzinger *et al.* 2004; Mather and Greensberg 2003). These casual workers are excluded from the basic entitlements that permanent workers have now gained. Despite reporting wages that may not be lower than permanent workers, casual workers face higher livelihood vulnerability and insecurity (Barrientos and Kritzinger 2004; Kritzinger *et al.* 2004).

What is argued here is that these dynamics have been reinforced by changes that have taken place elsewhere in the value chain for wine, especially in the UK (South Africa's largest export market). A large proportion of South African wine sold in the UK falls in the 'basic quality wine' category (sold under £5). In order to secure a listing in this category, the first, and most important step, is that suppliers assure 'basic material quality'. Three elements in delivering 'basic quality' in wine are needed: (1) basic intrinsic quality and packaging; (2) codified solutions to food safety; and (3) logistics. Once the 'basic quality' step is cleared, then price and promotions come into play.

UK retailers communicate very specific demands on intrinsics and packaging to their suppliers when buying basic quality wine: they tell them what to bottle, what kind of label and cork to use, the weight and shape of the bottle, the recycling possibilities. But in recent years, the package of 'basic quality' that needs to be provided by South African suppliers has become more demanding.[4] Retailers in the UK have managed to transfer control over

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[4] One of the main UK retailers is implementing retail-ready packaging in wine, which entails unloading from the pallet to shelf in one move. Retailers are also moving towards screwcap and synthetic closures to minimize returns for 'corky' wine. South African cooperatives and ex-cooperatives are either going through the process of certification for the British Retailer Consortium (BRC) Global Standard – Food or have already obtained such certifications. The cost of conforming to (and obtaining) certification falls onto wine cellars and, eventually, to grape suppliers that are already squeezed by decreasing wine prices (especially for reds) due to global oversupply (Ponte 2007a).

logistics to agents and marketers. This way, retailers can place a call with a lead-time of three days for delivery. Suppliers now own the wine until the very last minute, and are in charge of replenishing orders themselves. All this is tightening logistics and lead times all along the value chain. Recently, UK retailers also started to develop specific policies and codes on social issues, and are increasingly looking at WIETA (the Wine Industry Ethical Trade Initiative) certification and/or Fair Trade to answer these. But as one marketer explained to this author, 'on one hand, they insist on good labour conditions; on the other hand, they do not want to pay more; actually, they are squeezing producers … One retailer wanted to offer Fair Trade wine, but asked for a 45 percent margin. This is not feasible, the supplier needs to make money too' (Interview with Company 27, South Africa 2005).

Due to the price wars that take place in the retail market in the UK, to be competitive a supplier needs to provide 'above the line' support, such as print and media, and 'below the line support', linked to point of sale and consumer promotion. A key feature of the UK off-trade market is that much of the volume of sales in supermarkets takes place during promotions at heavily discounted prices. Smaller (and even bigger) wine companies are increasingly unable to meet retailers' expectations and demands. It is difficult enough to score a listing with a major retailer. Once there, listing fees are usually charged, sometimes as a fixed amount and at other times as a proportion of sales. Wine companies can be asked to make payments for shelf-space, and expensive ones for end-of-aisle promotions, or for mentioning a wine in the in-store magazine. In addition, retailers have started to purchase wine through 'reverse internet auctions', which further squeeze margins upstream in the value chain. If a wine is not selling, they will ask the supplier 'to do something about it', otherwise the supplier will be delisted. Many of those who sell wine in the UK made the point that they remain there, despite all the problems, just to 'have a presence' or to 'move stock' (Ponte 2007a).

These business practices filter through the South Africa segment of the value chain and are translated into specific wine and grape procurement models. In short, this has involved producer-wholesalers in South Africa: moving away from growing grapes towards buying-in grapes; trying to partially divest from winemaking as well; and partially integrating some downstream functions in logistics, inventory management and replenishment through joint ventures with importing country agents. In this re-configuration of the functional division of labour along the value chain, inventory and risk are pushed upstream all the way to cooperatives and other large cellars, and eventually to grape growers. This, among other things, has led to squeezed margins and higher risk among grape growers, which increases pressures for further casualising labour, resisting salary increases, and trimming down other workplace benefits. The end result of the 'normal' integration in the wine GVC is a further negative twist of what others (Barrientos and Kritzinger 2004; du Toit and Ewert 2002; Kritzinger *et al.* 2004; Mather and Greensberg 2003) have already observed on South African farms more generally: degenerating labour conditions for casual workers, increased insecurity of housing tenure for permanent employees, and higher livelihood vulnerability for both workers and their families.

4.2 Cut flowers (Kenya and Tanzania)

The global market for cut flowers has grown consistently since the early 1980s, but with slowing growth in demand in the last decade, especially in the EU. Stagnant demand and a concurrent expansion in production (especially in developing countries) have led to a downward movement in prices (Hammer and Riisgaard 2008; Risgaard 2007). The African-Europe cut flower value chain entails two distinctive strands. The Dutch flower auctions have historically been the most important channels through which flowers are distributed to European wholesalers and retailers. However, lately the proportion of flowers imported into the EU that goes through the Dutch flower auctions has decreased, although still constitutes the majority for exports from East Africa (Hammer and Riisgaard 2007).

The direct retailer chains for flowers are controlled by supermarket chains, particularly UK retailers. As in the case study of wine, they have been moving unwanted activities upstream in the chain towards exporters. Consequently, larger growers have tailored their operations to sell directly to retail outlets in Europe. In Kenya, they have achieved this through vertical integration downstream into freight forwarders, clearance and sales agents. But being able to supply this strand of the value chain also depends on the ability of the grower to comply with specific requirements such as those set by MPS[5] and EUREPGAP.[6] The auction system, in contrast, is characterised by relatively loose trading relationships, particularly at the auction point (Hammar and Riisgaard 2007; Riisgaard 2007). The implication for labour activism is that retailers in the direct strand have a much higher degree of leverage in imposing criteria (such as minimum labour standards) along their value chain than buyers that operate in the auction strand of the cut flower GVC.

As reported in Hammer and Riisgaard (2007), the labour process in the cut flower industry is characterised by a very high proportion of (mainly young) women workers. In Kenya and Colombia women constitute at least 65 percent of the workforce (Dolan *et al*. 2002). Women often work on large-scale ‘factory’ farms for very low wages, under precarious employment contracts, often face sexual harassment and, due to the extensive use of pesticides, working conditions that are dangerous to their physical and psychological health. The workforce is frequently made up of displaced smallholder farmers, migrants and internal refugees which, providing a large pool of labour, allow the perpetuation of labour market segmentation, precarious employment and (often) wages below the living wage (Hammer and Riisgaard 2007). Criticism in consumer markets of appalling working conditions in flower plantations in developing countries had lead the industry to adopt a range of private social and

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[5] An environmental certification scheme developed by the Dutch flower industry.

[6] The European Retailers Producers Working Group for Good Agricultural Practice.

environmental standard initiatives during the last decade. Some empirical studies of the Kenyan-UK cut flower chain have documented that social standards in general fail to address the concerns of the large group of casual and female workers in the industry (Hughes 2001; Tallontire *et al.* 2005).

At a more general level, Riisgaard (2007) showed that the practical outcome of labour agency on the ground differs according to the local context, and particularly according to the capacity and specific stances adopted by local labour organisations in cut flower industries. She showed that in Tanzania trade unions at all levels have embraced (and proactively engaged with) social standards initiatives and used these standards in furthering their own objectives. This resulted in an unusually high level of union organisation in the industry. In Kenya, instead, the unions at the national level have perceived private social standards as a threat not only to themselves but also to the Kenyan flower industry in general. This is because they are more hierarchical and top-controlled than in Tanzania, and because they perceive labour NGOs as competitors. At more local levels, however, unions have been more pragmatic and a few instances of cooperation have occurred. In Kenya, four different initiatives are currently offering private labour standards, but the unions are not involved in any of these (Riisgaard, 2007)

In conclusion, Riisgaard (2007) shows that labour organisations (labour NGOs and unions) can be important actors mediating the way standards are set and applied and thus can influence the welfare and livelihoods of workers and their families, their levels and perseverance of poverty, and the possibilities of escaping from chronic poverty if they are caught in it. Thus social standards in cut flower value chains can help labour organisations to enhance union efforts, to obtain better insight into the operations of cut flower value chains downstream, to participate in discussions on social issues when these are discussed amongst business, and to exert a watchdog function by threatening with exposure in consumer markets *(Ibid*.: 47). At the same time, voluntary social standards seem to be severely limited in scope, and do little to change fundamentals – such as the structure of international trade, cost-cutting and just-in-time ordering – strategies that put additional pressure on suppliers and indirectly promote labour flexibilisation and not labour organisation *(Ibid*.). In other words, social standards alone are unable to provide less risky and vulnerable livelihoods if the ‘normal’ functioning of a value chain undermines the conditions necessary for such livelihoods.

4.3 ‘Sustainable’ coffee

‘Sustainability’ has become a key descriptor for marketing coffee. Until a few years ago, it concerned only niche markets. Now, it has moved into the mainstream as well. Some ‘sustainable’ coffees are sold as *certified* coffee, such as ‘Organic’, ‘Fair Trade’, ‘Bird-friendly’, ‘Rainforest Alliance-certified’, and ‘Utz-certified’. Others are sold under sustainability initiatives that are designed by private companies, with or without third-party monitoring and verification.

Total purchases of certified 'sustainable coffee' for 2006 (as opposed to total volume certified, which is a higher figure than actual volume of sales) is estimated at approximately 4.2 million bags or 4.6 percent of total exports (see Table 1), showing strong growth. In addition to strong growth of Fair Trade coffee in some European markets and especially in the USA (where it grew by an average of 41 percent per year in the past three years), the other main sources of growth have been the expansion of three relatively new sustainability initiative – Utz-certified, Rainforest Alliance-certified, and the Starbucks C.A.F.E. programme (which is also third-party certified). 600,000 bags of Utz-certified coffee were sold in 2006 (30 percent procured in Brazil, 19 percent in Colombia and Peru combined, 15 percent in Vietnam, 6 percent in India), with sales in the first half of 2007 reaching 500,000 bags. Rainforest Alliance-certified coffee sales reached a level of 450,000 bags in 2006. Starbucks alone certified over 1.1 million bags of coffee through its C.A.F.E. program in 2006, although it is not known whether all this volume was actually purchased. Given this factor, and that a proportion of Fair Trade sales are also organic-certified, the net volume of sales of sustainable coffee is probably in the range of 3.6-3.7 million bags, or 4 percent of total coffee exports in 2006.

In this section, a qualitative assessment is carried out of whether selected 'sustainability standards' fulfill their portrayed goal of improving socio-economic and environmental conditions in the locations of production. This short analysis builds on the author's previous work on the subject (Daviron and Ponte 2005; Giovannucci and Ponte 2005). Although farmers receive both direct and indirect benefits from sustainability standards, many of these standards provide no guarantee that direct benefits, particularly price premiums, necessarily reach smallholders, farm labourers and/or local communities. Some of the most significant benefits are indirect or intangible – such as the improvement of community/cooperative governance structures.

Table 1 Estimated volume of third-party certified 'sustainable coffee' sold in 2006

Sustainable coffee initiative	**Volume (60-Kg bags)**
Fair trade	833,000
Organic	1,152,000
Rainforest Alliance-certified	453,000
Starbucks CAFE	1,174,400
Utz-certified	600,000
Gross total*	4,212,400
% of total exports	4.6

Sources: Utz, FLO, Giovannucci (pers. comm. 2007)

* Net total likely to be around 3.6-3.7 million bags, due to some overlap between Fair trade and organic and that actual purchases of Starbucks CAFÉ are lower than the total certified figure entered here

The simplest way to assess a standard's impact on sustainability is to look at a farmer's economic viability by determining whether the extra investment and effort needed to gain certification pays off in terms of earning a *premium* over non-certified coffee. At the height of the 'coffee crisis' that hit producing countries in the early 2000s, the highest premium among the standards systems for which information was available was by far offered in Fair Trade. The Fair Trade premium for Mild Arabica coffee was almost four times what could be obtained for organic coffee. In the case of other sustainability certifications, there is no formal or standard price premium. Sometimes, the sustainability premium is hidden in the quality premium. In other cases, no extra premium is offered over similar quality coffees.

The *overall income impact* of sustainability standards on producers depends on the balance between the extra costs of matching these standards (including labour costs and the cost of certification) and the extra income earned from the premium plus or minus the impact of changing farming practices on yields and quality. Organic producers in Uganda tend to have higher incomes overall (Gibbon and Bolwig 2007). The balance sheet for Fair Trade is often positive, as cooperatives until recently did not pay for certification, the minimum price is relatively high and the necessary changes in farming systems fairly limited. However, only 20 percent of the coffee certified as Fair Trade actually manages to be sold as such and the pressure increases for minimum prices to descend (Giovannucci and Ponte 2005). Other sustainability certifications (Utz and Rainforest Alliance) can be expensive to implement and neither formally recognises these costs as a minimum compensation expected from a buyer. They also have, more than other certifications, focused on larger growers and estates where certification costs can be more readily absorbed, although more focus on smallholders has taken place in the last few years. Although all certifications support the minimum wage according to national labour laws, none (other than Fair Trade) guarantees a minimum price.

The process leading to some of these certifications can also serve to stimulate farm incomes *outside of the coffee economy*. Organic and shade-grown certifications relate to an entire farm plot rather than coffee alone; thus, markets can be sought for other farm products. Shade-grown certification stimulates re-forestation; therefore, income from the sale of forest products and fruits may increase. However, these possibilities should not be over-estimated.

Certification processes may also have *spill-over effects on adjacent communities*. In the case of organic and shade-grown certifications, this has been observed in terms of improving both farming practices and coffee quality among smallholders. In Uganda, for example, several industry observers mention that coffee quality and yields are improving even for non-participants who live in areas close to an organic coffee project. In Fair Trade, the main spill-over effect is achieved through community level projects that are financed with part of the Fair Trade premium.

Weaknesses of sustainability standards revolve, from the producers' side, around dependency, hidden costs, and vulnerability. In some cases, standards can create new barriers to entry that threaten producers (particularly the poorest) with the challenges of additional costs, a steep learning curve of adaptation, and inadequate extension services. The process of certification can be a costly and sometimes lengthy exercise. Farmer organisations may find it difficult to maintain cohesion if the expected benefits do not materialise in the short-term. Even where these processes are less important, for many the hidden costs of marketing, coordination (e.g. time spent in meetings, transport), uncertainty, and the limitations of collective action may significantly decrease the overall net benefits of certification efforts and threaten the existing governance structures in cooperatives or associations. Fractures within communities can also happen – when, for example a cooperative is accredited for Fair Trade, but another is not. Cooperative membership is also less likely for the poorer and more vulnerable households. Finally, if a standard becomes the *de facto* purchasing criterion, then most farmers will have to comply and will incur the same difficulties mentioned above (costs, learning curve, extension). Furthermore, as these criteria become a widely accepted standard, there may be an increasing unwillingness among buyers to pay extra for such achievements – leaving farmers with higher costs of production and compliance burdens with no direct financial incentive (as is the case for EUREP-GAP standard compliance in fresh fruit and vegetables). 'Sustainability' certifications may actually end up sustaining the very dynamics that keep coffee producers in poverty.

4.4 Fish (Tanzania, Uganda, South Africa)

The case study of fish is built around a comparison between mainstream and 'sustainable' strands of the value chain. It examines the exclusionary and discriminatory effects that a 'sustainability' label can have on marginal fisheries and artisanal, poorer fishing communities. It also highlights that incorporation in the 'mainstream' of a GVC can be a positive choice even for poor communities, especially if the GVC is not highly-driven by Northern actors and supply is tight. Finally, this is a case study suggesting that participation in export markets actually has clear advantages for fishing communities over participation in local or regional markets.

In relation to the mainstream value chain for fish, the analysis is focused on the supply of Nile perch from Lake Victoria. This industry supports artisanal fisheries at the catch level and industrial processing sectors at the export level. Research in both Tanzania (Kadigi *et al*. 2007) and Uganda (FIRRI 2003) shows that fishing communities are better off incorporated in the export-oriented Nile perch chain rather than in fish chains that are oriented towards local and regional markets. At the same time, risks and vulnerability of participation in the export-oriented chain are higher – this is well illustrated by the impact of EU-import bans in the late 1990s on the basis of food safety concerns (Ponte 2008). Vulnerability relates to public perceptions in import countries on the 'goodness' of fish not only in terms of food safety, but also in terms of consumer perceptions of how fishing activities impact on local communities. For example, the award-winning European documentary 'Darwin's nightmare', by over-dramatising the supposed vastly deleterious social impacts of fishing on local communities in Tanzania (Molony et al 2007) had a negative impact on the image of fishing communities around Lake Victoria. As a result, fish industry organisations in the riparian countries are considering whether to seek certification against a 'sustainable fishery standard' (the Marine Stewardship Council, MSC) to improve their image. As will be explained below, the MSC label is unlikely to improve livelihoods in these communities.

Sustainability is obviously important for the long-term survival of fishing industries, which in many parts of the world are artisanal, small-scale and support large communities. Wild fish stocks are self-renewing, but their capacity to do so depends on leaving enough fish to regenerate the stocks in subsequent years (Gardiner and Viswanathan 2004).

The Marine Stewardship Council (MSC) initiative is the main independent third-party certified ecolabel that covers wild-catch fisheries. It was established in 1996 as a joint initiative of the World Wildlife Fund for Nature (WWF), the world's largest private non-profit organisation, and Unilever, at the time the world's largest frozen fish buyer and processor. MSC became an independent initiative in 1999. MSC allows, via its logo, consumers to promote sustainable fishing through a market-based (rather than regulation-based) mechanism by choosing the labeled product over the unlabeled product. Certification is granted against a specific standard called the 'Principles and Criteria for Sustainable Fishing'. Assessment is carried out on a voluntary basis by accredited third-party certification bodies (Ponte, 2008).

In the context of the topic of this paper, the main relevant line of criticism against MSC concerns the failure to certify developing country fisheries, and especially small-scale, data-deficient ones. Linked to this concern are issues of compliance, certification costs, and shortcomings of scientific data. As of February 2008, only three developing country fisheries have been certified (South African hake, Mexican Baja California Rock Lobster and Patagonian scallops, (Argentina and Uruguay)) out of a total of 25 certified fisheries. Among the 40 fisheries undergoing certification, only two are based in developing countries (Gulf of California (Mexico) sardine and Vietnamese Ben Tre Clam Fishery), while a third (Chilean hake) has dropped out of the process. Four out of these five fisheries are located in upper-middle income countries (Ponte, 2008). This entails that the more vulnerable, smaller scale fishing communities are left out of a GVC strand that may have an important impact on market access.[7] If the label becomes a 'must have' in the fish GVC, poorer fishing communities will be affected negatively. In addition, even where MSC has been achieved (such as in the South African hake trawl fishery), it can result in discriminatory outcomes.

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[7] Following this kind of criticism, in May 2007 MSC released new methodological guidance to assist certifiers involved in assessing fisheries that have insufficient data to show that they meet the MSC Standard. As of February 2008, five fisheries were undergoing pilot assessments of this kind, four of which in developing countries (and two of these in least-developed countries).

In South Africa, MSC certification was sought in an environment of competition against other hake/hoki supplier countries to Northern fish importers and processors (especially Unilever), of internal divisions within the hake industry (between the trawling and longlining sectors), and of fears of further quota losses due a post-apartheid, government-engineered attempt to ‘transform’ the fisheries sector (Ponte 2008). The expected commercial benefits that were to accrue to the South African hake industry from MSC certification did not, for the most part, materialise. According to one of the key beneficiaries of MSC certification in South Africa, hake suppliers of MSC fish have received the same price as for ‘regular’ fish from their buyers. Their market share has not improved either. In terms of actual impact on sustainability, recent reports suggest that the hake stock is in danger, and that catches are at historically low levels (*Ibid*.).

MSC certification has also been used to marginalise the longlining industry (which is smaller in scale and has a higher ratio of labour employment per ton of quota allocated than trawling). But even more importantly, the argument that fewer players are better for conservation than many players was embedded in regulation. No new entrants were assigned quotas in the long-term allocation of 2006 and some of the smaller existing quotas were not renewed. The hake industry is still firmly in the hands of white business. This does not mean that the lack of meaningful transformation in South African industrial fisheries is MSC’s responsibility, but indicates that ecolabels are not simply neutral and scientific tools that operate in a de-politicised level playing field. They can be appropriated, used, and justified in a variety of political and politico-economic fields, with results that can be deleterious for disadvantaged and poorer groups.

5 Implications for ‘policy change’: strategy, action and ‘linking up’

Going back to the questions posed earlier in the paper, what the four case studies presented in this paper teach us is that integration of people or areas into global value chains and trading relationships will exacerbate chronic poverty if the ‘normal functioning’ of these chains is left unchecked. This is especially the case for retailer-driven (and branded manufactured-driven) value chains, such as basic quality wine, ‘mainstream’ coffee and cut flowers. Where value chains are less clearly driven from Northern-based actors, such as fish, integration in even ‘normal’ strands of value chains can have substantial and positive impacts on poverty, and where appropriate, chronic poverty.

What the case studies also show is that ‘ethical’ (and sustainable) trade considerations (and initiatives attached to them) are not necessarily enough to lift producers and communities out of chronic poverty – especially labels, standards and certifications that work ‘with the market’ (such as Utz-certified coffee, Rainforest Alliance-certified coffee, and MSC fish). At the same time, as the case study of cut flowers suggests, social standards can be made to work for weaker actors in value chains (workers at the production end) through appropriate labour strategies. In general, standards initiatives that have a more stakeholder-oriented nature (such as Fair Trade, organics, Forest Stewardship Council wood products; see Klooster 2005) are also more likely to impact positively on the poor, although it is not completely clear whether they reach the 'chronically poor'. At the same time, positive benefits for the poorest producers and employees are more likely to be achieved through value chains that end in large retailers in the North, and/or for branded products, than in open markets and/or for more generic products.

AISE researchers have criticised livelihood approaches to poverty for making it appear that people and households can exert more agency than they actually have (du Toit 2005; Francis 2006; Murray 2001) In other words, they argue that the 'chronically' poor have good (structural, relational) reasons for not being able to 'pull themselves up from the straps'. But even where this is recognised, usually the responsibility to do something about it is placed firmly in the hands of the state or local government, or are cast at such a generic level that it is difficult to identify who should do what (and for whom).

Bebbington (2007) highlights that the definition of 'chronic poverty' suggests poverty that resists change, and this change is obstructed by structural and relational conditions. As a result, 'conditions of chronic poverty are only likely to change when these relationships shift' (Ibid.: 793). In this vein, Bebbington starts exploring one of the (non-policy, non-state) venues for facilitating such change by examining the roles and limitations of social movements. He argues that social movements are important not only because they arise around issue of poverty *per se*, but also because of the role they play in changing 'the ways in which society understands poverty in the first place' (*Ibid*: 798). Instead of engaging in policy debates with specific policy proposals, social movements are seen as more likely to challenge the dominant notions of what accounts as legitimate knowledge in the policy formulation process. Thus, social movements are 'best understood as the vectors of particular discourses and forms of questioning the world' (*Ibid*.: 800). Social movements, in other words, tend to highlight and question the 'normal' functioning of socio-economic relations.

Macdonald (2007) shows that Northern initiatives focused on social or trade justice can also 'empower' marginalised workers and producers in the South. Through the case study of Fair Trade coffee and Starbuck's C.A.F.E. practices, she shows that this is more likely to happen when: (1) 'responsibility' for the deleterious effects of the *normal functioning* of value chains has been accepted among relevant decision-makers in the North; and (2) when marginalised groups themselves have had some control over processes of institutionalisation of such responsibilities.

Macdonald (2007) argues that there is an imbalance between the power of controlling the outcomes of value chain functioning (which is in the hands of private businesses) and the responsibility of defending entitlements of marginalised groups (which is often in the hands of under-financed governments). This creates an 'accountability deficit' that does not allow these groups to improve their situation. Marginal groups have neither control over private business decision-making nor can mobilise the requisite resources, either directly or through the state. In this situation, Macdonald argues, the only way out is to exercise pressure on decision-makers to accept a share of responsibility. This is essentially 'normative work' in the sense that alternative models are created to 'short-circuit' the exiting (and unequal) systems of normal functioning in the economy or trade. A classic example here is Fair Trade, which has required the formation of a transnational institutional architecture that acted to transform the perceived understanding of responsibility among Northern consumers. Macdonald (2007) also observes that, while higher (and more stable) incomes for producers in the South are indeed perceived as improvements in their livelihoods, as important are the technical and administrative capacity building that takes place in the cooperatives they are members of, and the improvement in social infrastructure and services that have arisen from the use of social premium. In comparing Fair Trade coffee with Starbucks' own socially-responsible guidelines in procurement, Macdonald (2007) shows that the redefinition of responsibility is not enough – a system that directly discharges these responsibilities is also needed (*Ibid*: 799).

These two examples indicate that normative work is important in facilitating socio-economic change. AISE researchers have been involved in this kind of process themselves by critically examining notions and definitions of 'chronic poverty'. But this normative work needs expanding into the vertical realm of 'normal functioning' of economic and political relations, as the four case studies examined above suggest. More specifically, this entails highlighting that *ad hoc* measures that address specific symptoms (such as poor labour conditions, or deleterious environmental impacts of production) do not fundamentally address the 'normal functioning' causes of such symptoms, such as the pressures arising from competition and retailers' strategy of 'squeezing out profit from suppliers' (Milberg 2007).

But addressing the 'normal functioning' of trade and production relations often requires research and action beyond the local level (or the political system embedded in the nation state (Hickey and Bracking 2005) to 'higher' places or levels of decision-making inside or outside the value chain. Relationships between value chain actors are usually highly competitive and often potentially conflicting. This means in turn that improving the conditions for weak actors in a value chain will necessitate identifying 'action points' where 'political' action in relation to (and often against the interests of) more powerful actors further downstream in the chain is feasible. 'Action points' in this context are organisations, institutions, private or public regulatory frameworks, the media and other 'sites' where what goes on inside value chains can be modified or regulated. An action point also has a temporal dimension and may be thought of as a moment or period where there is an opportunity for change or leverage in a particular place in the chain. Action points can be used to promote the restructuring of existing value chain linkages in ways that increase the stake of more powerful actors in the conditions of weaker ones, for example through increased levels of contractualisation between small and marginal producers and powerful buyers (Bolwig *et al*. 2008).

Stimulating change often requires political leverage and financial and human resources well beyond the capacity of local groups and communities. This is why even pro-active chronic poverty research that focuses on local dynamics is not well-equipped to leverage such change. Action will often involve the creation of new linkages or alliances (or improving existing ones) between the target group and stronger chain actors (e.g. exporters, importers and retailers), or between the target group and actors external to the chain who have an interest in improving the conditions of the target group (e.g. law makers, advocacy and consumer groups, donors, international organisations, industry associations and standard setting bodies). GVC analysis can help AISE research to look beyond the boundaries of locality and the nation state to find additional or alternative action points, without falling in the fuzzy expanse of the ‘global’ – where agency and targets are hard to grasp.

6 Conclusion

This paper has provided some pointers for chronic poverty research concerned with ‘averse incorporation and social exclusion’ on how to build a more systematic ‘vertical’ agenda. At the same time, it has highlighted the need for global value chain analysis to pay more systematic attention to the impact of chain functioning and/or restructuring on marginal groups and/or communities along the various stages of commodity trade.

The case studies presented here, while not assessing the impact of value chain participation, exclusion and restructuring on the chronically poor empirically, suggest that the conditions of inclusion and/or exclusion from value chains and trade more generally are more important than inclusion and exclusion *per se* for the alleviation of chronic poverty. At the same time, people and communities in the South are more likely to find pathways out of chronic poverty, or recover rapidly from shocks that would otherwise push them into long-term poverty, in value chains that are less driven by Northern-based powerful actors. When the choice of value chain engagement (or disengagement) is not available, sustainability standard initiatives can help, but more likely when they have been devised with meaningful participation of Southern stakeholders to begin with (on the pitfalls of ‘cosmetic’ participation, see du Toit 2002). So, incorporation in agro-food value chains and networks can be a viable option for pathways out of chronic poverty, but it depends on what value chain, when, and under what conditions – and these variables also determine whether incorporation improves conditions for some while worsening it for others, and how stable the gains/positive spinoffs are. Furthermore, both the short- and long-term dynamics of incorporation need to be examined. In the long-term, measures and initiatives that mean to provide a better deal for the poor will not work if they do not challenge the basic factors underpinning the ‘normal’ functioning of a value chain.

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