



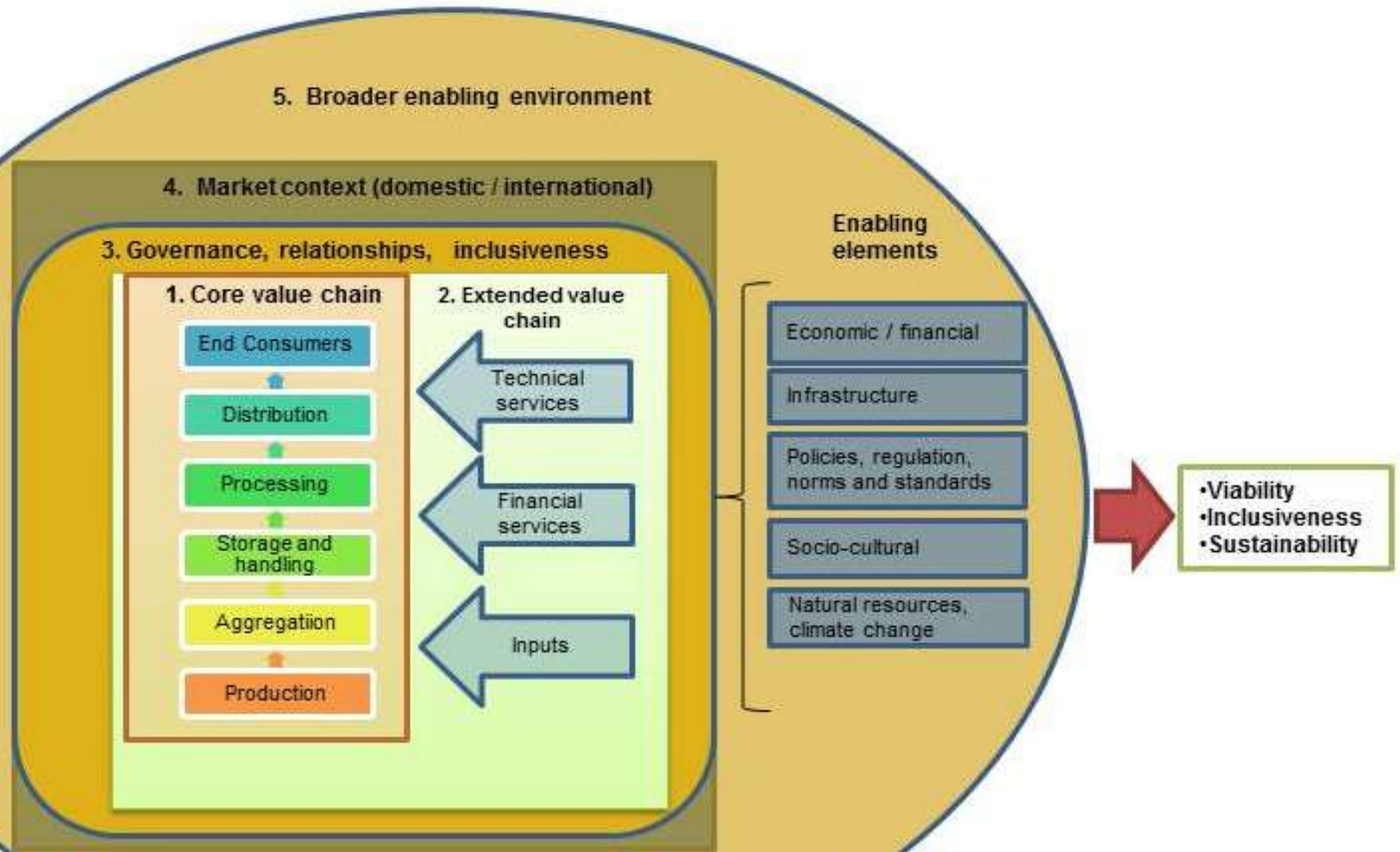
# Corporate-level Evaluation IFAD's Engagement in Pro-poor Value Chain Development

Knowledge sharing event, IFAD HQ – 19 September 2019

# Time Frame and Key Sources

- Timeframe: from 2007 to 2018 (IFAD7 through IFAD10)
- Key sources
  1. Review of IFAD documents (strategic, project, toolkits, evaluations)
  2. Review of 77 projects in 29 countries (country visits + desk review)
  3. A Management Self-assessment workshop
  4. Interviews: IFAD; governmental, non-governmental, international organizations, private sector, farmer organizations
  5. E-survey of IFAD staff and managers of IFAD-funded projects
  6. Review of experience from other organizations.

# Value chains as multi-layered systems



Source: CLE adapted from FAO (2014); GIZ (2018), USAID (2014).



# IFAD's support to value chain development for poverty reduction

1. Corporate resources and instruments

## IFAD

- Strategy, guidance
- HR, skills
- Budget
- M&E, learning, feedback loops

### Instruments:

- Loans
- Grants
- Technical inputs

2. Design and implementation quality

### Design:

- Quality of diagnosis
- Choice of value chain segment
- Choice of approach
- Financing Arrangements
- Approaches to targeting and gender equality

### Implementation:

- Review and adaptation of design
- Capacity of stakeholders: (i) producers; (ii) producer organizations; (iii) project implementation units; (iv) service providers

3. Project effects

Establishing the basic conditions for value chain participation

Strengthening VC functioning (horizontal and vertical linkages, product, process and functional upgrading, improved governance, risk management)

Fostering the enabling environment

4. Pro-poor outcomes

Better value chain governance

Poor's ability to capture more value

Improving the poor's knowledge and information

Job creation

Enhanced risk management

5. Longer-term Results

Poverty reduction (income, assets, food security)

Gender equality

Opportunity for the youth

Sustainable NRM, climate change adaptation

# Large increase in value chain projects at IFAD

| Proportion of value chain projects | IFAD7 (2007-2010) | IFAD10 (2016-2018) |
|------------------------------------|-------------------|--------------------|
| Number approved                    | 41.5%             | 72.3%              |
| Volume of loans approved           | 50%               | 81%                |

- **IFAD has no corporate strategy** on pro-poor value chain development, providing conceptual clarity and guidance
  - Contributed to variable interpretations and inconsistent approaches
  - Limited attention to skill set of IFAD staff and of project management teams in the field

# Project design has improved but analytical gaps remain

- Important design evolution from support to primary production, adding access to markets, and value chain development components
- Gaps in:
  - Analysis of preparedness for value chain approach
  - Market intelligence analysis to guide choice of commodities and prioritize value chain functions
  - Attention to information technology to reduce transaction costs, enhance transparency

# Approaches taken to value chain development

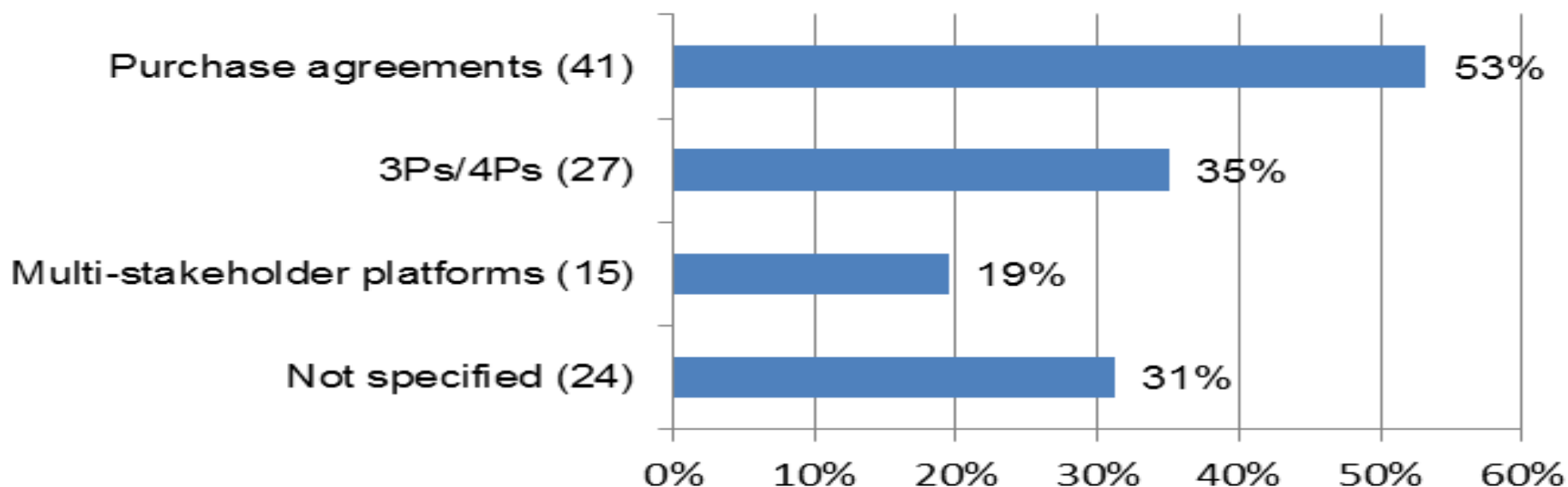
| Approach                                 | Description  | Remarks   |
|--|--|---|
| <b>Product &amp; process upgrading</b>   | Improvement of quality and/or quantity of production (production techniques, higher-value products) or of the efficiency of the production process | Almost always observed, derivative of IFAD traditional projects |
| <b>Strengthening horizontal linkages</b> | Creation of cooperatives, federations, capacity-building of producer organizations)  |   |
| <b>Strengthening vertical linkages</b>   | Promoting formal/stable contracting between producers and aggregators / processors   | Observed in almost 80% of cases                                 |
| <b>Functional upgrading</b>              | Adding new functions and activities to producers to generate more value (e.g., processing, packaging)  | Slightly over half of the observations                          |

# Approaches taken to value chain development – cont.

| Value chain segments / aspects | Number of project observations (n=77) | Perc. Project observations |
|--------------------------------|---------------------------------------|----------------------------|
| Product and process upgrading  | 75                                    | 97.4%                      |
| Horizontal linkages            | 67                                    | 87.0%                      |
| Vertical linkages              | 61                                    | 79.2%                      |
| Governance mechanisms          | 51                                    | 66.2%                      |
| Marketing & consumer issues    | 46                                    | 60.0%                      |
| Functional upgrading           | 44                                    | 57.1%                      |
| Enabling policy environment    | 28                                    | 36.3%                      |
| Market information systems     | 11                                    | 14.3%                      |



# Addressing value chain governance



- Mostly buyer-driven arrangements. Helped secure markets and revenues but did not substantially alter the value chain governed. Small producers continued in weak bargaining position
- More far reaching effects when projects addressed the governance of (e.g., Multi-stakeholder platforms)

# Financial services

- Projects offered **conventional rural finance services**, rather than instruments specific to value chain financing
- Provided basic financial services to producers
- Mixed results in financing small/medium enterprises and cooperatives
- These organizations could not offer prompt cash payment to the producers, creating incentives for side-selling

# Managing risks

- Projects have taken into account primary **production and infrastructure-related risks**
- But had **less focus on market and price risks**, e.g., anticipating price crash due to over-supply (raspberry, Bosnia and Herzegovina)
- **Policy and regulatory risks addressed by a minority of projects** (positive exceptions in Sudan and Kenya)
  - Regulation, verification of product standards, labelling, and food safety, likely to become a priority in the future

# Reaching the very poor through value chain approaches requires specific attention

## Factors promoting inclusive outreach

- Commodities requiring intensive, unskilled labour inputs (vs. land, capital requirements)
- Enforcing pro-poor requirements for agribusinesses;
- Community-based ground work combined with linkages with processors and traders.

## Less successful when

- Agribusinesses were left to select the small scale producers and de-linked from other project components
- Trickle-down effects from supporting agribusinesses were assumed rather than explicitly supported.

# Mapping of emerging findings

- Intermediate value chain development and medium pro-poor outcomes were predominant

|   | Low pro-poor outcomes   | Medium pro-poor outcomes | High pro-poor outcomes  |
|---|---|--------------------------|---|
| <b>Advanced value chain development</b>     | 3%  | 10%                      | 10%<br>IFAD's long experience and multi-stakeholder platforms; and TA |
| <b>Intermediate value chain development</b> | 10%   | 19%                      | 12%   |
| <b>Incipient value chain development</b>    | 20%<br>No articulated value chain design, implementation did not go beyond production | 15%                      | 0%  |



# Conclusions

- Major increase in value chain component in IFAD's portfolio, evolution in project approaches
- The matter of skills and competency at IFAD and in project management teams received limited attention
- Most value chains reviewed were at incipient / intermediate level of development; a few at an advanced stage
- Strongest cases of value chain development and poverty reduction linked to long-term intervention experience, focus on VC governance; and availability of technical assistance

# Recommendations (selected)

- A. Corporate strategy for pro-poor value-chain development
- B. *Programmatic approach* (long-term engagement) to promote outreach to poor and very poor groups and gender equality
- C. Promote inclusive value chain governance and policy and regulatory environment
- D. Strengthen partnerships for technical support throughout the project cycle
- E. Sharpen approaches to value chain financing
- F. Capacity development for project management teams and for IFAD staff