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Invertir en la población rural

## **Directrices operacionales sobre la actuación del FIDA en el fomento de las cadenas de valor en favor de la población pobre**

### **Nota para los representantes en la Junta Ejecutiva**

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**Para información**

## Antecedentes

1. Las "Directrices operacionales sobre la actuación del FIDA en el fomento de las cadenas de valor en favor de la población pobre" que se presentan en este documento responden a la evaluación a nivel institucional de la participación del FIDA en esta esfera realizada por la Oficina de Evaluación Independiente (IOE) y a la respuesta posterior de la Dirección del FIDA, presentada a la Junta Ejecutiva en septiembre de 2019.
2. Si bien una de las recomendaciones de la IOE fue que el FIDA preparara una estrategia sobre este tema, la Dirección sostuvo, y los miembros de la Junta Ejecutiva convinieron en ello durante el período de sesiones de la Junta celebrado en septiembre de 2019, que las directrices operacionales, más que una estrategia, servirían de orientación más concreta a los equipos encargados de diseñar y ejecutar proyectos.
3. En particular, las directrices se centran en las recomendaciones fundamentales derivadas de la evaluación a nivel institucional, es decir, que los proyectos de fomento de las cadenas de valor en favor de la población pobre del FIDA:  
i) beneficien a los grupos más vulnerables, incluidas las mujeres; ii) adopten un enfoque programático cuando sea necesario; iii) fomenten la gobernanza inclusiva de las cadenas de valor; iv) colaboren con expertos y asociados competentes, y v) creen capacidad para la ejecución de los proyectos.
4. Además, las recomendaciones de la IOE se utilizan ahora de manera sistemática para fortalecer los enfoques del FIDA basados en las cadenas de valor, entre otras cosas mediante i) la Estrategia para la Colaboración con el Sector Privado (2019-2024), con miras a establecer asociaciones más adecuadas con los actores del sector privado a lo largo de las cadenas de valor y atraer financiación adicional; ii) la Estrategia de Tecnología de la Información y las Comunicaciones para el Desarrollo (2020-2030) a fin de incorporar los servicios digitales en las intervenciones relativas a las cadenas de valor, por ejemplo, mediante información sobre los mercados y servicios de intercambio e información, y iii) la realización de un inventario de las intervenciones del FIDA en materia de financiación inclusiva, incluida la financiación destinada a las cadenas de valor, a fin de actualizar la Política del FIDA en materia de Financiación Rural, que se examinará en la Junta Ejecutiva en 2021 (siguiendo y aprovechando la síntesis de la evaluación de la IOE sobre servicios financieros inclusivos para la población pobre).
5. Se invitó a los miembros de la Junta Ejecutiva a que formularan observaciones sobre un proyecto anterior de las directrices mediante consultas electrónicas durante las tres primeras semanas de septiembre de 2020. La Dirección tomó en consideración todas las observaciones de la Junta Ejecutiva recibidas y presentó una respuesta el 29 de septiembre de 2020. Las directrices que figuran en el apéndice del presente documento representan la versión final de las directrices y se distribuirán a título informativo a la Junta Ejecutiva en su período de sesiones de diciembre de 2020.



# Directrices operacionales sobre la actuación del FIDA en el fomento de las cadenas de valor en favor de la población pobre

Sustainable Production, Markets and  
Institutions Division

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## **Abbreviations and Acronyms**

4Ps	Public Private Producer Partnerships
CLE	Corporate Level Evaluation
FFS	Farmer Field School
GALS	Gender Action Learning System
HHMs	Household Methodologies
ICT	Information and Communications Technology
IFI	International Financial Institution
IOE	Independent Office of Evaluation
M&E	Monitoring and Evaluation
MSP	Multi-stakeholder platform
PMU	Project Management Unit
VC	Value chain

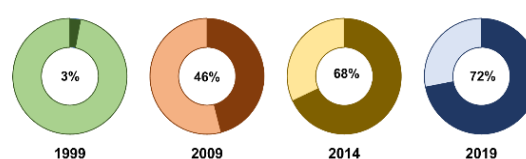
## Purpose of Pro-Poor Value Chain Guide

### Motivations for developing Pro-Poor Value Chain Operational Guidelines

Agriculture is the main source of income for 70% of poor households in rural areas. However, although small-holder farmers have the highest share of production, they continue to possess the lowest share of market value and are often in a weaker bargaining position vis-à-vis other more powerful value chain actors. For more than 20 years IFAD has addressed this imbalance through the design and implementation support of pro-poor value chain development projects. In doing so, IFAD leverages its mandate of reaching the poorest, its in-country project exposure across nearly 100 countries and decades of experience in catalyzing public and private investments into development projects.

IFAD-supported projects with a value chain component have increased significantly over the past 20 years. In 2019, out of the complete portfolio of 302 on-going and completed projects, 218 (72%) projects encompassed a value chain component. Given IFAD's accumulated experience in designing and supervising pro-poor value chain development projects, in 2019, the Independent Office of Evaluation (IOE) completed a Corporate Level Evaluation (CLE) of IFAD's engagement in pro-poor value chain development.<sup>1</sup>

Percentage of IFAD Projects with a Value Chain Component



The guidelines presented in this document have been developed in response to the IOE evaluation and the related IFAD Management response.<sup>2</sup> In particular, the guidelines address the major recommendations made by the CLE regarding making sure that IFAD's pro-poor value chain development projects reach out to the very poor groups and women, apply a programmatic approach when needed, promote an inclusive value chain governance, work with the appropriate expertise and partners and build capacity for implementation.

Although traditional value-chain development programs have shown significant potential in commercializing smallholder sectors and generating viable economic opportunities for value chain actors, if not carefully designed they can lead to the following risks:<sup>3</sup>

- i. Significant elite capture by well-off value chain actors;
- ii. Control of assets, activities, incomes and credit sources by male value chain actors;
- iii. Food and nutrition security of smallholders and agro-ecological diversity are compromised;
- iv. Pressure on productive resources such as land, water and other natural resources.

To limit and mitigate the abovementioned risks and the possible negative effects of power relations within value chains, practitioners need to ensure that value chain development projects are truly pro-poor. Pro-poor value chain interventions have the potential to improve livelihoods sustainably and promote inclusiveness and empowerment. However, a one-size-fits-all pro-poor value chain approach will likely fail to address diverse country contexts, commodity specificities and changing market dynamics. Consequently, this document provides step-by-step guidance on pro-poor value chain development that can be customized to individual contexts, markets and commodities.

<sup>1</sup> IFAD, IOE, 2019. *IFAD's engagement in pro-poor value chain development*. Corporate Level Evaluation. Rome: IFAD.

<sup>2</sup> In particular, these guidelines address a number of recommendations presented in the Corporate Level Evaluation of IFAD's Pro-Poor Value Chain Development. The remainder of the recommendations are addressed by other IFAD strategies and policies, such as the 2019 - 2024 Private Sector Engagement Strategy and the ICT4D Strategy 2020-2030. Value chain financing will be addressed through the update of IFAD's Rural Finance Policy which will be submitted to the EB for review in 2021 (following and building also on the IOE Evaluation Synthesis on inclusive financial services for the rural poor).

<sup>3</sup> IFAD, 2019. *Revised Operational Guidelines on Targeting*. EB. 2019/127/R.6. Rome: IFAD.

## Objectives of the Pro-Poor Value Chain Operational Guidelines

The operational guidelines outlined in this paper shed light on the recommended considerations and approaches project stakeholders and IFAD practitioners should follow to render value chain projects truly pro-poor and address imbalanced market power relations. The guidelines build upon the existing IFAD value chain toolkits, pro-poor targeting strategies and guidelines listed in [Annex 1](#) and incorporate the recommendations and Management's response to the 2019 Corporate Level Evaluation on IFAD's Engagement in Pro-poor Value Chain Development. The guidelines take a step-by-step approach to designing and implementing a pro-poor value chain project, highlighted through best practices from the field. The document also provides concrete project examples to demonstrate how different aspects of the guidelines have been utilized in project contexts.

To reinforce that the design of pro-poor value chain projects is not a one-size-fits-all exercise, it is recommended that practitioners carefully evaluate the value chain project implementation capacity and experience, level of market maturity, as well as the policy environment in a given context. It should be emphasized that not all of the steps outlined in this document have to be implemented on a sequential basis for each value chain project, but instead should serve as a source of guiding inspiration for operationalizing pro-poor value chain projects.

## 1. Pro-Poor Value Chains Defined

Research and literature offer a plethora of definitions for value chain development. These guidelines will refer to the definitions outlined in the [IFAD How To Do Note – Commodity Value Chain Development Projects](#) and the [IFAD Corporate-Level Evaluation on Pro-Poor Value Chain Development](#) report. Although the definitions for value chains and pro-poor value chains are similar, pro-poor value chains extend the definition by focusing on inclusiveness and empowerment of the poor and on identifying and addressing the constraints that these actors face. **Table 1** offers an overview of the various definitions that these guidelines will refer to.

**Table 1: What do we mean by pro-poor value chains?**

**Value chain**

A value chain is a vertical alliance of stakeholders and enterprises collaborating in various degrees along the range of activities required to bring a product from the initial input supply stage, through the various phases of production, to its final market destination.<sup>4</sup>

**A value chain approach**

A value chain (VC) approach is based on a comprehensive look at the entire commodity chain, from producers to end market consumers. Inherent in the VC approach is acknowledging that there are other stakeholders in the chain (in addition to the IFAD target group) and that they are interrelated.<sup>5</sup>

**Pro-poor value chain development**

Pro-poor value chain development is an approach of promoting rural development and rural poverty reduction. A pro-poor value chain intervention promotes the inclusiveness and empowerment of poor people in value chains with a view to increasing their income and well-being and addressing constraints in a coordinated sustainable manner. As IFAD's target groups usually have the least power of all the actors in any value chain, the objective is to design and implement interventions that can empower them and improve their position in a more sustainable manner.<sup>6</sup>

<sup>4</sup> IFAD, 2014. How to do note: Commodity value chain development projects. IFAD: Rome.

<sup>5</sup> *Ibid.*

<sup>6</sup> IFAD, IOE, 2019. *IFAD's engagement in pro-poor value chain development*. Corporate Level Evaluation. IFAD: Rome.

## 2. Principles of Engagement

To ensure that value chain projects are inclusive, sustainable and that smallholder producers and other IFAD target groups benefit from enhanced market participation, it is recommended that IFAD projects follow a set of **principles of engagement** summarized below and in **Figure 1**.

- ✓ **Targeting different levels of poverty and social groups.** This implies targeting the different layers of the poverty spectrum to ensure participation and benefit for the very poor, poor and nearly poor. It also includes the targeting of diverse social groups of particular interest to IFAD, such as women, youth, disabled, and indigenous people, depending on country relevance and context. Different projects may focus on different target groups as relevant.
- ✓ **Economic sustainability** takes into account the importance of assessing and ensuring that value chain/s can respond to market demand and that the value chain activities present short, medium and long-term economic viability (this can be assessed through the economic and financial analysis of the proposed value chain activities of the project).
- ✓ **Environmental sustainability** ensures that the value chain interventions do not have harmful consequences on natural resources (such as land, water, biodiversity, etc.) and that climate change adaptation and resilience potential are embedded in the project activities.<sup>7</sup>
- ✓ **Nutrition and food security** are achieved through the awareness, production, and/or market access to nutritious foods that contribute to dietary diversity and balanced intakes of calories and micro-nutrients (vitamins and minerals).
- ✓ **Participatory approaches** implies the active involvement of beneficiaries in targeting, value chain mapping, analyses and governance. Active involvement of target groups and shared understandings allow for joint decision-making, identifying and tackling power asymmetries, and stronger agreement on where and how to intervene.

In applying those principles, it is important to consider **diverse country and institutional setups** as well as **cultural differences** in the assessment of the roles that the poor play and the potential entry points for them to be integrated into value chain projects. For example, in West Africa women play an active role in the marketing and sale of food crops, whereas throughout the Middle East and Northern Africa, this role is predominantly carried out by men, while women tend to assume more production-related and processing roles. Therefore, value chain entry points for various target groups will differ from one context to another.

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<sup>7</sup> In cases where the value chain project results in partnerships with large private sector or multinational companies, projects should ensure adherence to the Social, Environmental and Climate Assessment Procedures of IFAD, as well as apply IFAD's internal due diligence process for partnering with the private sector (see IFAD's Private Sector Strategy 2019-2024 for further details on reputational and ESG risk mitigation).



**Figure 1: Principles of Engagement for Pro-Poor Value Chain Projects**


### 3. Lessons Learned

Throughout the implementation of value chain projects supported by IFAD, a large number of lessons have been observed. Some of these were already highlighted in the 2014 [IFAD publication on “Lessons Learned - Commodity Value Chain Development Projects”](#) and reported in the IOE’s Corporate Level Evaluation. Furthermore, a wide range of value chain publications have been developed by various other organizations that IFAD has worked with and learned from. For an overview of relevant value chain guidelines and lessons learned developed by various international financial institutions (IFIs), development organizations and United Nations agencies, please refer to [Annex 2](#). To review IFAD project examples that address various pro-poor value chain elements, please refer to the IFAD Case Studies listed in [Annex 3](#).

These guidelines highlight the **10 key lessons learned** related to the principles of engagement in pro-poor value chain development. These lessons learned have been collected from pro-poor value chain projects supported by IFAD and other development organizations.<sup>8 9</sup>



#### Targeting and social inclusion

- Gender-mainstreaming** interventions need to encompass **strategic actions** that address gender inequalities in access to assets, resources, services and information at household and community levels. For example, women are often poorly represented in farmer organizations and/or have no access to credit. In these cases, specific interventions would be needed to improve their active participation through different and complementary measures, including changing farmer organizations’ membership requirements and by-laws, mandatory quotas, developing women committees, focused capacity-building and offering them targeted access to affordable credit.

<sup>8</sup> IFAD, IOE, 2019. *IFAD’s engagement in pro-poor value chain development*. Corporate Level Evaluation. IFAD: Rome.

<sup>9</sup> IFAD, 2014. *Lessons learned. Commodity value chain development projects*. IFAD: Rome.

2. Value chains can be inclusive of poor rural people **not only at the primary production level**, but also **at other levels of the value chain** such as in processing, transport, input and other service provisions and through the creation of employment and micro-enterprise development. This is particularly relevant for young people who often lack farm assets and skills and prefer to work in the service sector.
3. **Vulnerable groups** can be **more effectively reached** when commodities with limited land and investment requirements are selected, agribusinesses supported by projects comply with verifiable pro-poor conditions and when previous work and knowledge in an area is leveraged.



### Economic Sustainability

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4. Overcoming **information asymmetries** through the promotion of information flows on pricing and quality and **long-term contractual relationships** foster trust and collaboration and contribute to securing a **market outlet**.
5. Public and private **investment in community and market infrastructure** (e.g. roads, storage facilities including cold storage for perishable crops, market places, ICT infrastructure etc.) lead to market access improvement and contribute to economic viability of value chains, while having wide multiplier effects on entire communities.



### Environmental Sustainability

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6. Improving environmental sustainability include the elements of: (i) **diversification** through the inclusion of a wider set of crops, crop varieties, mixed farming systems, as well as a wider set of income-generating options (e.g. on and off-farm activities) to increase farmers' livelihoods and reduce risks related to mono-cropping and market shocks ii) **climate-proofing**: specific interventions to make key stages of the value chain more climate resilient through for instance, better design of infrastructure, roads, bunds and elevated storage structures to manage and harvest water from heavy rainfalls and introduction of drought-tolerant seeds (iii) **supply-chain efficiencies**: investments in energy efficient infrastructure and processing/production equipment and machinery such as drip irrigation schemes and solar-powered processing equipment to deliver efficiencies and higher profitability.<sup>10</sup>



### Nutrition and Food Security

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7. To ensure that focus is maintained on **food security** and **nutrition**, value chain projects need to dedicate sufficient resources to basic household food consumption either through own production and/or availability to buy food from nearby markets. **Behavioral change campaigns** can support the awareness building required for the production, sale, purchasing and consumption of nutritious foods.



### Participatory Approaches

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8. **Specific enabling measures** such as awareness raising, inclusive policy dialogue and capacity-building of target groups are often needed to complement the direct or self-targeting measures to ensure that specific target groups have the capacity to be engaged.
9. **Mobilization and aggregation** of producers into groups or clusters combined with **capacity building** increases the ability for groups to more efficiently aggregate outputs, access inputs and services, negotiate prices and meet quality standards.
10. **Multi-stakeholder platforms** through effective representation of target groups, have proven to be effective in improving value chain governance, reducing power asymmetries, negotiating

<sup>10</sup> IFAD, 2015. *How to do: Climate change risk assessments in value chain projects*. IFAD: Rome.

better prices and services for farmers, establishing more trust, transparency and bolstering commitment among the value chain stakeholders.

## 4. Guidelines on engaging in Pro-Poor Value Chain Development

### Design Approach

The operational guidelines for developing pro-poor value chain projects can be summarized in the **3-step framework** outlined in **Figure 2**. The framework is descriptive, flexible and customizable and allows for the broadening of the concept of value from a purely economic focus to one that also incorporates value that is relevant for poverty, social inclusion, environmental sustainability, food security and nutrition. As a result, the framework allows for the flexible application of the **principles of engagement** throughout the different steps.

It is important to emphasize that the framework does not have to be strictly followed to develop pro-poor value chain development projects. The framework serves as guidance in the variety of actions and analyses that can be undertaken. In all cases, capacity and contexts need to be considered when developing pro-poor value chain projects. Throughout the development of the analyses it is recommended that an **evidence-based approach** is utilized wherever possible. Such an approach entails the usage of data, analytics, research evidence and knowledge products at various levels to enable learning and informed decision-making to enhance value chain benefits for the poor.

**Figure 2: Pro-Poor Value Chain Development Framework**

	<b>STEP 1: Targeting &amp; situation analysis</b>	<b>STEP 2: Prioritization of pro-poor value chain/s</b>	<b>STEP 3: Pro-poor value chain analysis &amp; planning</b>
<b>Key elements</b>	<ul style="list-style-type: none"> <li>⇒ Disaggregation of target groups</li> <li>⇒ Pro-poor targeting principles</li> <li>⇒ Targeting approaches</li> </ul>	<ul style="list-style-type: none"> <li>⇒ Pro-poor value chain prioritization criteria:               <ul style="list-style-type: none"> <li>- Growth potential</li> <li>- Inclusive &amp; sustainable development potential</li> <li>- Enabling environment responsiveness</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>⇒ Pro-poor value chain diagnostics:               <ul style="list-style-type: none"> <li>- Pro-poor value chain mapping</li> <li>- Opportunities &amp; constraints</li> </ul> </li> <li>⇒ Power relations and pro-poor value chain governance</li> <li>⇒ Theory of Change &amp; Value Chain Action Plans</li> <li>⇒ Monitoring &amp; Evaluation</li> </ul>

### Step 1: Targeting and Situation Analysis

#### Disaggregation of Target Groups

The foundation for selecting inclusionary targeting approaches is based on the initial disaggregation of identified target groups. It is recommended that disaggregation is conducted in terms of **income poverty**. Practitioners should firstly consider local and national poverty conditions when disaggregating target groups. However, for comparative and illustrative purposes, the World Bank's definition of the international poverty line of USD 1.90 per day, is applied in these guidelines to derive the following disaggregation.<sup>11</sup>

- ⇒ **Extreme poor:** income of less than USD 1.90/day

<sup>11</sup> Overview – Poverty. World Bank: <https://www.worldbank.org/en/topic/poverty/overview>.

- ⇒ **Moderately poor:** income of 1.90 – 3.20 USD/day
- ⇒ **Near poor:** income of 3.20 – 5.50 USD/day


To ensure a greater understanding of target groups however, it is recommended that **disaggregation goes beyond income levels**. Broadening disaggregation efforts will enable pro-poor value chain development projects to target beneficiaries on the basis of a number of poverty-related criteria and to measure the progression out of poverty beyond income levels. The **Multidimensional Poverty Index (MPI)**<sup>12</sup> can be utilized as a basis to determine the elements to include in the disaggregation exercise. The MPI considers the poverty dimensions of health, education and standard of living and it is recommended that the appropriate indicators under each dimension are considered. The **Rural Competitiveness Development Project (RCDP) in Bosnia Herzegovina** effectively profiled target groups by considering land ownership, asset base, source of livelihoods, production surplus, proximity to markets and intermediaries and access to financial services.<sup>13</sup> **Table 2** illustratively disaggregates the target groups by the quantifiable indicators outlined in the profiling description. Overall, disaggregation should encompass elements, that given a project's capacity and experience, can be quantified and measured. Disaggregation should also be adjusted in accordance to each actor type analyzed and should consider local poverty conditions and definitions.

**Table 2: Pro-Poor Disaggregation – RCDP: Bosnia Herzegovina**

<b>Very poor</b>	Landless; No productive assets
<b>Borderline poor</b>	Land ownership: 0.1 – 0.2 ha; asset ownership: 1 – 2 cows
<b>Poor</b>	Land ownership: 0.3 – 4 ha; asset ownership: 4 – 5 cows

## Pro-Poor Targeting Principles

To ensure that pro-poor targeting is carried out through value chain development projects, it is recommended to follow the principles outlined by IFAD's Revised Operational Guidelines on Targeting.<sup>14</sup> For more details on these principles, please see [Annex 4](#). Applying IFAD's targeting principles combined with disaggregation and defining different poverty levels contributes to greater inclusionary effects.

 **Tips:** some value chains are considered to be more adapted to certain target groups. For instance, the poultry value chain is traditionally associated with poor rural women. Other commodities such as millets, coarse cereals, pulses and non-timber forest products have shown strong pro-poor potential in Eastern and Southern Asia.

## Targeting Approaches

As outlined in IFAD's Targeting Guidelines, IFAD's targeting policy should be considered when selecting and employing a targeting approach in a pro-poor value chain context. IFAD's targeting policy includes the following measures and methods:

- i. **Geographic targeting** to select the poorest or most vulnerable areas within a country or region;
- ii. **Direct targeting** is linked to the choice of pro-poor value chain specific eligibility criteria when services and resources are to be channelled to specific individuals or households to ensure inclusion of the poorest and vulnerable;
- iii. **Self-targeting measures** include the provision of goods and services that are aligned with the priorities, assets, capacities and livelihood strategies of the identified target groups, while at the same time being of little interest to other groups. Commodity targeting should be selected on the basis of: level of participation of poor groups and women, limited investment and capital requirements, high nutritional value and potential to generate wages and self-employment opportunities;

<sup>12</sup> The MPI encompasses the poverty dimensions and indicators of: **health** nutrition and child mortality; **education:** years of schooling and school attendance, and **standard of living:** cooking fuel, sanitation, drinking water, electricity, housing and assets. UNDP, 2019. *The 2019 Global Multidimensional Poverty Index (MPI)*. UNDP: <http://hdr.undp.org/en/2018-MPI>.

<sup>13</sup> IFAD, 2015. *Rural Competitiveness Development Project – Project Design Report*. Rome: IFAD

<sup>14</sup> IFAD, 2019. *Revised Operational Guidelines on Targeting*. EB. 2019/127/R.6. Rome: IFAD.

- iv. **Enabling measures** to promote a policy and institutional environment among stakeholders and partners that is favourable to poverty targeting, employment generation for the poorest and participatory approaches that serve as a basis for decision-making;
- v. **Procedural measures** to facilitate transparency in administrative procedures and remove unintended obstacles that may hinder social inclusion and gender equality. For example, for indigenous people, Free, Prior and Informed Consent should be considered;
- vi. **Empowering and capacity-building measures** to develop the capacity and self-confidence of those with less of a voice and less power so that they can articulate their needs and participate in planning, decision-making and negotiations.

## Best Practices in Pro-Poor Targeting

⇒ The following examples demonstrate the effectiveness of combining targeting approaches with the application of pro-poor selection criteria to target and include vulnerable groups into productive value chains that are linked to wider markets.

### Commodity-Oriented Poverty Reduction Programme – Vietnam (2015 - 2020)

The Commodity-Oriented Poverty Reduction Programme in Ha Giang Province in Viet Nam concentrates its support in about 30 communes in five districts selected according to the following criteria: (i) poverty rate; (ii) vulnerability to natural disasters; (iii) the commitment of leadership; (iv) the potential for development of pro-poor VCs; and (v) the extent of ongoing support projects. The selection of communes has been done in such a way as to ensure a balance between ones that have closer links to markets and more remote communes that can form linkages with the help of VC development interventions.<sup>15</sup>

### Adapting to Markets and Climate Change Project – Nicaragua (2014 - 2020)

Under the **Adapting to Markets and Climate Change Project (NICADAPTA)** in **Nicaragua**, geographical targeting combined with criteria of vulnerability to climate change, poverty, gender and belonging to vulnerable and indigenous populations was used to target **40,000 families**. Targeted beneficiaries included smallholder farmers who produce coffee or cocoa and families belonging to indigenous and Afro-descendant communities that have the potential to participate in the selected productive chains.

**Household methodologies (HHMs)** can help to target specific disadvantaged groups. HHMs tackle underlying social norms, attitudes, behaviors and systems that represent the root causes of inequitable power distributions, rather than the symptoms. HHM tools help to unite what are often disparate livelihood strategies pursued by women, men, young and old, in the same household or group, into a joint vision and practical strategy.<sup>16</sup> The **inequitable distribution of power** is especially prevalent throughout the production and trade of high-value crops, which are often dominated by male actors. HHMs can mitigate the risk of male capture of women's crops that acquire market value through the promotion of greater gender-balanced decision-making.

The usage of HHMs is exemplified in **Nigeria's Value Chain Development Program (VCDP)**, where the self-targeting approach combined with the **Gender Action Learning System (GALS)** methodology were used to target and increase the participation of women in value chain activities.<sup>17</sup>

### Nigeria's Value Chain Development Programme (VCDP, 2013 - 2022)

VCDP integrated GALS through: (i) self-targeting of women through specific value chain activities; (ii) proportional minimum (35 per cent) quotas in programme resources for women and women's participation in groups; and (iii) inclusion of a dedicated gender/youth officer. By 2019, **70,558 women headed households** (32% above target) had been reached. **41,617 women** are also receiving services promoted and/or supported by the VCDP project (95% above target).

<sup>15</sup> *Ibid.*

<sup>16</sup> IFAD, 2018. *Household Methodologies. Tools and Guidelines, Lessons Learned*. Rome: IFAD.

<sup>17</sup> *Ibid.*

Another approach that inclusively targets and integrates the poor by building their capacities to participate in value chains is the **graduation approach**. Graduation approaches are designed to gradually build the capabilities and assets of poor households to the point where they become food-secure and able to derive sustainable incomes from self-employment activities.<sup>18</sup> It is envisioned that by building productive assets and capabilities that beneficiaries will increase their ability to participate in value chains and produce for markets. To support households to graduate in a time-bound period, synergies in consumption, asset and skills training support, mandatory savings requirements and monitoring and coaching are leveraged.

To ensure that effective pro-poor targeting is conducted, practitioners can rely on pro-poor targeting indicators. **Table 3** provides some of the indicators that can be used to evaluate the extent to which targeting efforts are geared at reaching and including vulnerable beneficiaries. The pro-poor targeting indicators below can be used as a basis to evaluate if and the extent to which, targeting measures will potentially impact various stakeholders in a pro-poor manner throughout value chains.

**Table 3: Pro-Poor Targeting Indicators**

<b>Income</b>	Monthly income levels compared to the national/international recognized poverty line
	Employment status – full time vs. part-time/seasonal employment
	Liquidity and access to capital/financing
	Financial support from other national/international development and social protection schemes
<b>Assets</b>	Land ownership/rent – number of ha
	Land farmed – number of ha
	Livestock – number of animals by type of animals
	Ownership/access to input supplies – number and value of input supplies
	Ownership/access to processing/production machinery/technologies – number and value of machinery and technologies
<b>Education</b>	Number of years of education received at a primary/secondary/tertiary level
	Number of trainings participated from government led programs/previous IFAD projects/other international projects/company programs
<b>Women</b>	Number of women participating in the value chain
	Number of women with access to land/resources/employment opportunities
<b>Youth</b>	Number of youth participating in the value chain
	Number of unemployed youth in targeted area
<b>Indigenous people</b>	Number of indigenous groups/members of indigenous groups participating in the value chain
<b>Disabled people</b>	Number of disabled people participating in the value chain
<b>Commodity selection</b>	Availability/potential to produce commodities with potential to contribute to economic and social inclusion – number of commodities
	Availability/potential to produce commodities with a comparative advantage
<b>Nutrition</b>	Number of people undernourished/suffer from malnutrition
	Number of people that are food insecure
	Number of children/mothers that suffer from malnutrition
	Number of children suffering from stunting
<b>Environment</b>	Number of diverse foods consumed on a household level
	Areas that are prone to extreme climate events – number of ha
	Number of commodities that are affected by climate events
<b>Infrastructure</b>	Degree of connectivity (number and quality of roads, bridges and ICT infrastructure, etc.)

<sup>18</sup> 2017, IFAD. *Graduation Models of Rural Financial Inclusion*. IFAD: Rome.

Supply chain infrastructure (existence of storage facilities, warehouses and logistics set up)
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**Table 4** outlines the primary and secondary data that can be collected to measure the pro-poor targeting indicators.<sup>19</sup> Primary data sources can include information gathered from interviews with government counterparts and target groups, focus groups, surveys and field observations. On the other hand, secondary research sources can include government published policies and strategies, relevant research papers, past project reports (if applicable), trade data and statistics, available household data, weather and climatic related data and media reporting etc.

**Table 4: Data Collection for Pro-poor Targeting in Value Chain Projects**


Area of research for primary and secondary data collection for pro-poor targeting		Secondary research	Primary research
1.	Importance of commodity to the economy (e.g. percentage of Agricultural GDP, employment in the sector, employment for poorer people, domestic food consumption levels, etc.)	X	
2.	Local, cross-border, regional or global end markets for commodity (how is it organized, quantities & quality)	X	X
3.	Current market trends for the commodity, demand and supply trends and potential for expansion	X	X
4.	Existence of farmer groups in the district producing the same commodity (number and size of farmer groups, production clusters and horizontal linkages)	X	X
5.	The importance of the commodity as a cash crop in relation to other crops produced by the village farmers	X	X
6.	Village farmers are knowledgeable in the production, harvesting and post-harvest treatment of the commodity.	X	X
7.	Agricultural extension service: extension approach, number and education of advisors; mobility, ratio of advisors to farmers, etc.	X	X
8.	Average income levels of target beneficiaries		X
9.	Number of full-time, part time jobs and seasonal jobs assumed by target beneficiaries		X
10.	Number of individuals that have a credit history/outstanding loans		X
11.	Access to finance (where can farmers get loans for agricultural purposes; conditions of loans, etc.)	X	X
12.	Average size of land rented/owned by households in target cluster		X
13.	Average size of land farmed by households in target cluster		X
14.	Average number of animals owned by a household in target cluster		X
15.	Agriculture inputs (availability of seeds, fertilizer and agro-chemicals, quality of inputs, level of application safety, number of input suppliers and availability of advice)	X	X
16.	Agriculture tools / mechanization (ownership of tools and machinery and availability of hire services and repair facilities)	X	X
17.	Average level of education of targeted beneficiaries		X
18.	Production and simple processing of commodity is mainly dominated by men or women (gender dimension of commodity)	X	X
19.	Number of women with access to land, resources and employment opportunities		X
20.	Average number of unemployed youth (18 – 35 years) in targeted area	X	X
21.	Number of indigenous groups and indigenous households in targeted area	X	X
22.	Number of disabled people that are willing and able to participate in value chain activities		X
23.	Extent to which the commodity directly is linked to food and nutrition security (commodity is used as nutritious food in the area vs. only sold as a non-food cash crop)	X	X

<sup>19</sup> The table has been adapted from: IFAD, 2018. *Stepwise Description of Value Chain Studies for Strategic Investment Planning Output*. IFAD: Laos.

24.	Number of people who are undernourished and/or food insecure – with particular focus on number of children/women suffering from malnutrition; Average number of cases stunting by 100 HHs in targeted area	X	
25.	Extent to which a commodity addresses a specific dietary gap in the villagers' consumption patterns	X	X
26.	Traditional or customary restrictions prohibiting the consumption of the commodity by all or certain groups of the society	X	X
27.	Agro-ecological conditions in the Project Province / District for production of selected commodity (e.g. suitability of climate and soils, exposure to climate change risks, prevailing challenges such as soil erosion, pests & diseases, etc.)	X	X
28.	Road access and transportation (gravel or tarmac roads, next road in xx km distance, all weather access, etc.)	X	X
29.	Storages and warehouses (any individual or communal storage facilities, quality of storage facilities, etc.)	X	X

## Step 2: Pro-Poor Value Chain Prioritization

Once pro-poor targeting has been implemented, practitioners need to evaluate resources at their disposal including human and monetary resources as well as institutional capacity. As these resources are limited, pro-poor value chains need to be prioritized within a project. This was done in the **Agricultural Value Chain Development Project in the Mountain Zones of Al-Haouz Province in Morocco**, where the project focused on three pro-poor value chains.

 **Tips:** Overall, institutional capacity should be considered when selecting the number of value chains, as countries with more project management capacity and experience working with the value chain approach can handle a larger number of value chains. Alternatively, a project can start with a few value chains and expand the number throughout project implementation. In general, projects that focus on fewer value chains at any one time tend to perform better.

### Agricultural Value Chain Development Project in the Mountain Zones of Al-Haouz Province (2012 – 2020)

The prioritization of a limited number of commodities (olives, apples and sheep) that are well suited to the environment and which showed value-added and social inclusion potential resulted in a successful project in terms of pro-poor targeting. Service teams (“*equipes-metiers*”) composed of youth and trained by the project to deliver technical assistance to farmers, created employment opportunities for young men and women. Existing demand was leveraged to improve productivity levels through the investment in value-added activities and assets and the development of specialized labeling and geographical indications (GI) of mountain commodities. In 2019 a total of **15,267 women** benefited from project activities (141% of target) and represented **71% of income-generating activities (IGA) beneficiaries, 36% of cooperative members and 22% of service teams**. Additionally, **12 youth service teams** had been created. Overall, a guaranteed outlet for a focused number of high-potential commodities played a significant role in employing, structuring and professionalizing all value chain actors, including women and young beneficiaries.

Value chain prioritization should be revisited throughout project implementation to ensure the value chains selected remain relevant, competitive and inclusive. Pro-poor value chains can be prioritized using the criteria presented in **Table 5**. These criteria are intended to serve as guidance. Not every value chain will have to adhere to all the criteria listed below and other criteria not listed below may apply depending on the project focus. It is, however, recommended that value chain projects present inclusive, sustainable and growth potential and are underpinned by a supportive enabling environment. In the cases where governments and relevant stakeholders have pre-selected commodities and value chains, the project teams should aim to build up an evidence base that justifies interventions and generation of pro-poor impacts.

**Table 5: Pro-poor Value Chain Selection Criteria**

<b>Inclusive &amp; sustainable development potential</b>	<ul style="list-style-type: none"> <li>- Opportunity for the inclusion and empowerment of <b>poor/women/youth/disabled persons/indigenous groups</b></li> <li>- Availability of resources and opportunity to <b>produce for surplus</b> and not strictly for food security</li> </ul>
----------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



	<ul style="list-style-type: none"> <li>- Opportunity to promote <b>nutritious food varieties</b> where existing knowledge and capacities can be capitalized</li> <li>- Opportunity to <b>leverage indigenous, traditional and environmentally sustainable practices</b> in cultivation and production, where existing experience and knowledge can be exploited</li> <li>- <b>Climate change impact</b> reduction and <b>resilience/adaptation</b> potential</li> </ul>
<b>Growth potential</b>	<ul style="list-style-type: none"> <li>- Current/potential (unmet) <b>market demand</b></li> <li>- <b>Competitive advantage</b> and <b>potential for sustainable profitability/returns</b> to IFAD target groups</li> <li>- Potential to adopt/adapt to <b>technology improvements</b></li> <li>- Smallholder capacity and access to <b>productive assets/capital/natural resource</b> endowments</li> <li>- Smallholder ability/opportunity to <b>organize</b> and <b>pool volumes</b></li> </ul>
<b>Enabling environment responsiveness</b>	<ul style="list-style-type: none"> <li>- <b>Private sector interest</b>/willingness to invest/source in/from small-scale producers</li> <li>- <b>National priorities</b> with regards to <b>poverty reduction</b> and support to the sector/commodity</li> <li>- <b>Complementarity</b> to other income sources/off-farm employment</li> <li>- Existence of <b>basic infrastructure</b> and <b>ICT</b></li> <li>- Longer-term international/national impacts on <b>price, market risks</b> and <b>trends</b></li> </ul>

To facilitate the selection of pro-poor value chains, a dynamic weighting system illustrated in **Table 6** can be used when prioritizing value chains.<sup>20</sup> Within this scoring system, each criterion is assigned a maximum score. Value chains that have the highest overall score, exhibit the greatest potential and should be considered.

**Table 6: Pro-poor Value Chain Dynamic Weighting System**

<sup>20</sup> The table has been adapted from: IFAD, 2018. *Stepwise Description of Value Chain Studies for Strategic Investment Planning Output*. IFAD: Laos.

	Number	Criterion	Points	VC1	VC2	VC3	VC4
Inclusive & sustainable development potential	1	Scope for reliance on indigenous, traditional and environmentally sustainable cultivation and production practices	7				
	2	Presents scope for climate change adaptation measures and climate change resilience development activities	7				
	3	Poverty reduction potential (number of very poor, poor and nearly poor VC actors involved)	7				
	4	Female farmers involved in production/trading/processing	7				
	5	Youth, disabled persons' and indigenous individuals' involvement in value chain activities	7				
	6	Nutrition improvement potential: filling a dietary gap/ decreasing malnutrition/improving food security/decreasing incidents of child stunting	7				
Growth potential	7	Existing market or proven demand for the commodity/commodities	7				
	8	Profitability of commodity for VC actors (positive gross margins and share of value gained by target beneficiaries)	7				
	9	Target actors' knowledge, experience and capacity in input supply/processing/production	5				
	10	Potential for volume aggregation and scale	6				
	11	Scope for technology improvements and/or product/process/functional upgrading	5				
Enabling environment responsiveness	12	Interest of farmers, community and the government in commodity/commodities	7				
	13	Availability and access to agricultural inputs and services	5				
	14	Existence and/or scope to invest in/develop basic infrastructure	6				
	15	Scope for complementarity to other income sources	5				
	16	Market risks and trends and impacts of international and domestic market prices	5				
		<b>TOTAL SCORE</b>	<b>100</b>				

The **Rural Livelihoods and Economic Enhancement Programme in Malawi** is an example where the project team utilized a defined set of weighted criteria to select the value chains.

#### Rural Livelihoods and Economic Enhancement Programme – Malawi (2007 – 2017)

The starting point for value chain development was the selection of focal commodities. The selection of priority commodities was based upon the level of smallholder participation in the value chain, market potential, participation of women and youth, opportunities for value addition, value chain development and profitability. The project initially selected groundnuts and Irish potatoes and gradually extended the focus to soybeans, dairy, sunflower and beef. **7 value chain action plans** (140% of target) were developed, **68 grant agreements** signed and **2,146 market groups** had been formed and/or strengthened (221% of target).

To assess the financial and economic viability for investing in value chains under consideration, it is recommended that practitioners rely on **IFAD's Internal Guidelines on Economic and Financial Analysis**. [Volume 1](#) outlines the basic concepts and rationale for economic and financial analyses, [Volume 2](#) provides an overview of the minimum requirements and practical examples and [Volume 3](#) illustrates a series of practical case studies that can be used as inspiration. The volumes also outline the different approaches that can be used to financially and economically evaluate investments, including the **cost-benefit analysis (CBA)**, **cost effectiveness analysis (CEA)** and **multi-criteria analysis**. Practitioners need to carefully consider resources, time at disposition and data availability and quality when deciding which approach to undertake.

## Step 3: Pro-Poor Value Chain Analysis and Planning

### Pro-poor Value Chain Analysis

Once the target groups have been effectively identified and the pro-poor value chains have been prioritized, it is recommended that a series of diagnostic assessments are carried out. Based on requirements and context, some of these diagnostics can be carried out in parallel to targeting and prioritization efforts. It is however recommended that more extensive analyses are reserved for a

prioritized number of value chains and target groups. Furthermore, data collected from targeting efforts can serve as inputs for prioritizations and analyses.

**Step 3** will evaluate whether the value chains prioritized under **step 2** present potential and scope to reach and impact beneficiaries targeted under **step 1**. Pro-poor value chain analyses will enable IFAD practitioners and project officers to identify the opportunities and constraints that the target groups face. The analyses will also serve as a blueprint to identify and design key intervention areas. **Table 7** summarizes the range of analyses that can be carried out to diagnose the value chains for market viability, livelihood interdependencies, constraints and opportunities.

**Table 7: Pro-poor Value Chain Analyses**

<b>Mapping of the value chain/s</b>	<ul style="list-style-type: none"> <li>- <b>Functions:</b> mapping of the economic functions of the value chains (production, aggregation, storage, processing, distribution and consumption)</li> <li>- <b>Direct actors:</b> mapping of those who handle the commodity at least throughout one stage in the value chain. Input suppliers who provide seeds, fertilizers, chemicals, etc. are usually also considered as direct actors. When possible, disaggregate direct actors in terms of gender, poverty, age etc</li> <li>- <b>Supporting actors:</b> mapping of actors that are not actually handling the commodity but providing support services. These typically include public or private agricultural extension services, maintenance services, veterinary services, business development services, quality assurance and certification bodies, professional associations, NGOs, law-making authorities, etc. When possible, disaggregate supporting actors in terms of gender, poverty, age etc.</li> <li>- <b>Distribution of value:</b> mapping out the value distribution will allow for an understanding on where the value currently resides in the value chain and by whom</li> </ul>
<b>Constraints and opportunities</b>	<ul style="list-style-type: none"> <li>- Identification of <b>barriers</b> and <b>opportunities</b> for <b>market entry</b>, including market power relations</li> <li>- <b>Access</b> to productive assets, agricultural and financial services and information</li> <li>- <b>Capacities</b> and <b>incentives</b> of the poor</li> <li>- <b>Gender</b> and <b>youth-based</b> opportunities and constraints (e.g. power and agency)</li> <li>- <b>Risk assessment</b> (e.g. supply, production, logistics, output prices, regulatory environment)</li> <li>- <b>Upstream</b> and <b>downstream climate change</b> opportunities and constraints</li> <li>- Constraints and opportunities on <b>food security</b> and <b>nutrition</b></li> </ul>

To effectively determine how to intervene in a value chain, it is recommended that **value chain mapping exercises** are conducted. **Table 8** can be utilized to support the **mapping of value chain actors**. Within the matrix, functions should be listed across the top and actors along the side of the matrix. Cells should be marked to indicate which actors perform the functions listed. The individual actors' activities should be described either in the matrix or separately. When possible, actors should be disaggregated by poverty, gender, age, indigenous origins and disabilities.

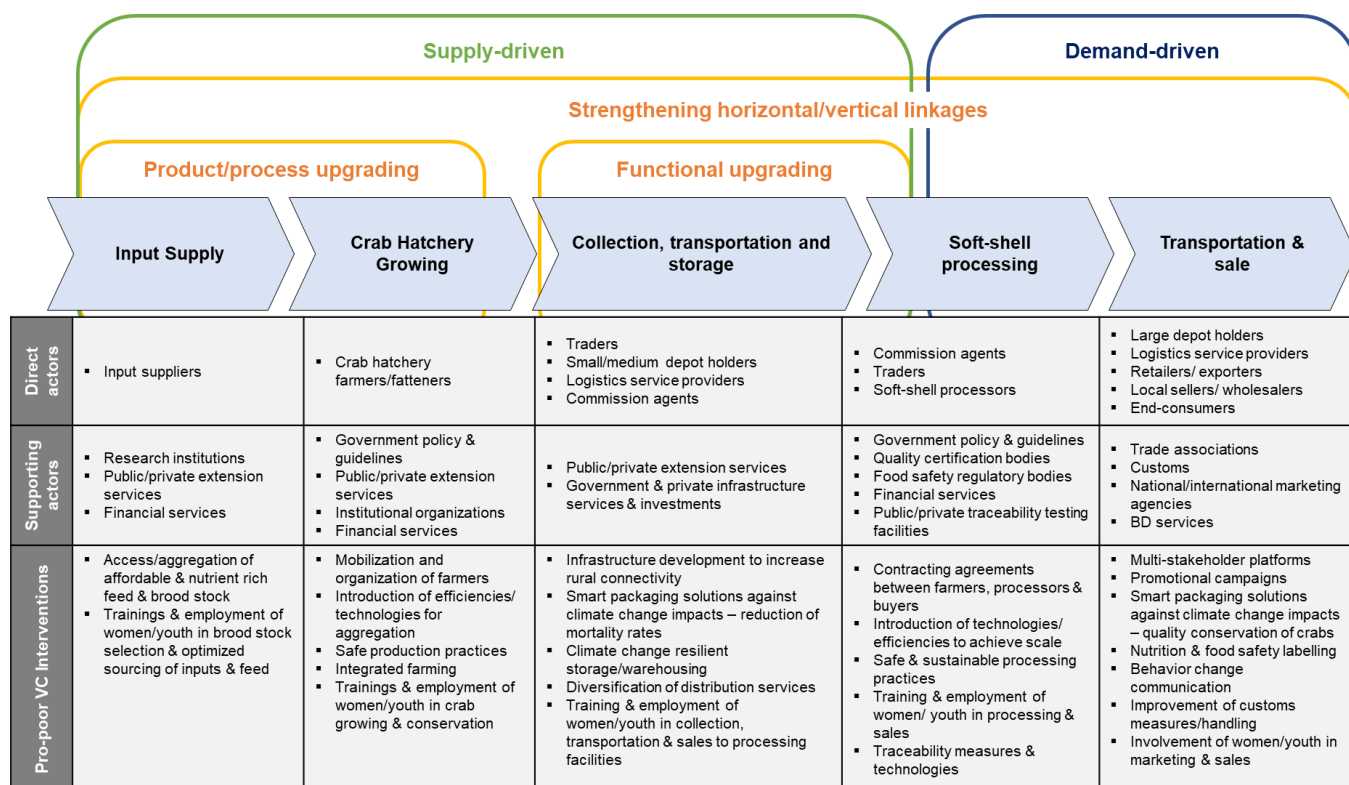
**Table 8: Mapping of Value Chain Actors**

Functions	Inputs	Production	Collection & Transport	Processing	Wholesale	Retail	Export
<b>Direct Actors</b> (women, youth, poor people, indigenous and disabled people, etc.)							

<b>Supporting Actors</b> (women, youth, poor people, indigenous and disabled people, etc.)							

The identification of value chain actors and the roles they assume serves as the basis for value chain mapping, where interactions between the actors and their respective activities are mapped. **Figure 3** provides an example of the value chain mapping of soft-shell crabs in Bangladesh. The figure highlights potential direct and supporting actors involved in each step of the value chain as well as the different pro-poor value chain interventions that can be assumed. Pro-poor value chain mapping can be conducted either throughout the design stage and/or during the initial phases of the implementation of a pro-poor value chain project. Resources and time at disposition need to be evaluated in deciding at which stage mapping exercises need to be carried out. Furthermore, pro-poor value chain mappings can be conducted at earlier stages and updated throughout the implementation course of the pro-poor value chain project.

**Figure 3: Illustrative Value Chain Mapping of Soft-Shell Crabs, Bangladesh**



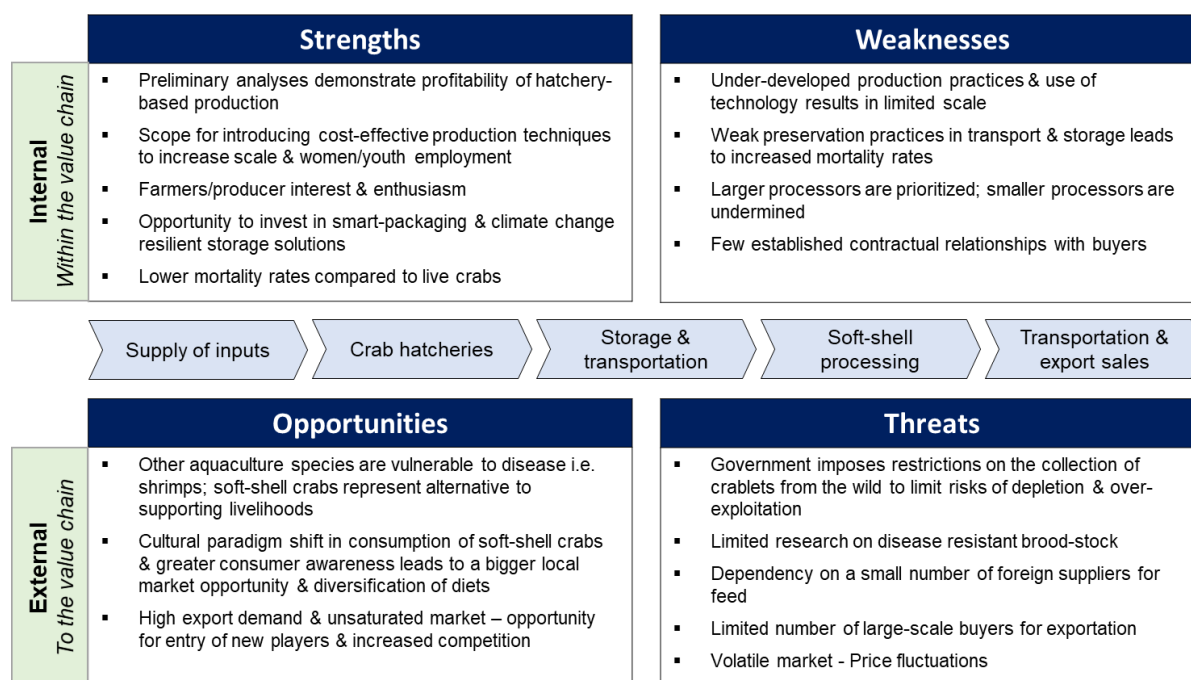
To supplement value chain mapping efforts, practitioners can map out the **value distribution** along the value chain. Mapping out the value distribution will serve as an additional reference point for understanding and quantifying **value chain power dynamics and for prioritizing and designing intervention entry points** required to address inequitable value distributions within the chain. [Annex 5](#) illustrates the value distribution within the soft-shell crab value chain in Bangladesh. The example demonstrates that through the earnings gained at the different stages in the chain, processors and exporters capture most of the value. However, costs need to be carefully analyzed to determine the actual profit margins of each actor in the chain.

To further support the distribution and capture of value across nodes within value chains, the **volume of product** and **employment** can be mapped out. [Annex 6](#) demonstrates how the volume of product can theoretically be mapped through the value chain. [Annex 7](#) demonstrates the number of actors and employed individuals in the vegetable retail value chain in Hanoi.<sup>21</sup> It should be noted that mapping out the number of full time employees (FTEs) in informal sectors can be challenging. Throughout this mapping, the number of poor that are employed should also be taken into consideration.<sup>22</sup>

Once value chains have been mapped out, the various opportunities and constraints in the value chain should be assessed. To support the assessment of opportunities and constraints, the design team can conduct a **Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis**. The SWOT analysis identifies how strengths and weaknesses within the value chains will internally impact activities, beneficiaries and ultimately outcomes. It also helps identify the external opportunities and potential threats to the viability of the value chain development project. **Figure 4** illustrates this analysis on the soft-shell crab value chain in Bangladesh.

<sup>21</sup> DFID, 2008. *Making Value Chains Work Better for the Poor – A Tool book for Practitioners of Value Chain Analysis*. M4P, 2008.

<sup>22</sup> *Ibid.*

**Figure 4: SWOT Value Chain Mapping**


## Power Relations and Pro-poor Value Chain Governance

In most value chains, the strongest market actors and those that derive the highest value are often those that are closest to the consumer retail market, e.g. retail buyers and traders, food shops, supermarkets, and exporters (see Annex 5 as an example). This is especially true when value chains mature and larger business actors become involved. As market concentration increases, it can weaken the smaller suppliers within the chain. These stronger lead actors have the capability to define and impose the contract conditions in the value chains (e.g. prices, product and process standards, quantities and delivery conditions). Small farmers in the value chain are often in a weaker bargaining position because lead firms can swap suppliers or at least threaten to do so, squeezing their partners' profits and appropriating a larger share of the total gains of the value chain<sup>23</sup>.

One of the key roles of IFAD-supported value chain projects is to identify these power structures and support the establishment of a more equitable and pro-poor value chain governance. Some project measures that can be used to ensure that value chain interventions are inclusive and benefit the rural poor include the following:

- engaging the different value chain stakeholders, including the rural poor and their representatives, through multi-stakeholder consultation platforms to enhance their participation, decision-making power and greater share of benefits (see more below on multi-stakeholder platforms);
- strengthening farmer organizations so they can defend the rights of their members and negotiate better terms for them -- the more structured and representative the organization, the more weight they would have in these negotiations<sup>24</sup>;
- promoting business models that are more inclusive of the rural poor in the decision-making and negotiating process, such as the Public Private Producer Partnerships (4P) model<sup>25</sup>;
- engaging with governments when required to regulate market transactions and introduce relevant pro-poor policies; and

<sup>23</sup> IFAD. 2016. *Lessons Learned. Commodity value chain development projects*. IFAD: Rome.

<sup>24</sup> IFAD, 2016. *Engaging with farmers' organizations for more effective smallholders' development*.

<sup>25</sup> IFAD, 2016. *How to do: Public-Private-Producer Partnerships (4Ps) in Agricultural Value Chains*.

- regular monitoring of market dynamics and the results and outcomes of project interventions to detect structural shifts in the power structure and adjust interventions accordingly.

One of the most effective pro-poor value chain governance models that IFAD has supported is through **multi-stakeholder platforms** (MSPs). Ample research, including the IOE CLE on IFAD's Engagement in pro-poor value chain development, have noted that MSPs are effective in adding value and improving incomes for small farmers through the interaction and coordination of the different stakeholders participating in the value chains<sup>26 27</sup>. With adequate representation and inclusion of target beneficiaries, MSPs have the potential to improve value chain governance through the following aspects:<sup>28</sup>

- Setting priorities for pro-poor value chain upgrading strategies and interventions to respond to market opportunities and constraints;
- Developing joint action plans and roadmaps for investments and resource planning;
- Facilitating meetings and developing linkages between stakeholders to enable the setting of pricing, volume requirements, timing and quality standards;
- Long-term coordination and collaboration to achieve the agreed-upon objectives and goals;
- Enhancing sense of ownership, commitment and trust through joint-decision making and knowledge and experience sharing;
- Providing room for policy dialogue to improve wider business environments.

As exemplified below, the **High Value Agriculture Project in Hill and Mountain Areas (HVAP)** in Nepal and the **Northern Rural Growth Program (NRGP)** in Ghana successfully introduced MSPs to generate a number of pro-poor impacts. Other examples of successful MSPs established through IFAD-supported projects include the Commodity Alliance Forum (CAF) promoted by the Value-Chain Development Programme (VCDP) in Nigeria, which has proven to be a particularly effective platform for implementing 4Ps in the rice sector. As reported in the IFAD related case study, "The CAF was originally created as a forum to facilitate business transactions, but it has since grown to also serve as a channel for policy dialogue with governments and for conflict resolution among smallholder farmers, other users of land and natural resources, and the government."<sup>29</sup>

#### High Value Agriculture Project in Hill and Mountain Areas – Nepal (2010 – 2018)

The project conceived the **MSP modality** to drive value chain development by firmly placing the **market** as the starting point with a series of interactions. These interactions were designed for selecting, prioritizing and shortlisting possible interventions addressing **critical bottlenecks** in each value chain along with identifying **business opportunities**, developing formal and informal buy-back arrangements between producers and agribusinesses/traders and developing contracts between VC actors and service providers. This arrangement resulted in the ability of the producers to fix the type of commodity to be produced, quality of produce, quantity to be produced and the price at which the produce will be purchased. Enabling poor/vulnerable producers, agribusinesses and traders to engage in joint decision-making especially incentivized producers to participate in value chains and boosted their confidence to make critical investments. MSPs are now being replicated in the most recent IFAD-supported project in Nepal, Value Chains for Inclusive Transformation of Agriculture (VITA).

Source: IFAD, 2019. *High-Value Agriculture Project in Hill and Mountain Areas – Project Completion Report*. IFAD: Rome

#### Northern Rural Growth Program – Ghana (2009-2016)

<sup>26</sup> Graham Thiele, André Devaux, Iván Reinoso, Hernán Pico, Fabián Montesdeoca, Manuel Pumisacho, Jorge Andrade-Piedra, Claudio Velasco, Paola Flores, Raúl Esprella, Alice Thomann, Kurt Manrique & Doug Horton (2011). Multi-stakeholder platforms for linking small farmers to value chains: evidence from the Andes, *International Journal of Agricultural Sustainability*, 9:3, 423-433, DOI: 10.1080/14735903.2011.589206.

<sup>27</sup> Cadilhon, J.-J. 2013. Story. The functions of facilitation in multi-stakeholder learning: lessons learned from capacity development on value chains management in innovation platforms in Burkina Faso and Ghana. *Knowledge Management for Development Journal* 9(3): 174-181 <http://journal.km4dev.org/>.

<sup>28</sup> IFAD, 2019. *Nepal: Value Chains for Inclusive Transformation of Agriculture – Programme Implementation Manual*. IFAD: Rome.

<sup>29</sup> The multifaceted benefits of the 4P (public-private producer partnership) approach: a case study of the Nigerian Value Chain Development Programme. IFAD case study. 2020.

Facilitated by an external NGO, District Value Chain Committees (DVCCs) were designed to ensure that smallholder farmers can secure access to credit, other inputs and end buyers within each district. All value chain actors are represented on the DVCCs: farmers' organizations (including women producers), input dealers, tractor-service providers, local aggregators and buyers, the Ministry of Food and Agriculture (District Development Unit), the Department of Cooperatives and participating banks from the Rural and Community Bank (RCB) Network. The DVCC executive committee has nine elected volunteer members and four non-voting members representing the Ministry of Food and Agriculture, the District Development Unit, the Department of Cooperatives, and the RCB network. The executive committee manages all DVCC activities, produces annual crop enterprise budgets, reviews all production loans and endorses loan applications, and selects input dealers and tractor-service providers through a cashless credit scheme. The DVCC also serves as a forum for price negotiations with aggregators. The DVCCs were replicated in subsequent projects such as the Ghana Agricultural Sector Investment Programme (GASIP).

Source: <https://www.ifad.org/en/web/knowledge/publication/asset/39403139> and reproduced as Box 5 in IFAD, 2016. *How to do: Public-Private-Producer Partnerships (4Ps) in Agricultural Value Chains*.

It is recommended that MSPs are centred on commodities that present market demand and production potential in a specific province/district/municipality. MSPs can be formed on a provincial/district/municipal level and it is advisable that local governments and/or relevant chambers of commerce take an active part in forming and leading the MSP/s. As MSPs require time to establish and coordinate, it is recommended that the process for forming the MSP is outlined in the design report and that actions for start-up are taken throughout the initial stages of implementation. While projects should support local governments and/or chambers of commerce in establishing and institutionalizing the MSPs, however MSPs should strive to become self-governing forums. When possible, non-governmental organizations (NGOs) can assist in the mobilization of MSPs and can contribute to enhancing the credibility of the platforms.

MSPs should also aim to involve a wide range of stakeholders. These can include: policy makers, service providers, traders/processors, producers, financial institutions, associations and chambers of commerce, farmer organizations, government entities and researchers. Duration and frequency of meetings will depend on the context and capacity of actors involved. However, it is recommended that MSPs convene at least 1 – 2 times annually and that a gradual approach is taken in creating a sense of ownership amongst the actors and developing a shared vision and common understanding of opportunities and challenges, as this will serve the basis for fostering trust and developing longer-term relationships. Furthermore, it is important that proper hand-over plans of established MSPs are conducted prior to project completion. This includes determining the ownership and funding of MSPs and developing plans for continuous interactions and meetings after project completion.

## Theory of Change

The main findings from the pro-poor value chain diagnosis will serve as input to the selection and design of pro-poor value chain strategies and the development of the theory of change. The objective of the value chain strategies is to improve the value chain projects and to render them more sustainably inclusive towards the poor, so that the latter can gain from increased participation and strive to gain more equitable benefits. **Table 9** outlines the different **value chain upgrading strategies** that combined with pro-poor targeting measures and pro-poor value chain prioritizations and analyses render the upgrading strategies pro-poor.<sup>30</sup>

**Table 9: Value Chain Upgrading Strategies**

<sup>30</sup> IFAD, 2017. *Stocktaking of IFAD's Value Chain Portfolio*. PTA-RME Desk. (Mimeo).

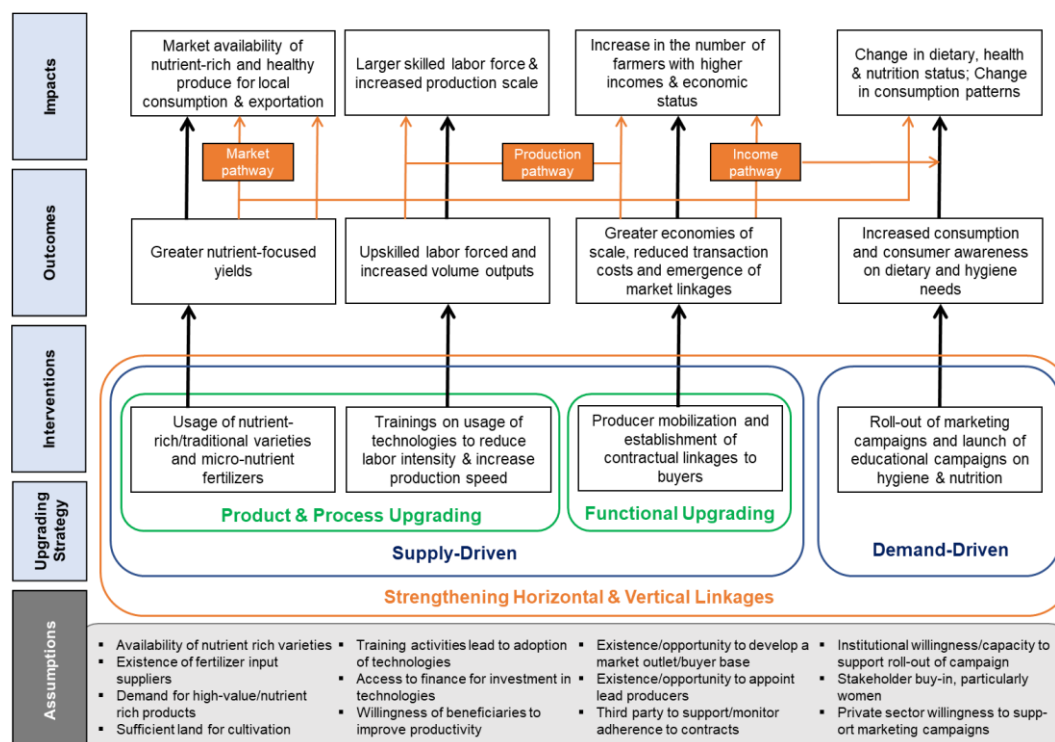


Product/process upgrading	Functional upgrading	Strengthening horizontal and vertical linkages
<ul style="list-style-type: none"> <li>- Product diversification &amp; improved product characteristics/quality</li> <li>- Improvements in certification, food safety &amp; traceability</li> <li>- Increased efficiencies through reduction of unit production costs and increased output volumes</li> </ul>	<ul style="list-style-type: none"> <li>- Increasing (upgrading) or reducing (downgrading) number of functions/ activities</li> <li>- Introducing value added activities in processing, grading, packaging, branding, marketing etc.</li> <li>- Elimination of non-value added functions/activities</li> </ul>	<ul style="list-style-type: none"> <li>- Improving <b>horizontal linkages</b> at the same functional level (producer mobilization, aggregation &amp; capacity-building of producer organizations)</li> <li>- Improving <b>vertical linkages</b> among stakeholders at different functional levels (infrastructure development, contracts, multi-stakeholder platforms, market infrastructure &amp; ICT solutions to improve access to finance, promote informational flows &amp; market access)</li> </ul>

Prioritizing and selecting the upgrading strategy/strategies will underpin the development of a **theory of change**. Developing a theory of change is a requirement for all IFAD-funded projects and it is important that projects describe how specific activities and value chain development interventions will reach each category of poor groups, including women, youth, indigenous groups and disabled individuals. The theory of change requires analyzing the underlying causes of a development problem and proposing a solution that provides evidence and clear logic pathways to generate sustainable outcomes to increase income and diversification.

To support the generation of the theory of change, **impact pathways** should be developed to provide visibility on the outcomes and impacts that the chosen strategies could generate on income, sustainability and inclusiveness. Where possible, impact pathways should be disaggregated to address diverse target groups based on poverty, gender, youth, indigenous origins and disabilities. Visualizing impact pathways contributes to the identification of any required adjustments to the strategies and supporting actions to maximize opportunities for impact. **Figure 5** outlines a generic example of a theory of change that can be used as a source of reference.

**Figure 5: Theory of Change – Generic Example**



As an example, [Annex 8](#) provides the theory of change developed for the **High Value Agriculture Project in Hill and Mountain Areas (HVAP)** in Nepal. As elaborated below, the development and visualization of the theory of change can lead to the identification of complementary entry points and interventions.


### Best Practices in Complementing Interventions

- ⇒ **Visualizing the theory of change** can lead to the identification of the multiple complementary interventions that can be pursued.
- ⇒ For instance, promoting inclusive value chain governance can be achieved through the establishment and strengthening of multi-stakeholder platforms that provide small-scale producers and other value chain stakeholders with: (i) information on prices and markets; (ii) a venue for dispute resolution; and (iii) a voice in discussing the policy and regulatory system. At the same time, a project can complement this intervention point by vertically strengthening the value chain through partnerships with the private sector that enhance market intelligence and linkages throughout the project cycle.
- ⇒ In many cases, complementary public-sector and community based activities are required to lay the foundation for effective value chain interventions. This can take the form of **government extension services, provision of public goods and basic infrastructure**. For instance, public purchasing programs, food assistance and school-feeding programs can provide viable and secure markets for smallholders' produce, while also targeting vulnerable groups of consumers.<sup>31</sup>

## Value Chain Action Plans

Once pro-poor targeting, value chain prioritizations and value chain analyses have been conducted and the theory of change has been developed, focus should be placed on integrating these outputs into a **Value chain action plan**. Value chain action plans will ultimately provide the project team with a menu of intervention options that can be executed throughout the pro-poor value chain development projects. Depending on resources and time at disposition, value chain action plans can be developed throughout the design stage or during the initial stages of implementation. Value chain action plans can also be drafted throughout design and elaborated upon and finalized throughout implementation. Value chain action plan should aim to cover the following:

- i. **Envision the future pro-poor value chain project/s** and list the **objectives** for engaging and investing in selected value chain project/s;
- ii. **Justifications for engaging in prioritized value chain project/s** using findings from analyses conducted;
- iii. Usage of the **theory of change to identify and select interventions** in generating expected pro-poor outcomes and impacts;
- iv. Breaking down prioritized interventions into **intervention activities** to achieve expected pro-poor outcomes and impacts;
- v. Prioritizing **intervention activities** required to overcome **key constraints**;
- vi. **Envision the exit and scaling-up strategy** and the support pro-poor value chain projects require to sustain and expand the interventions introduced.

 **Tips:** pro-poor value chains often address many issues in a resource constrained context. Selecting intervention activities that address high priority constraints, will limit risk of intervening randomly.

To adequately plan for and integrate the appropriate activities into project designs, it is recommended that key intervention activities are mapped out against the constraints identified. **Table 10** provides examples of intervention activities against the constraints identified.

**Table 10: Illustration of Key Intervention Activities**

VC Segment	Constraints	Illustrative Key Intervention Activity
	Lack of affordable and/or quality input supplies	<ul style="list-style-type: none"> <li>▪ Identify, mobilize, organize &amp; capacitate input suppliers with trainings &amp; access to finance</li> <li>▪ Support development of linkages between input supplier groups and producers</li> </ul>

<sup>31</sup> IFAD, 2018. *Nutrition-sensitive value chains: A guide for project design* – Volume I, 2018. IFAD: Rome.

<b>Input supply</b>		<ul style="list-style-type: none"> <li>Use ICT solutions (e-wallets &amp; e-vouchers) to facilitate payments for input supplies</li> </ul>
	Limited nutrient-rich input varieties	<ul style="list-style-type: none"> <li>Provide technical capacity to input suppliers/seed growers in developing varieties</li> </ul>
	Lack of micro-nutrient/organically produced fertilizer, vaccines and pharmaceuticals	<ul style="list-style-type: none"> <li>Train input suppliers on bio-sustainable compost/fertilizer production practices</li> <li>Train input suppliers on usage and sale of vaccines and pharmaceuticals required for effective livestock management</li> </ul>
<b>Production/ cultivation</b>	Limited scale/production volume outputs	<ul style="list-style-type: none"> <li>Mobilize, organize &amp; capacitate producer groups to pool volumes</li> <li>Work with intermediaries to aggregate produce across farmers or groups</li> </ul>
	Limited quality enhancing/value-added activities performed	<ul style="list-style-type: none"> <li>Eliminate non value-added activities</li> <li>Introduce new processing techniques</li> <li>Introduce quality control/grading measures</li> <li>Private sector partnerships/guidance on specifications/quality requirements</li> </ul>
	Low employment rates of women/ youth /indigenous people	<ul style="list-style-type: none"> <li>Identify, target &amp; organize specific groups</li> <li>Set employment targets in production groups</li> <li>Target specific groups for competitive grants/co-financing schemes</li> </ul>
	Women have limited access to land	<ul style="list-style-type: none"> <li>Target commodities that do not require much land</li> <li>Through land re-distribution settlement cases, ensure land is allocated to women</li> </ul>
	Low productivity levels	<ul style="list-style-type: none"> <li>Introduce farmer field schools (FFS) and/or pay-based advisors for training and technical assistance to farmers</li> <li>Introduce Farming as a Business Trainings to enable production for surplus and diversification of outputs</li> <li>Usage of ICT solutions to digitally provide extension services/advice</li> </ul>
	Lack of environmentally sustainable production/cultivation practices	<ul style="list-style-type: none"> <li>Introduce climate smart/climate adaptation &amp; resilience based demonstration plots and exchange visits</li> <li>Engage farmers through FFS trainings on environmentally sustainable cultivation practices</li> </ul>
<b>Storage/ logistics</b>	Lack of traceability	<ul style="list-style-type: none"> <li>Engage government/private sector/research institutions in supporting certification and geographical indication (GI) development</li> <li>Leverage IT solutions to trace outputs from cultivation sites to final point of sale</li> </ul>
	Limited physical access to markets	<ul style="list-style-type: none"> <li>Government and/or community investment in roads, markets &amp; related infrastructure development</li> </ul>
	No/limited warehousing capacity	<ul style="list-style-type: none"> <li>Private sector/government/project investment in climate change-resilient storage facilities</li> <li>Producer rental service of storage spaces</li> </ul>
	High spoilage/mortality rates	<ul style="list-style-type: none"> <li>Introduce climate-smart logistics solutions, i.e. temperature controlled supply chains</li> <li>Support selection of alternative modes of transport and/or new storage methods</li> </ul>
<b>Processing/packaging/ labelling</b>	Limited processing capacity/capabilities	<ul style="list-style-type: none"> <li>Support access to finance to expand processing capacity</li> <li>Introduce technologies to improve processing speed/value added activities</li> </ul>
	Absence of labeling/packaging capacity/capabilities/ standards/quality	<ul style="list-style-type: none"> <li>Private sector partnerships/guidance on labeling/packaging specifications &amp; requirements</li> <li>Project subsidized trainings on labeling &amp; packaging, food safety and hygiene</li> <li>Project support for product testing and certification (both mandatory and voluntary)</li> <li>Introduce climate-smart packaging solutions to offset environmental impacts and to elongate product shelf-life</li> </ul>
	Limited knowledge on nutrition labelling	<ul style="list-style-type: none"> <li>Private sector/government-based/project trainings on nutrition information-specific labeling requirements</li> </ul>

<b>Marketing &amp; sale</b>	Lack of contractual relationships	<ul style="list-style-type: none"> <li>▪ Project support on identifying &amp; forging contractual relationships with buyers, including through 4Ps</li> <li>▪ Support the establishment of e-commerce or e-market platforms where small producers and other organizations can sell their products online</li> <li>▪ Introduce Farming as a Business trainings to smallholder farmers to enable them to better understand markets and negotiate favorable prices</li> </ul>
	Lack of consumer awareness of nutrition/dietary requirements	<ul style="list-style-type: none"> <li>▪ Training women in food preparation methods and recipes to preserve nutritional values and promote food safety</li> <li>▪ Promotional/behavioural change campaigns in nutrition and food safety</li> <li>▪ Public purchasing programs, food assistance and school-feeding programs</li> </ul>
<b>Information sharing and data monitoring</b>	Limited transparency on pricing, volume requirements and quality standards between buyers and sellers	<ul style="list-style-type: none"> <li>▪ Leverage ICT solutions to create information and price transparency between producers and buyers</li> <li>▪ Develop pricing formulas that allows for regular price adjustments based on independently verifiable information</li> <li>▪ Utilize multi-stakeholder platforms as a forum to jointly negotiate pricing, volume requirements and quality standards</li> <li>▪ Establishment of computerized management information systems (MIS) to monitor beneficiary participation and progression throughout value chain development projects</li> </ul>

For each strategy and supporting interventions, an **exit and scaling-up plan** should be envisioned. It is recommended that the project early on determines how interventions will be sustained by beneficiaries after project support is withdrawn. Potential for replicating interventions to other non-project areas or to an increased number of beneficiaries needs to also be considered.

To ensure **sustainability**, it is important that hand-over plans are developed and that relevant institutions, value chain actors, and/or government agencies take ownership of these. Supporting policies developed under the project should also be owned and managed by the respective institutions.

## Best Practices in Targeted Interventions

- ⇒ **Nutrition-sensitive value chains.** The **Smallholder Livelihood Development Project in Eastern Indonesia** identified **nutritional and behavioral change communication campaigns** as a way to develop and build demand for nutritious food commodities.<sup>32</sup>

### Smallholder Livelihood Development Project - Indonesia (2011 – 2019)

The campaign encompassed various dimensions of consumption, such as food preparation methods and recipes to preserve nutritional values and promote food safety (e.g. eliminate cyanogens while minimizing nutrient loss in cassava). Women, especially pregnant women and mothers were especially targeted given their roles in household food purchase and preparation. However, men and schoolchildren were also considered as consumers and actors that play an active role in supporting or undermining efforts to improve nutrition.

- ⇒ **Public Private Producer Partnerships (4Ps).** 4Ps can be used as an approach to support the development of pro-poor value chains through competitive co-investments by the private sector, the project, government and the target groups based on approved business plans<sup>33</sup>. As elaborated below, 4Ps were used extensively in the **Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces (AMD)**.<sup>34</sup>

<sup>32</sup> IFAD; 2018. *Developing nutrition-sensitive value chains in Indonesia. Findings from IFAD research for development*. IFAD: Rome.

<sup>33</sup> IFAD. 2016. *How to do Public-Private-Producer-Partnerships (4Ps) in Agricultural Value Chains*. IFAD: Rome.

<sup>34</sup> IFAD, 2019. *Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces – Supervision Report*. IFAD: Rome.

**Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces (2014 – 2020)**

To access 4P co-investments, businesses with the support of government agencies developed business plans. The co-investments generated **2,305 contracts signed between farmers and enterprises**, resulting in the creation of **1,733 full-time jobs** (300% of target). In total, 11,054 households have benefitted from the 4P model, of which **2,405 are poor households**. Relevant government agencies are committed to replicate the 4P approach through the usage of provincial budgets and by supporting the development of business plans as well as providing business development services and trainings to companies applying to the co-investment schemes.

**\* Best Practice box and Additional Tips Table below to be placed as stand-alone illustrations in the final publication**

**Table 11** provides an overview of additional tips that practitioners should be aware of when designing and implementing pro-poor value chain development projects.

**Table 11: Tips for Pro-Poor Value Chain Design and Implementation**

 <b>Resource Requirements</b>	<ul style="list-style-type: none"> <li>National expertise is not always available in all countries &amp; <b>international expertise</b> may be required for <b>value chain analyses and implementation</b></li> <li>Project design teams need to <b>work with partner organizations &amp; governments</b> to evaluate resource requirements &amp; availability. Prioritizations on what is nice-to-have vs. need-to-have should be made jointly</li> </ul>
 <b>Private Sector Expertise</b>	<ul style="list-style-type: none"> <li>To ensure that pro-poor value chains projects are properly implemented, it is recommended that project management units (PMUs) appoint individuals with <b>private sector and/or value chain expertise</b> and/or PMU staff are trained in implementing value chain projects</li> </ul>
 <b>Institutional Capacity</b>	<ul style="list-style-type: none"> <li><b>Institutional capacity</b> can be limited in promoting inclusive policies and regulations. These challenges can be overcome through the <b>recruitment of specialized policy advisors</b> and/or through the development <b>multi-stakeholder platforms</b>, which can be utilized to accelerate inclusive policy and reform changes</li> </ul>
 <b>Implementation Approaches</b>	<ul style="list-style-type: none"> <li>In contexts where capacity/experience in implementing value chains is still limited, a <b>multi-phased implementation or programmatic approach</b> may be better suited. This could imply firstly focusing on improving production/ productivity &amp; organizing producers, followed by other interventions along the value chains, or starting with a few commodities &amp; gradually expanding to new ones</li> <li>Project timelines are <b>often not long enough to fully operationalize new value chains</b>. Given limited timelines, development of new pro-poor value chain projects needs to be carefully scoped.</li> </ul>

## Monitoring and Evaluation

It is important that practitioners develop a **strong monitoring and evaluation (M&E) system** to assess the **targeting performance** and the relevance and effectiveness of pro-poor value chain development projects. Assessing the relevance and effectiveness of the interventions will determine if any adjustments to the interventions are required during project implementation.

Using baseline data as a benchmark, project-level M&E systems should focus on relevant output and outcome-level indicators **disaggregated by target group (i.e. youth, women, indigenous, and disabled people)** that can provide insights on the effects that the value chain development project is generating for them. Some examples of indicators to measure these effects by target group, could include:

- ⇒ Increase in volume of production and/or productivity to meet market requirements;
- ⇒ Increase in percentage of produce processed (volume of value added);
- ⇒ Reduction in pre- and post-harvest losses (e.g. product loss, food loss, nutrient loss, etc.);
- ⇒ Increase in percentage of final price and value-added accruing to producers;
- ⇒ Increase in sales of producers participating in the value chains;
- ⇒ Increase in value of production (relative to reference market prices) sold by producers participating in value chains;
- ⇒ Number of jobs created and maintained after three years, disaggregated by target group, etc.

For a full list of output and outcome indicators, refer to [How to Monitor Progress in Value Chain Projects Note](#).<sup>35</sup> Lastly, it is important that results, success stories and lessons learned are documented and made available to relevant parties as this will allow for showcasing and therefore, an increased potential for replication and sustainability.

## 5. Conclusions

Although value chain development projects can generate viable economic opportunities for IFAD target groups, if not carefully designed they can lead to value capture by well-off value chain actors, a limited focus on wider impacts and undue pressure on natural resources. Given the centrality of value chain projects throughout the IFAD portfolio, it is important that interventions generate positive and sustainable impact for the rural poor.

The operational guidelines described in this document provide practitioners with step-by-step guidance on how to develop pro-poor value chain development projects. It defines value chains and pro-poor value chains, outlines the principles of engagement and provides key lessons learned in pro-poor value chain development. A three-step framework consisting of pro-poor targeting, prioritization of pro-poor value chains and pro-poor value chain analysis and planning is elaborated. The guidelines provide examples and best practices from the field to illustrate how recommended approaches were applied in different contexts. The document refers to relevant IFAD value chain toolkits, pro-poor approaches and guidelines, as well as value chain guidelines developed by other UN agencies, IFIs and development organizations.

## 6. Annexes

### Annex 1: IFAD Knowledge Products and Guidelines

- IFAD, 2010. IFAD Decision Tools for Rural Finance. IFAD: Rome. <https://www.ifad.org/documents/38714170/39144386/IFAD+Decision+Tools+for+Rural+Finance.pdf/67965f15-2388-4d23-8df6-ae97bade810>
- IFAD, 2012. Agricultural Value Chain Finance Strategy and Design – Technical Note. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39181165>
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- IFAD, 2014 (b). Lessons learned. Commodity value chain development projects. Rome: IFAD. <https://www.ifad.org/documents/38714170/40311826/Commodity+value+chain+development+projects.pdf/504a1102-7bc7-47e8-a46c-003333fe9335>
- IFAD, 2015 (a). How to do: Climate change risk assessments in value chain project. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39181457>
- IFAD, 2015 (b). Scaling Up Note: Sustainable Inclusion of Smallholders in Agricultural Value Chains. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39402748>
- IFAD, 2016 (a). How to do note: Livestock value chain analysis and project development. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39404163>
- IFAD, 2016 (b). How to do: Public-Private-Producer Partnerships (4Ps) in Agricultural Value Chains. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39433604>

<sup>35</sup> IFAD, 2016. How to Monitor Progress in Value Chain Projects. IFAD: Rome.

- IFAD, 2016 (c). How to monitor progress in value chain projects. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/40314596>
- IFAD, 2016 (d). How to do: Poverty, targeting, gender equality and empowerment. IFAD: Rome. <https://www.ifad.org/documents/38714170/41240300>
- IFAD, 2016 (e). Engaging with farmers' organizations for more effective smallholders development. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39258128>
- IFAD, 2017. Toolkit: Poverty Targeting, Gender Equality and Empowerment. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/40241536>
- IFAD; 2018 (a). Developing nutrition-sensitive value chains in Indonesia. Findings from IFAD research for development. IFAD: Rome. [https://www.ifad.org/documents/38714170/40197148/Indonesia\\_brochure.pdf/9ab34286-983d-4b3c-ba85-d6950a50ab68](https://www.ifad.org/documents/38714170/40197148/Indonesia_brochure.pdf/9ab34286-983d-4b3c-ba85-d6950a50ab68)
- IFAD, 2018 (b). Nutrition-sensitive value chains: A guide for project design – Volume I. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/40805038>
- IFAD, 2018 (c). Nutrition-sensitive value chains: A guide for project design – Volume II. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/40861986>
- IFAD. 2019 (a). IFAD's engagement in pro-poor value chain development. Corporate Level Evaluation. Rome: IFAD. [https://www.ifad.org/documents/38714182/41260694/cle\\_value-chain.pdf/7f0ae37d-5c57-10a2-b14d-0593f08a03d0](https://www.ifad.org/documents/38714182/41260694/cle_value-chain.pdf/7f0ae37d-5c57-10a2-b14d-0593f08a03d0)
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- IFAD, 2019 (d). Stocktake of the Use of Household Methodologies in IFAD's Portfolio. IFAD: Rome. [https://www.ifad.org/documents/38714170/41377902/hhm\\_stocktake.pdf/d64f0301-19d5-b210-3ace-765ba0b5f527](https://www.ifad.org/documents/38714170/41377902/hhm_stocktake.pdf/d64f0301-19d5-b210-3ace-765ba0b5f527)

## Annex 2: Value Chain Guidelines of other Development Agencies

Guideline	Sponsoring Organization	Key Focus Areas
<a href="#">The African Development Bank's Support for Agricultural Value Chain Development: Lessons for the Feed Africa Strategy (2018)</a>	African Development Bank Group (AfDB)	- Independent Development Evaluation (IDEV) of AfDB's support for agricultural value chains development (AVCD) to generate lessons and recommendations for supporting the implementation of the Feed Africa Strategy
<a href="#">Strategy for Promoting Safe and Environment-Friendly Agro-Based Value Chains in The Greater Mekong Subregion and Siem Reap Action Plan (2018)</a>	Asian Development Bank (ADB)	- Sub-regional strategy that provides guidance on how to connect the supply chains of safe and environment-friendly agriculture products (SEAP) in the Greater Mekong Subregion
<a href="#">Support for Agricultural Value Chain Development (2012)</a>	Asian Development Bank (ADB)	- The evaluation study reviews the relevance and effectiveness of ADB's assistance to projects supporting agricultural value chains; it reviews the project designs of 54 agriculture and natural resources loans totaling USD 2.6 billion and 50 technical assistance operations with commercial agriculture components during 2001 – 2009. - It draws lessons for ADB's future engagement in this area, and particularly how the rural poor can participate in the value chain
<a href="#">Evaluation of DANIDA Support to Value Chain Development (2016)</a>	Danish International Development Agency (DANIDA)	- Improve the design and implementation of Danida's bilateral program cooperation under inclusive green growth and employment for future support to value chain development
<a href="#">A Rough Guide to Value Chain Development: How to create employment and improve working conditions in targeted sectors (2015)</a>	International Labour Organization (ILO) and Danish International Development Agency (DANIDA)	- Provide a simplified overview of the Value Chain Development approach as applied by the ILO

<a href="#">Making Value Chains Work Better for the Poor (M4P): A Toolkit for Practitioners of Value Chain Analysis (2008)</a>	UK Department for International Development (DFID)	<ul style="list-style-type: none"> <li>- An easy to use set of tools for value chain analysis, with focus on poverty reduction</li> <li>- Strengthen the links between value chain analysis and development interventions that improve opportunities available to the poor</li> </ul>
<a href="#">Manual on Sustainable Value Chain Development - Volume 1 Value Chain Analysis, Strategy and Implementation (2017)</a>  <a href="#">GIZ Manual on Sustainable Value Chain Development - Volume 2 Value Chain Solutions (2018)</a>	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	<ul style="list-style-type: none"> <li>- Manual on generic sustainable value chain development</li> <li>- Manual that examines strategic options and describes how value chain actors can arrive at a shared vision for chain development</li> </ul>
<a href="#">Guidelines for Value Chain Selection: Integrating economic, environmental, social and institutional criteria (2015)</a>	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and International Labour Organization (ILO)	<ul style="list-style-type: none"> <li>- Holistic and structured approach to value chain selection, combining economic, environmental, social and institutional dimensions</li> </ul>
<a href="#">Best Practice Guideline for Agriculture and Value Chains (2013)</a>	Food and Agricultural Organization (FAO)	<ul style="list-style-type: none"> <li>- Formative guidelines for improving the ecological, societal, cultural and economic sustainability of farms and businesses</li> <li>- Benchmark for programs, operations and sustainability assessment tools</li> <li>- Promotion of indicators and metrics to assist in an operation's evaluation</li> </ul>
<a href="#">Developing sustainable food value chains - Guiding principles (2014)</a>	Food and Agricultural Organization (FAO)	<ul style="list-style-type: none"> <li>- Provides practical guidance on sustainable good value chain development by facilitating the spread of innovative solutions emerging from the field to a target audience of policy-makers, project designers and field practitioners</li> </ul>
<a href="#">Developing gender-sensitive value chains: A guiding framework (2016)</a>  <a href="#">Developing Gender-Sensitive Value Chains. Guidelines for Practitioners (2018)</a>	Food and Agricultural Organization (FAO)	<ul style="list-style-type: none"> <li>- Guidelines to ensure that gender equality dimensions are more systematically integrated into programmes and VC development interventions</li> </ul>
<a href="#">Working with Smallholders: A Handbook for firms building sustainable supply chains. Second Edition (2019)</a>	International Finance Corporation (IFC)	<ul style="list-style-type: none"> <li>- Guidelines for operational managers in agribusiness companies responsible for integrating smallholder farmers into value chains as suppliers, clients, or customers</li> </ul>
<a href="#">Integrated Value Chain Risk Management (2016)</a>	Inter-American Development Bank (IDB)	<ul style="list-style-type: none"> <li>- Addresses the role of public policy in improving access to finance and making risk management in LAC value chains more effective</li> <li>- Appraisal of the role the IDB could play to support development banks and specialized public agencies in the design of integrated risk management programs for the region's value chains</li> </ul>
<a href="#">Challenges for Global Value Chain Interventions in Latin America (2013)</a>	Inter-American Development Bank (IDB)	<ul style="list-style-type: none"> <li>- Overview of relevant interventions by international organizations and donor agencies</li> <li>- Analysis of a sample of IDB value chain projects to develop broad conclusions regarding the value chain approach and logic</li> </ul>
<a href="#">Program Design for Value Chain Initiatives – Information to Action: A Toolkit Series for Market Development Practitioners (2007)</a>	Mennonite Economic Development Associates	<ul style="list-style-type: none"> <li>- The toolkit is a reference for value chain development practitioners that want to design sustainable, effective development programs</li> <li>- The toolkit has been prepared for practitioners who have familiarity with value chain development, either through training or practical experience</li> </ul>
<a href="#">Planning the unplannable: designing value chain interventions for impact @ scale (2015)</a>	Royal Tropical Institute (KIT) and SNV Netherlands Development Organization	<ul style="list-style-type: none"> <li>- Examination of five cases where impact at scale was realized</li> <li>- Recommendations to increase the chances of value chain interventions contributing to impact at scale</li> </ul>



<a href="#">Donor Interventions in Value Chain Development (2007)</a>	Swiss Agency for Development and Cooperation (SDC)	<ul style="list-style-type: none"> <li>- Highlights the most important issues that development agencies need to consider when engaging in value chain development</li> <li>- Offers guiding principles for development practitioners and policy makers, and points to further useful material</li> </ul>
<a href="#">Pro-poor value chain development: 25 guiding questions for designing and implementing agroindustry projects (2011)</a>	United Nations Industrial Development Organization (UNIDO), International Fund for Agricultural Development (IFAD) and Danish Institute for International Studies (DIIS)	<ul style="list-style-type: none"> <li>- Builds on a review of common practices in value chain development projects in Asia and the Pacific region as well as on experience from 6 case studies in Sri Lanka, Vietnam and Indonesia</li> <li>- Provides 25 questions, checklists and tools practiced in the field on pro-poor value chain development</li> </ul>
<a href="#">Integrating Very Poor Producers into Value Chains: Field Guide (2012)</a>	United States Agency for International Development (USAID)	<ul style="list-style-type: none"> <li>- Provide field-level practitioners with tools and applications at the value chain design and implementation level to reach very poor households</li> </ul>
<a href="#">Market Links – Value Chain Approach</a>	United States Agency for International Development (USAID)	<ul style="list-style-type: none"> <li>- Step-by-step guidance on how to develop, implement and monitor a value chain approach</li> </ul>
<a href="#">Methodology and Value Chain Analysis Background Paper for Building Resilience: A Green Growth Framework for Mobilizing Mining Investment (2019)</a>	World Bank	<ul style="list-style-type: none"> <li>- Delivers an account of mining technologies, processes and strategies that seek to incorporate environmental sustainability considerations and have the potential for local value creation and green growth</li> </ul>
<a href="#">Inclusive Value Chains to Accelerate Poverty Reduction in Africa 2020</a>	World Bank	<ul style="list-style-type: none"> <li>- Overview and analysis of different value chain models that have emerged in the past decades and reviews the literature on the main development implications</li> <li>- Categorization of existing policy initiatives that aim to stimulate inclusive value chain development</li> <li>- Identification of lessons and implications for policy makers</li> </ul>
<a href="#">Building Competitiveness in Africa's Agriculture: A guide to value chain concepts and applications (2010)</a>	World Bank	<ul style="list-style-type: none"> <li>- The guide presents, reviews and systematically illustrates a range of concepts, analytical tools, and methodologies centered on the value chain that can be used to design, prepare, implement, assess, and evaluate agribusiness development initiatives</li> </ul>

### Annex 3: IFAD Case Studies

Region	Project name	Country	Year	Document Type	Key themes addressed
Asia and the Pacific	<a href="#">Commodity-oriented Poverty Reduction Programme in Ha Giang Province</a>	Vietnam	2019	Supervision Mission Report	Geographical targeting Value chain selection Indigenous people Infrastructure
	<a href="#">Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces</a>	Vietnam	2019	Supervision Mission Report	Geographical targeting Climate change adaptation & resilience Infrastructure 4Ps
	<a href="#">Promoting Agricultural Commercialization and Enterprises Project</a>	Bangladesh	2019	Supervision Mission Report	Value chain selection Value chain mapping Value chain analyses
	<a href="#">Smallholder Livelihood Development Project</a>	Indonesia	2018	Research Document	Nutrition Gender
	<a href="#">Commercial Agriculture and Resilient Livelihoods Enhancement Programme</a>	Bhutan	2019	Supervision Mission Report	Climate change adaptation & resilience Infrastructure
	<a href="#">Convergence of Agricultural Interventions in Maharashtra's Distressed Districts Programme</a>	India	2019	Completion Report	Gender Climate change resilience

	<a href="#">High-Value Agriculture Project in Hill and Mountain Areas</a>	Nepal	2019	Completion Report	Value chain selection Food security Sustainability, scale-up & replication
	<a href="#">Convergence on Value Chain Enhancement for Rural Growth and Empowerment Project</a>	Philippines	2020	Supervision Mission Report	Value chain selection Value chain action plans
West & Central Africa	<a href="#">Nigeria's Value Chain Development Programme</a>	Nigeria	2019	Supervision Mission Report	Gender Multi-stakeholder platform Nutrition
	<a href="#">Northern Rural Growth Program</a>	Ghana	2014	Supervision Mission Report	Gender Multi-stakeholder platform
	<a href="#">Agricultural Value Chains Support Project-Extension</a>	Senegal	2020	Implementation Support Mission	Self-targeting Value chain selection Gender Youth
	<a href="#">Smallholder Commercialization Programme</a>	Sierra Leone	2019	Completion Report	Gender Youth Disabled people Pro-poor policy dialogue Food security
	<a href="#">Ruwanmu Small-Scale Irrigation Project</a>	Niger	2018	Completion Mission	Gender Youth Food security Infrastructure
	<a href="#">National Program to Support Agricultural Value Chain Actors – Lower Guinea and Faranah Expansion</a>	Guinea	2019	Supervision Mission Report	Gender Youth Pro-poor policy dialogue
	<a href="#">Youth Agropastoral Entrepreneurship Promotion Programme</a>	Cameroon	2020	Supervision Mission Report	Youth Pro-poor policy dialogue Certifications
Near East, North Africa, Europe & Central Asia	<a href="#">Agricultural Value Chain Development Project in the Mountain Zones of Al-Haouz Province</a>	Morocco	2019	Completion Report	Value chain selection Youth Gender Geographical Indications
	<a href="#">Agriculture Modernization, Market Access and Resilience Project</a>	Georgia	2019	Supervision Mission Report	M&E Climate change resilience Gender targeting
	<a href="#">Programme to Reduce Vulnerability in Coastal Fishing Areas</a>	Djibouti	2019	Implementation Support Mission	Value chain selection Gender targeting Climate change adaptation & resilience
	<a href="#">Rural Clustering and Transformation Project</a>	Montenegro	2019	Supervision Mission Report	Value chain selection
	<a href="#">Integrated Agriculture and Marketing Development Project</a>	Sudan	2019	Supervision Mission Report	Climate change adaptation & resilience Gender Youth
East & Southern Africa	<a href="#">Rural Livelihoods and Economic Enhancement Programme (RLEEP)</a>	Malawi	2018	Supervision Mission Report	Value chain selection Value chain mapping Value chain action plans Exit plan
	<a href="#">Project for Rural Income Through Exports</a>	Rwanda	2019	Supervision Mission Report	Value chain selection Multi-stakeholder platform
	<a href="#">Climate-Resilient Post-Harvest and Agribusiness Support Project</a>	Rwanda	2019	Supervision Mission Report	Targeting Value chain selection Climate change resilience
	<a href="#">Financial Inclusion and Cluster Development Project</a>	Eswatini	2018	Project Design Report	Gender

	<a href="#">Pro-poor Value Chain Development Project in the Maputo and Limpopo corridors</a>	Mozambique	2019	Supervision Mission report	Climate change adaptation & resilience Value chain selection Gender
Latin America & the Caribbean	<a href="#">Public Services Improvement for Sust. Territorial Development in the Apurimac, Ene, and Mantaro River Basins</a>	Peru	2019	Supervision Mission Report	Gender Youth Indigenous people Climate change adaptation & resilience
	<a href="#">Adapting to Markets and Climate Change Project</a>	Nicaragua	2019	Supervision Mission Report	Gender Youth Value chain selection Climate change adaptation & resilience
	<a href="#">Inclusion of Family Farming in Value Chains Project, PPI</a>	Paraguay	2017	Mid-term Review	Gender Youth Indigenous people 4Ps
	<a href="#">Rural Territorial Competitiveness Programme</a>	El Salvador	2019	Completion Report	Youth Food security 4Ps
	<a href="#">Goat Value Chain Development Programme, PRODECCA</a>	Argentina	2019	Supervision Mission Report	Gender Youth Value chain selection
	<a href="#">Catalysing Inclusive Value Chain Partnerships Project, DINAMINGA</a>	Ecuador	2020	Supervision Mission Report	Gender Youth Indigenous people

## Annex 4: IFAD's Targeting Principles

The following targeting principles are included in [IFAD's Revised Operational Guidelines on Targeting](#)<sup>36</sup> approved by IFAD's Executive Board in 2019. IFAD recommends that for effective project targeting, these principles should be followed.

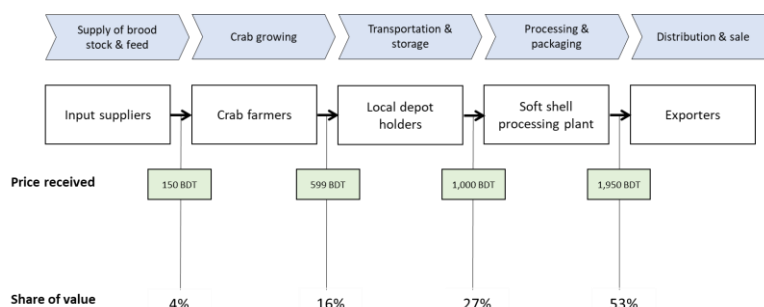
- i. **Targeting** the poorest, the poor and the vulnerable rural people and those who are more likely to be left behind;
- ii. **Mainstreaming** gender, youth, nutrition and environmental and climate issues in the operationalization of the targeting processes;
- iii. **Recognizing** the dynamic nature of poverty and the importance of tackling the multiple forms of vulnerability;
- iv. **Aligning** targeting with government poverty reduction priorities, policies and strategies;
- v. **Ensuring** that working with relatively better-off stakeholders results in direct benefits for the poorest;
- vi. **Testing** innovative targeting approaches by strengthening existing partnerships and establishing new ones;
- vii. **Adopting** consultative and participatory approaches to targeting; and
- viii. **Empowering** and building the capacity of those who have less of a voice and fewer assets.

## Annex 5: Value Chain Mapping – Value Distribution

The following value chain mapping example illustrates the value distribution in the soft-shell crab value chain in Bangladesh. Amounts are based on 1 kg of crab and the indicative values have been extracted from a Cost Analysis carried out under the **Promoting Agricultural Commercialization and Enterprises (PACE) Project**. This example demonstrates how value

<sup>36</sup> IFAD. 2019. Revised Operational Guidelines on Targeting. EB 2019/R27/R.6.

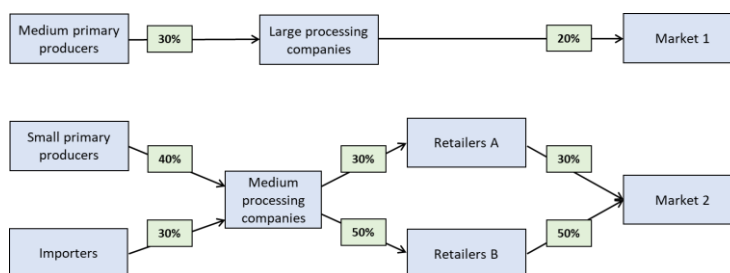
chains can be mapped out to deduce where and by whom most of the value is captured. It serves as an additional reference point for understanding and quantifying value chain power dynamics and for prioritizing and designing intervention entry points required to address inequitable value distributions within the chain.



Values obtained from a Cost Analysis, 2018 generated under the Promoting Agricultural Commercialization and Enterprises (PACE) Project in Bangladesh.

### Annex 6: Value Chain Mapping – Product Volume

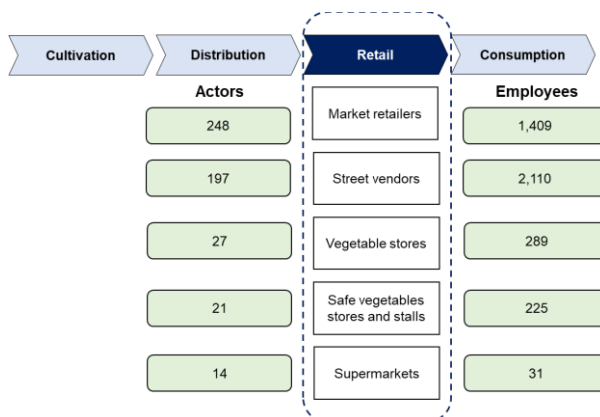
The following figure provides an example of how product volume can be mapped out along the value chain. It provides a further understanding of value distribution along the chain. This example has been adapted by the [Value Chain Guidelines](#) developed by DFID in 2008.



Adapted from: DFID, 2008. *Making Value Chains Work Better for the Poor – A Tool book for Practitioners of Value Chain Analysis*. M4P, 2008.

### Annex 7: Value Chain Mapping – Employment

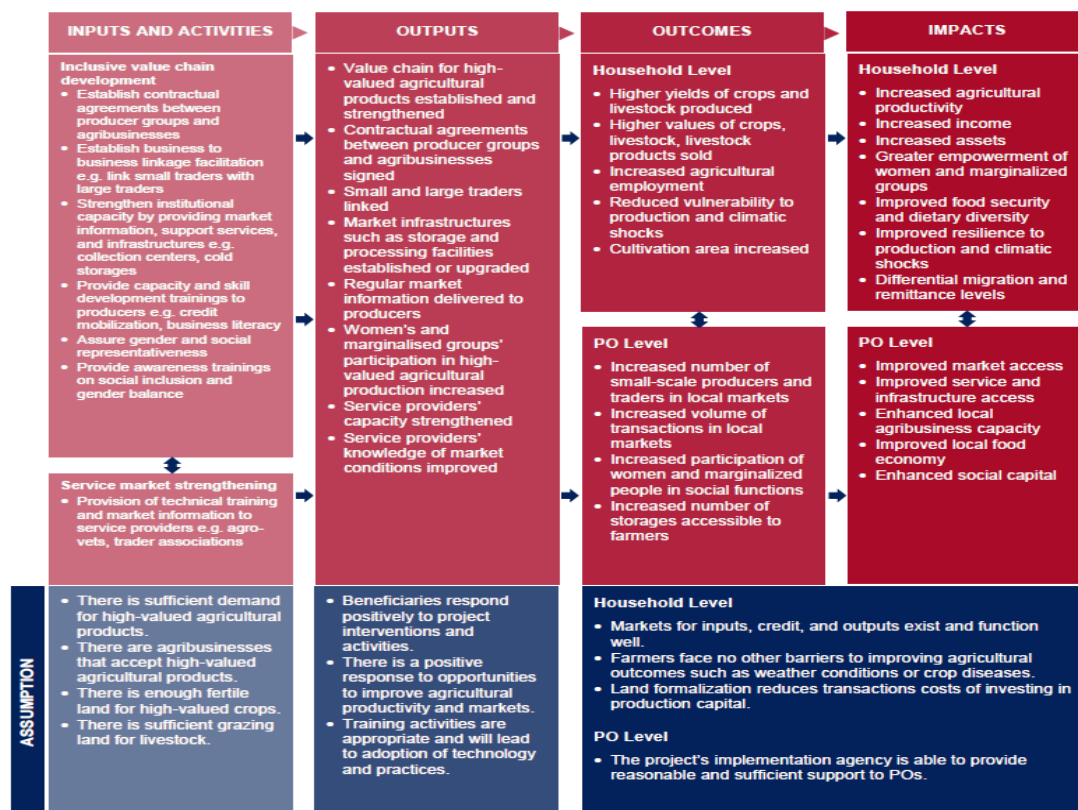
The following figure provides an example of mapping out the number of actors and employed individuals in the vegetable retail value chain in Hanoi. Quantifying the number of actors and employed individuals will provide an understanding of the level of market saturation and opportunity within each node of the value chain. This example has been adapted by the [Value Chain Guidelines](#) developed by DFID in 2008.



Adapted from: DFID, 2008. *Making Value Chains Work Better for the Poor – A Tool book for Practitioners of Value Chain Analysis*. M4P, 2008.

## Annex 8: Theory of Change: Nepal High Value Agriculture Project in Hill and Mountain Areas

The theory of change below was developed under an IFAD [ex post project impact assessment](#). It provides an example of a theory of change developed retrospectively for a value chain project.



IFAD, 2018. *Impact Assessment Report – High Value Project in Hill and Mountain Areas (HVAP)*. IFAD: Rome.