

Smallholder Access to Markets Evaluation Synthesis

Executive summary

A. Background and context

1. In accordance with the decision by the Executive Board in 2014, the Independent Office of Evaluation of IFAD (IOE) prepared an evaluation synthesis report on IFAD's interventions to support smallholders' access to markets (SAM). This undertaking is an indication of how important smallholders' participation in national and international food markets is to improved incomes and food security.
2. Although they are mostly poor or extremely poor, smallholders produce a substantial portion of the global food supply and are thus important actors in the world's food production systems. Improving the economic and social conditions of smallholders is therefore as vital for their own and their communities' welfare as it is for local, national and global food security. Smallholders also play a key role in enhancing the sustainability of natural resources, the development of rural non-farm economies and the strengthening of rural-urban linkages, in addition to political, economic and social considerations specific to each country. Despite their importance, however, smallholders are largely denied equitable access to the most lucrative marketplaces.
3. Growing national and global food markets represent an opportunity for smallholders. However, such markets can be unpredictable, due in part to the effects of climate change, periodic natural disasters and commodity price volatility. Climate change is expected to lower the availability of water and arable land and reduce biodiversity, exposing smallholders to other more localized environmental challenges at the same time. These threats and challenges are placing increasing strain on already over-burdened governments, which could potentially increase rural outmigration, marginalization, social tension and conflict.
4. Improved access to markets can help smallholders build their assets and incomes. Experience shows that even modest support to smallholders can substantially improve yields from a range of commercial and subsistence crops. The adoption of more sustainable production systems can have a positive impact on soil, water and carbon emissions/sequestration, leading to extensive and potentially remunerable environmental outcomes. Finally, according to a high-level panel of the Committee on World Food Security, if women smallholders had similar access to productive resources to that of men, farm yields would increase by an estimated 20 to 30 per cent, lifting 100 million to 150 million people out of hunger.
5. Growing global demand for food offers opportunities for smallholders to gain more returns from participating in markets. However, smallholder farmers are typically unable to take full advantage of new market developments, since they often lack secure access to land and water, inputs, working capital and asset finance, efficient market connectivity, and real time, impartial market information. They seldom have the means to engage equitably in marketplace bargaining or the capacity to influence the national, regional and global policies affecting them.
6. Access to markets by poor smallholder farmers was identified as a key area of IFAD's support as far back as in 2001, when IFAD's flagship Rural Poverty Report made an explicit reference to this issue. Since then, smallholder access to markets has remained a key element in successive IFAD strategic frameworks. In the past 15 years, institutional knowledge on the topic has grown significantly in IFAD and an increasing number of projects are addressing the issue. Interventions have diversified and evolved, and IFAD has accumulated considerable experience. This evaluation synthesis report is intended to capture the evolution of IFAD's thinking

on smallholders' access to markets, along with relevant programme experience and lessons learned.

B. Evaluation objectives, methodology and process

7. **Objectives and key questions.** The objectives of this evaluation synthesis are to:
(i) review and analyse IOE evaluations of IFAD-supported SAM programmes in order to identify factors for success, constraints and opportunities for future engagement; and (ii) identify lessons learned and make recommendations for enhancing IFAD's approach to SAM. The exercise was guided by the overarching question: to what extent have IFAD-financed interventions in smallholder market access met IFAD's institutional objectives for rural poverty reduction? Framed by this overarching question, five key questions are posed to generate specific insights on IFAD's strategic interests and operational practices:
 - (i) **Targeting.** For whom has market access been achieved and what has been the nature of smallholder market interaction?
 - (ii) **Partnerships/institutions/policy issues.** How have partnership strategies, capacity-building of institutions, and development of government policies affected access to markets?
 - (iii) **Infrastructure.** How does infrastructure affect access to markets?
 - (iv) **Finance.** How has the financial sector responded to the financial demands and needs of the target group for production and market access?
 - (v) **Production, food security and nutrition.** How does the type of product/production and income potential affect SAM, and does SAM translate into greater food security and nutrition for the rural poor (e.g. choice of production type, i.e. commercial versus subsistence production)?
8. Issues of gender equality and the environment (natural resource management and climate change) are of critical importance to rural poverty alleviation, and their role in programmes to support smallholder access to market is also assessed.
9. **Methodology and scope.** This evaluation synthesis report draws on secondary sources, mainly from evaluations conducted by IOE, project completion report validations and – to a limited extent – SAM research literature and studies, both IFAD and external. The purpose of the literature review was to provide guidance and reflection points for the evaluation synthesis, and to develop a theory of change. The review also covered IFAD corporate policies, strategic frameworks, and technical guidance documents.
10. The synthesis reviewed different types of IOE evaluations with SAM-related activities/programmes that were undertaken between 2005 and 2015. After screening, a sample of 39 programmes with substantial SAM content was selected for detailed analysis. The sample covered all regions, although some regions (in particular, East and Southern Africa) had more programmes in the sample than others. The average programme budget in the sample was US\$31.9 million. The proportion of programme budget dedicated to SAM ranged between 15 and 85 per cent and the overall average was 50 per cent.
11. Based on best practice and IFAD experience in smallholders' access to markets, common programme characteristics were identified in relation to the five key questions. The sample was reviewed to identify which characteristics were present for each programme. Subsequently, the IOE ratings on relevance, impact and sustainability were compiled for the sampled programmes and average ratings were calculated for different programme characteristics. This exercise was intended to gauge the importance of each characteristic to programme relevance, impact and sustainability.

C. Main findings

12. **Targeting.** SAM programmes were found to serve the rural poor in almost all instances, often with an express focus on the economically active poor. The most common approach was to target specific geographical areas, and in many cases this was combined with the selection of specific product types or value chains. Smallholder participation in programmes with geographically defined targeting was often based on an implicit process of farmer or entrepreneur self-selection. Programmes that were responsive to specific and local contexts and needs were rated highly on relevance and impact.
13. Programmes frequently targeted the poor in fairly large and diverse areas and populations with heterogeneous needs. Greater achievements were found when flexible intervention activities/tools allowed adaptation to local needs. However, this did not happen in all cases, nor was there much targeted matching of opportunity with needs. Targeting that systemically focused on value chains tended to have more notable outcomes than those that simply focused on supporting production, productivity and sale of specific crops/commodities.
14. **Partnerships, institutions and policy.** Well-defined roles and responsibilities, with adequate incentives crafted to motivate and support smallholder empowerment, capacity development and market access were key to successful programme partnerships. Partners that were “market-knowledgeable” or “market-oriented” tended to have greater impact and relevance, while programmes with public-sector-led interventions were more likely to have lower ratings on relevance, impact and sustainability. In successful cases, programme partnerships had facilitative public-sector support and private-sector profit motivation, particularly where public and other stakeholder institutions were effective, transparent and accountable to smallholders.
15. **Infrastructure.** In a broad sense, the package of infrastructure development elements often defines the effectiveness, impact and sustainability of SAM programmes. The synthesis found a long list of infrastructure support employed, from physical infrastructure related to production (e.g. irrigation and soil retention) and markets (e.g. roads and marketplaces) to intangible infrastructure (e.g. capacity-building for farmers and farmers’ groups, market information and enterprise development).
16. While diverse types of infrastructure support were found, there was no particular package that was considered more effective than the others. In fact, relevant interventions were normally developed based on extensive socioeconomic analysis of local contexts and target populations. Programmes achieving positive impacts tended to have benefited from smallholder capacity-building or empowerment activities and physical market-making infrastructure support (feeder roads, in particular). On the other hand, investments in infrastructure development were often beset by challenges with appropriately sequencing programme inputs and activities, which reduced overall programme effectiveness, impact and sustainability, regardless of relevance.
17. **Finance.** Interventions supporting or involving the financial sector were common in SAM programmes. These were diverse in nature and used a broad range of funding sources, but with mixed programmatic outcomes. Where participating financial institutions were established and market-oriented, achievements were often notable. The opposite was found to be the case for most public-sector-driven programmes. When financing was responsive to smallholder needs, particularly via member-based financial organizations, both programme relevance and impact were found to be notable. There was little evidence available to assess if financial products and services were adapted to local needs. This will be an issue of interest as new and innovative financial services (e.g. mobile and agency banking services) begin reaching rural areas.

18. **Food security and nutrition.** In programmes aimed at improving smallholders' access to markets, farmers are often expected to change the way they manage their productive activities to gain more returns from farming. This can involve smallholder farmers' risking what little they have with potentially profound food security implications. However, such risk is seldom recognized in design documents for SAM programmes. While almost all programmes had food security/nutrition objectives, few of these were measurable or based on transparent risk-reward calculations regarding smallholders' food security. Where programmes were likely to have contributed to improved food security, the extent of change and impact was difficult to assess in the absence of specific targets or solid monitoring and evaluation capacity.
19. **Gender equality.** Women's specific constraints and needs were not always sufficiently analysed and incorporated into programme design and planning. However, gender performance was rated highly where: programmes focused on microenterprise development; interventions sought to improve institutional stakeholder responsiveness; and member-based and non-bank financial institutions were responsive to gender-differentiated needs.
20. **Natural resource management.** Natural resource management was infrequently mentioned as a primary programme outcome, and was typically a small part of a broader package of activities when addressed at all. Where included and assessed, impact on the environment and natural resources was generally positive, and very good in several instances. Consistent with evolving SAM thinking and practice, the synthesis found that interventions focused on the nexus between smallholder market access and sustainable natural resources management held substantial promise.

D. Conclusions

21. Key elements in successful SAM programmes included sound socioeconomic analysis, interventions responsive to specific needs, adequate smallholder capacity development, market analysis and a market-oriented approach, and appropriate sequencing of programme activities. IFAD's support to smallholder market access has evolved to include a range of approaches to improve access, and such development has also been supported by a series of IFAD strategic and policy documents. IFAD SAM programmes primarily target and serve the rural poor, often with a defined focus on the economically active poor. Greater achievements were found when programmes empowered smallholders to overcome market access constraints through a package of incentives and risk management tools.
22. Gender performance in SAM programmes was rated highly when gender was consciously incorporated into the design and implementation and/or when interventions included activities that naturally facilitated women's participation (e.g. microenterprise). However, the specific constraints and needs of women were not always sufficiently analysed and incorporated into programme design and planning. In many cases, SAM programmes did not specify outputs or outcomes in relation to gender.
23. Where SAM programmes paid attention to natural resource management issues, results were often highly rated. However, if and when the programmes included activities concerning the environment and natural resource management issues, many did not define specific, related programmatic outputs and outcomes.
24. Improved access to markets alone does not necessarily lead to improved food security. The extent of the impact of SAM programmes on food security was difficult to estimate due to limited evaluative evidence and non-attributable gains. Few programmes detailed how food security would be improved and there was insufficient reflection on the risks to which smallholders would be exposed by altering traditional economic strategies, notably food production for home consumption.

25. All interventions involved some physical infrastructure development, such as feeder roads. To maximize the benefits of these investments, smallholders also need access to intangible capacity development infrastructure, such as pricing/product information systems. Timely sequencing of infrastructure investments and inputs (tangible and intangible) and appropriate sustainability plans were also found to be important.
26. Where programme partners were more market-oriented, the interventions tended to have greater impact and relevance. When public-sector and international development partners (including IFAD) played a facilitation role (and, occasionally, an active role in ensuring programme governance and management), programme implementation was more likely to be effective. On the other hand, the programmes with public-sector-led interventions tended to have lower ratings on impact, sustainability and relevance.
27. SAM programmes commonly included support for the financial sector. Where financial institutions were commercial and market-oriented, achievements tended to be rated higher. By contrast, when financial services were managed by a programme or the state, performance was uneven, but mostly less satisfactory.

E. Recommendations

28. This evaluation synthesis has three broad recommendations for IFAD.
29. **Recommendation 1: Invest in improving SAM programme design with due attention to market dynamics.** Successful interventions require solid programme building blocks that not only identify and address market access barriers but also incorporate a sound understanding of market dynamics and market trends, market-knowledgeable partners and market-responsive programme management. IFAD should ensure that the programmes that it finances are – both in design and implementation – based on market-oriented approaches and that its principal public sector partner(s) take on a role to facilitate a sound regulatory regime and operating environment.
30. Careful consideration is needed for appropriately sequencing programme inputs and activities and their timely and effective implementation. IFAD should also pay due attention to incorporating flexibility into programmes to ensure that they respond to market conditions and opportunities as they evolve over time. As a cross-cutting area, natural resource management and the environment should be more systematically integrated into programme designs, beyond a “do no harm” approach.
31. **Recommendation 2: Develop programme activities tailored to the needs of specific groups, taking into consideration the risks that they face.** Tailoring interventions to specific groups – whether they are defined by micro-regions, commodities, production systems, or their resources and capacity – requires in-depth assessment of specific stakeholder needs and, critically, the risks associated with market participation and their expectations in terms of returns. In programme design and implementation, gender-specific constraints and opportunities should also be duly taken into consideration. The specific obstacles faced by women in accessing markets in different contexts should be identified and measures to address them should be incorporated.
32. **Recommendation 3: Ensure that programme monitoring and evaluation systems have well-defined and operational food security, nutrition and market access indicators.** Considering that SAM programmes often involve risks for smallholders in the context of rapidly evolving food markets, effective and timely monitoring of SAM activities, outputs and outcomes is critical to ensure and maintain programme relevance and maximize stakeholder benefits. It is also important to have clear outcome and impact targets and indicators, including for food security and nutrition. Also, the gender perspective should be incorporated

into monitoring and evaluation tools, to reflect men's and women's participation in different economic activities and in formal and informal markets, their contractual conditions, where applicable, and access to financial services.