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## **Strategic discussion with the President of IFAD**

### **Pathways out of poverty: Balancing scale and depth of impact**

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**Action:** The Executive Board is invited to review the content of this document.

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## I. Introduction

1. **IFAD is dedicated to alleviating rural poverty.** It is uniquely focused on rural poor people and small-scale producers – farmers, pastoralists, fishers and rural entrepreneurs – to increase their productive capacity, market access, climate resilience and, consequently, income and food security. Rural communities stand at the nexus of global challenges such as food insecurity, climate change and inequality. Yet, as IFAD’s successes show, with the right support, these communities can be drivers of rural transformation.
2. The objectives of this paper are to: (a) identify the key drivers of impact and effectiveness in IFAD investments and their implications for future project design, and (b) examine the interplay of balancing the realization of deep impacts with reach. The concluding section highlights IFAD’s unique position to operationalize the findings from this paper on the ground.

Box 1

### Key highlights

Smart bundling, especially while pursuing a value chain approach, delivers the greatest impact. IFAD’s impact assessments show that bundling support strategically across the value chain drives deep impact. Increasing production alone is not enough if farmers lose post-harvest output due to lack of storage facilities, missing distributors or are forced to sell at low prices, calling for larger investments that entail financing, training, digital tools, feeder roads and other support systems for all actors along the entire value chain.

Bundling carefully chosen, purposeful, complementary and well-timed interventions designed around binding constraints matters most – whether the constraints be limited know-how, lack of finance, poor connectivity and/or low engagement with private sector actors – across the entire value chain.

Where private sector engagement is strong, deep impact follows. On average, projects that systematically engaged the private sector through improved input sourcing, marketing and processing achieved a four times higher impact than those that did not. When farmers are connected with private actors in the midstream and downstream of value chains, they can move beyond production to capture greater value and profitability.

Deep impact in value chain projects may need to be balanced with outreach, given their higher costs per project participant. Balancing deep impact with wider outreach calls for a hybrid approach, anchoring intensive high-impact investments using value chain approaches where conditions allow and complementing them with broader, non-value chain interventions elsewhere while continuing to explore opportunities to maximize impact at scale.

Collaboration with governments is key. Designing smart, well-timed and adaptive bundles calls for a context-specific understanding of rural development challenges and a firm anchor in country demand and national development priorities.

Through closer proximity to government counterparts, greater technical expertise, better knowledge management and responsive country and policy engagement, IFAD is well positioned to translate its proven approaches into even greater impact on the ground. Its growing private sector lending can further usher private investment into rural economies to finance complete value chain systems.

## II. What drives deep impacts?

3. **Evidence from IFAD impact assessments is clear: when projects are designed to go beyond incremental fixes, they create ripple effects, unlocking productivity, boosting incomes and reshaping rural livelihoods.** Over multiple replenishment cycles, IFAD has systematically measured what is effective. This paper leverages a unique dataset composed of 58 rigorously conducted impact assessments of projects closing between 2016 and 2024 (see table 1 in annex).
4. **Smart bundles, rather than overly broad approaches, drive deep change.** Forty-three of the 58 projects evaluated proved to generate meaningful impacts, with 16 delivering income gains exceeding 50 per cent among project participants. Deep impacts of greater than 50 per cent were often accompanied by substantial impacts on production and market access. Greater effectiveness in these projects is achieved when key barriers are unlocked through selected, targeted and better-coordinated actions, with clear attention to complementarities and timing. Bundled approaches also do more than raise incomes; they reduce poverty. An

[analysis](#) of 17 IFAD11 project impact assessments found a 10 per cent reduction in multidimensional poverty due to IFAD's interventions.

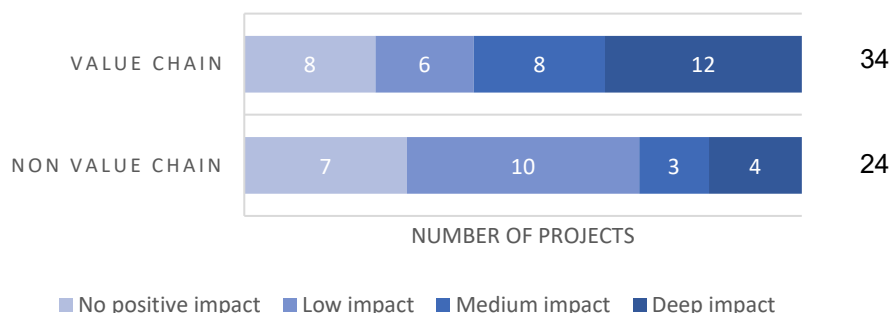
5. **Through bundled design and coordinated action, value chain projects are better positioned to deliver deep impacts (figure 1).** An IFAD stocktake found that 76 per cent of IFAD investment projects approved between 2010 and 2022 explicitly employed a value chain approach, meaning that they included specific strategies to go beyond production and supported farmers in aggregation, processing and marketing. At the production stage, support typically involved the provision of training, inputs, equipment, the formalization of producers' organizations and the promotion of market linkage at the household and/or group level, with the aim of improving farmers' coordination, increasing input use and reducing transaction costs. Projects that extend further along the value chain include support for marketing and distribution strategies, post-harvest processing, access to finance, contract farming and certification, aiming to improve price realization, reduce post-harvest losses, expand credit access and mitigate income risks. Of the 58 projects evaluated in the past decade, value chain projects consistently outperformed non-value chain initiatives. Twelve out of 34 value chain projects achieved income gains of over 50 per cent, while only 4 out of the 24 non-value chain projects exhibited such deep impacts, but instead still delivered low-to-modest income improvements. These results underscore the power of integrated market-linked design in driving deep impacts.

Figure 1

**Income impacts achieved across projects**

Number of value chain and non-value chain projects exhibiting varying degrees of impact

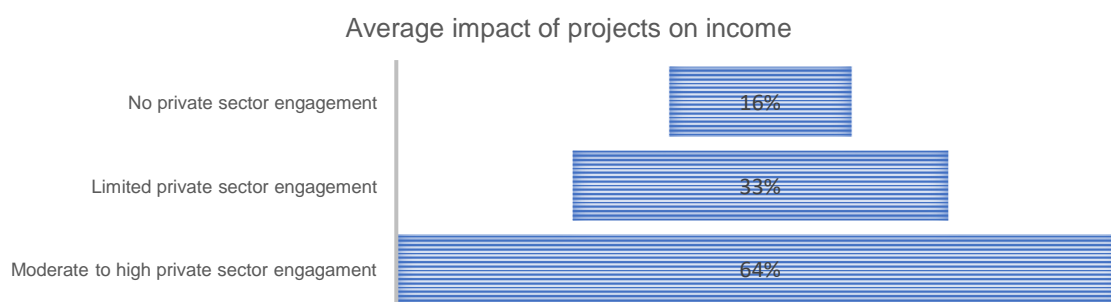
Number of projects assessed



Note: Average impact on income is measured through meta-analysis across all 58 projects and is equivalent to 32 per cent. Low impact is equivalent to a 0 to 32 per cent increase in income. Medium impact is equivalent to a 33 to 50 per cent increase in income and deep impact is equivalent to a greater than 50 per cent increase in income.

6. **Where private sector engagement is strong, deep impact follows.** The 2022 stocktake further categorized projects by the intensity of private sector engagement in value chain projects. These partnerships typically involved private sector actors that supported farmers through improved input sourcing, marketing and processing. Evidence from 58 impact assessments shows that projects with strong private sector engagement boosted incomes by 64 per cent – almost double the more than 33 per cent increase observed when the private sector was involved in a limited way and 4 times more than the 16 per cent increase when there is no engagement (figure 2). External [evidence](#) also shows that small and medium-sized enterprises play a critical role in overcoming market failures and the limitations faced by smallholders, often supplying inputs, credit, information and logistics. In doing so, they contribute directly to increasing farmer welfare, technology uptake and productivity, thereby generating spillovers and spurring wider rural development. Together, these findings evidence that deeper private sector engagement is a key determinant of success in value chain development.

Figure 2

**Average income gains in projects, by intensity of private sector engagement**

Note: Average impact on income is measured through meta-analysis. Out of the 58 IFAD projects evaluated over the past decade, 24 did not employ a value chain approach and had no private sector engagement, 17 employed a value chain approach and had none-to-limited private sector engagement and the remaining 17 employed a value chain approach and had moderate (systematic) or high (in-depth) private sector engagement.

**(a) How:**

- (i) **Comprehensive and larger projects that bundle interventions across value chain systems while ensuring alignment with national priorities.** Increasing production alone is not enough if farmers lose post-harvest output due to lack of storage facilities, missing distributors or are forced to sell at low prices. This bundling implies investing in processing plants so that farmers can increase value; storage facilities to reduce losses; and distribution systems that move goods not just locally but to cities as well. It also means larger investments overall – in financing, training, digital tools, feeder roads, main roads and infrastructure – for all entities involved along the value chain.
- (ii) **However, strategic bundling is key** – not all projects need all of the above. This implies combining **carefully chosen, purposeful, complementary** and **well-timed** interventions designed around **binding constraints**, be they limited know-how, lack of finance, poor connectivity and/or low engagement with private sector actors, across all nodes of the value chain. Every intervention needs to respond to a verified binding constraint to have **meaningful** consequences for livelihoods, avoiding token inclusion of activities.
- (iii) **Contract farming and public-private-producer partnerships (4Ps) models with inclusive design.** IFAD's experience underscores the power of connecting farmers with midstream and downstream value chain actors through 4Ps approaches (private sector, public sector, and producers in negotiated partnerships) and multi-stakeholder platforms. External [evidence](#) further indicates that contract farming can raise smallholder incomes.
- (iv) **Farmers' organizations (FOs) as market intermediaries.** Improving FOs' governance, business skills and aggregation capacity can make them credible business partners while lowering the transaction costs of private sector engagement. A [review of studies](#) across sub-Saharan Africa and India found that 57 per cent reported positive income effects from FOs.
- (v) **Private research and development, and adaptation with co-investment mechanisms.** Private actors often underinvest in research or product adaptation for smallholder contexts due to uncertain returns. Matching grants and/or co-investment arrangements are key enablers that incentivize firms to design appropriate

technologies and inputs such as small-scale machinery. In addition, IFAD can draw on innovations developed by CGIAR programmes ([CGIAR clearinghouse and e-catalogue](#)).

- (vi) **Strengthen data infrastructure and agronomic advisory services as a public good.** Investing in shared rural data systems – weather, soil and market price platforms – would reduce entry barriers for private firms and improve service delivery. Some [evidence](#) has shown that emerging tools for improving extension services, including AI-powered advisory platforms, exhibit high potential for scalable, data-driven agricultural support but require robust underlying data to provide tailored services to farmers.

7. **Building resilience may be more costly up front, but failing to do so costs much more when shocks materialize and wipe out development progress.**

Indeed, deep impacts have the potential to alter rural households' trajectories only if accompanied by resilience. This is particularly important today in a world riddled with polycrisis.

- (a) **How:** There are several opportunities to promote resilience, some of which are already being championed by IFAD.
  - (i) **Climate-smart agriculture (CSA).** In line with IFAD's experience, [studies](#) link CSA practices to higher [yields](#) and incomes, and [reduced poverty](#) and income volatility by increasing resilience to rainfall shocks and mitigating downside yield risk when tailored to local conditions.
  - (ii) **Nature-based solutions and climate-resilient infrastructure.** IFAD consistently supports climate-resilient infrastructure in its projects, which have exhibited strong impacts in many impact assessments. External [evidence](#) also indicates that better rural roads and irrigation systems raise farm productivity, household [consumption](#) and income, thereby reducing [poverty](#). For nature-based solutions, studies show that [watershed development](#) and [agroforestry](#) increase both yields and income stability.
  - (iii) **Climate information services.** Access to reliable climate information raises agricultural [yields](#) and farmer income by improving production decisions, fostering greater [adoption](#) of adaptive practices with positive returns and [optimizing input](#) and resource use. However, [evidence](#) also cautions that poorly tailored or misunderstood forecasts can reduce yields and income.
  - (iv) **Blended finance to offer insurance.** Insurance reduces risk and encourages productive investment, boosting farm productivity, [livelihoods](#) and [food security](#), given appropriate circumstances and good data. While IFAD investments have sometimes entailed insurance, it could be considered more closely in the future.

8. **The pursuit of deep impact, driven by integrating interventions strategically along the value chain and enhancing private sector participation while incorporating resilience to ensure sustainability, necessitates a robust diagnostic process.** Robust data and analysis can prove important in delivering impacts on the ground. Such products include evidence reviews and baseline surveys to identify key constraints and tailor the interventions to tackle them; needs assessments and impact evaluations (or multi-arm trials) to ensure that every additional component adds meaningful value rather than being a token add-on; microsimulation tools to facilitate more precise targeting of project participants and more accurate forecasting of the distributional impacts of certain types of interventions; and finally, the use of geospatial and earth observation data to aid better targeting, while in some contexts allowing for learning about the

long-term impacts of IFAD investments. This data-driven approach allows for more efficient resource allocation and has also been shown to be correlated with [outcome achievement](#).

9. **Designing projects capable of generating deep impacts calls for a context-specific understanding of rural development challenges and their underlying causes, implying that collaboration with governments and local stakeholders is key.** In addition to enriching the diagnostic process, this collaboration would also ensure alignment with national development priorities and responsiveness to community needs. Furthermore, it can help to maximize impacts through the identification of viable value chain entry points and better design of sophisticated bundles, aligning each component of the bundle with the proper timing (such as agricultural seasons or business cycles), so that interventions are mutually reinforcing when most needed. Equally important, this partnership can aid in maintaining flexibility to adapt interventions during implementation, so they remain relevant, responsive and capable of producing impact over time.
10. **IFAD is well positioned to adopt this approach more systematically and translate its evidence-based practices into even greater impact** through a more decentralized workforce, greater technical capacity, improved knowledge management, deeper country and policy engagement and continuous operational improvements.

### III. Balancing broad coverage and deep impacts

11. **Pursuing projects aimed at generating deep impacts is associated with higher costs per project participant.** IFAD's data on 58 projects indicates that value chain approaches are more likely to deliver deep impacts by roughly 70 per cent relative to when non-value chain approaches are pursued, albeit at a higher cost per project participant, translating into an additional US\$20 million per project approximately, or about US\$75 more per person reached (see table 2 in annex). Projects designed for broad coverage often end up delivering modest average returns per household, while, in contrast, projects that prioritize intensity tend to remain geographically bounded or restricted to selected subpopulations. A telling example is Uzbekistan's Dairy Value Chains Development Project, which combined training that reached a relatively large number of project participants with 10 per cent of project funds and credit disbursed to a much smaller subset of smallholder and medium-scale farmers while accounting for 90 per cent of financing. The impact assessment revealed that the training component had limited impact on key livelihood indicators, whereas the credit component drove substantial and consistent changes across all livelihood indicators.
12. **Breadth.** Reaching more people is best chosen when the goal is to influence policy, raise awareness widely, address straightforward issues with replicable solutions or distribute essential services or public goods to a large population. Some of these interventions also have the potential to achieve impact at scale.
  - (a) **Broad-based interventions**, such as irrigation or feeder roads, have high unit costs but are meant to serve large populations by design. In densely populated regions of South Asia and sub-Saharan Africa, broad-based investments can reach many households. Indeed, IFAD's own investments, as well as external evidence, shows the importance of these interventions for achieving impacts at scale.
  - (b) **Digital platforms and mobile services**, including AI-powered advisory platforms, can help scale key services (e.g. information, payments, training) at low marginal cost. The right digital tools could support more personalized and timely interventions without prohibitive costs, thus increasing intensity while expanding reach. For example, mobile phone and radio-based dissemination systems have been especially effective in reaching remote

smallholders. At the same time, monitoring and evaluation systems need to be tailored to allow extension and climate information services to be provided to farmers in a more accurate and timely way.

- (c) **Risks.** This approach can lead to less sustainable change and may be less effective for complex problems.
13. **Depth.** In addition to value chain approaches, depth of impact is often chosen to focus on creating profound change within a specific community or development challenge. This approach is useful for addressing root causes, building deep trust and tailored solutions and generating clear compelling results that motivate stakeholders.
- (a) **Interventions serving as proof of concept and generating demonstration effects.** Costly interventions designed to generate high impacts can be piloted and serve as proof of concept, creating momentum. Though resource-intensive, such pilots generate the evidence, legitimacy and adaptive knowledge needed for sustainable scaling and replication.
  - (b) **Projects targeting root causes and systemic change.** Some complex systemic challenges (e.g. gender norms, social inclusion, complex market failures, institutional inertia) require multi-year engagement, trust-building, customized packages and intensive facilitation. Similarly, "[big push](#)" programmes aimed at enabling ultra-poor people to move into self-sustaining income generation without ongoing subsidies require a well-timed and sequenced bundle of interventions.
  - (c) **Risks.** Generating deep impacts often requires more resources per project participant, has limited scalability and carries higher risk if the project fails.
14. **Achieving both depth and scale requires a hybrid approach, anchoring high-impact projects in select areas while pursuing wider outreach in others, enabled by close proximity to government counterparts and the rural population that IFAD serves.** When carefully designed, interventions with wide outreach, such as broad-based interventions and digital services, can serve as powerful levers for structural transformation and can lay the foundation for subsequent deeper investments to take root. At IFAD, this means employing a hybrid approach that blends depth and breadth across countries in regions and subregions, while more strategic balancing is planned and iteratively discussed at the portfolio level. This would entail consistent monitoring by country and regional teams on the one hand and the corporate team on the other hand, aided by IFAD's greater presence in countries, along with strengthened country engagement and policy dialogue.

## IV. Conclusion

- 15. Evidence from IFAD's impact assessments over the past decade tells a powerful story: IFAD's investments are meaningfully improving livelihoods. This is driven by: (a) the bundling of a minimal set of high-impact coordinated interventions, especially following a value chain approach; and (b) fostering links between farmers and private sector actors engaged midstream and downstream in value chains. Going forward, this calls for larger, more comprehensive projects financing complete value chain systems.
- 16. Nevertheless, the depth of impact may need to be balanced with wider outreach. A hybrid strategy aligned with country demand, combining deep impact in select contexts with broader outreach elsewhere, can optimize effectiveness.
- 17. IFAD has upgraded its operating model for greater effectiveness. Greater presence of IFAD staff in the field has increased country engagement and enriched policy dialogue. Complemented by stronger in-house technical capacity and knowledge management, it allows for better identification of rural development challenges and

viable value chain entry points and better design of sophisticated bundles, facilitating adjustments based on evolving realities. At the same time, lending to the private sector can help usher private investment into rural economies to finance complete value chain systems. Thus, overall, IFAD has built a strong evidence base on what works in its projects and is well positioned to operationalize and translate its proven approaches into even greater impact on the ground.



## Additional tables and figures

Table 1

**A short summary of IFAD10, IFAD11 and IFAD12 projects that underwent an impact assessment**

Replenishment cycle	Country	Project/programme	Impact (%)				Value chain project	Outreach (number of people)	Approved financing (millions US\$)	Financing/ project participant (US\$)
			Goal: Increased income	SO1: Improved productive capacity	SO2: Improved market access	SO3: Greater resilience <sup>1</sup>				
IFAD10	Bangladesh	CCRIP	11		163			5 764 285	167.4	29
IFAD10	Bolivia (Plurinational State of)	Plan vida PEEP	8	10				61 936	15.3	247
IFAD10	Brazil	Gente de Valor	(20)	52				90 000	60.5	672
IFAD10	Chad	PADER-G	18	60				346 608	20.1	58
IFAD10	China	GIADP	11	21	85		1	150 173	96.9	645
IFAD10	Ethiopia	PASIDP	811	68	23	86	1	310 000	57.8	186
IFAD10	Indonesia	CCDP	46	92	40		1	90 801	43.2	476
IFAD10	Kenya	SCDP	39	49	110	6		381 654	36.8	96
IFAD10	Madagascar	AD2M Phase II	68	29	405	22	1	200 000	28.6	143
IFAD10	Mexico	DECOFOS			21	18		59 617	18.5	311
IFAD10	Nepal	HVAP	76	106	65	6	1	107 860	18.9	175
IFAD10	Philippines	RaFPEP-IRPEP	20	11	121			79 040	41.7	528
IFAD10	Rwanda	PRICE		188	374	117	1	577 749	75.9	131
IFAD10	Sao Tome and Principe	PAPAC	62	60		(6)	1	17 492	12.8	732
IFAD10	Senegal	PAFA		32	73	9		278 758	37.5	135
IFAD10	Tajikistan	LPDP	30	(14)	45	4	1	145 600	15.8	108
IFAD10	United Republic of Tanzania	ASDP	215	66	353	11	1	1 155 996	180.9	157
IFAD11	Argentina	PRODERI	16	74			1	96 020	149.5	1557
IFAD11	Bolivia (Plurinational State of)	ACCESOS	13					209 815	55.6	265
IFAD11	Djibouti	PRAREV					1	27 617	13.3	483
IFAD11	Ethiopia	RUFIP II	43	61	21	7		44 781 472	248.0	6
IFAD11	Ghana	REP III	50				1	304 656	225.1	739
IFAD11	India	PTSLP			60			1 107 935	91.5	83
IFAD11	Kenya	UTaNRMP	56		60	103		1 047 500	82.4	79
IFAD11	Kyrgyzstan	LMDP II	125		241		1	503 500	39.5	79
IFAD11	Lesotho	SADP					1	327 940	22.9	70
IFAD11	Malawi	SAPP		12			1	1 083 545	66.9	62
IFAD11	Mali	PMR						825 751	42.1	51

<sup>1</sup> In IFAD's impact assessments, resilience is measured as the self-reported ability to recover from climate and non-climate shocks. Recognizing the limitations of subjective measures, in IFAD13, impact assessments will include more objective indicators to better capture the dynamic and context-specific nature of resilience, thus providing a more complete picture.

IFAD11	Mauritania	PASK II				29		145 590	28.9	198
IFAD11	Mozambique	PROSUL	41	37	71		1	141 390	44.9	318
IFAD11	Nicaragua	NICADAPTA					1	238 648	37.1	155
IFAD11	Nigeria	VCDP	(11)		21		1	734 976	244.9	333
IFAD11	Pakistan	Livestock SPPAP	100	108	100	54	1	1 232 037	123.5	100
IFAD11	Pakistan	Training SPPAP				49	1	1 232 037	123.5	100
IFAD11	Papua New Guinea	PPAP	109	92	28	41	1	302 470	68.2	226
IFAD11	Peru	PSSA	23	85	18			160 632	36.5	227
IFAD11	Philippines	CHARM2	32					271 723	76.8	283
IFAD11	Solomon Islands	RDP II				38	1	99 369	62.5	629
IFAD11	Tajikistan	LPDP II	110	30			1	394 906	24.2	61
IFAD11	United Republic of Tanzania	MIVARF		25	15		1	8 736 473	169.5	19
IFAD11	Tunisia	PRODESUD I and II	71		79			53 714	52.0	967
IFAD11	Zambia	S3P	40		48	17	1	292 055	48.2	165
IFAD12	Bangladesh	CDSP IV						483 812	139.2	288
IFAD12	Benin	PAPSFRA						633 930	19.8	31
IFAD12	Cabo Verde	POSER	147	64	161			61 410	45.9	747
IFAD12	Cambodia	ASPIRE	56	18	49	63	1	741 150	86.2	116
IFAD12	Cameroon	PEA-Jeunes	45	152	112	(26)	1	206 300	73.1	354
IFAD12	China	SPRAD-SS	70				1	404 580	256.7	634
IFAD12	Colombia	TOP	34					164 988	69.9	424
IFAD12	Eswatini	SMLP		44			1	71 106	24.9	351
IFAD12	Honduras	PROLENCA	56	72	39		1	48 520	28.8	594
IFAD12	Madagascar	FORMAPROD	84	79		76		1 516 398	80.7	53
IFAD12	Mongolia	PMPMD					1	210 063	40.1	191
IFAD12	Montenegro	RCTP	84	83	92	123	1	21 025	14.5	689
IFAD12	Nepal	ASHA						592 975	37.6	63
IFAD12	Türkiye	MRWRP						131 052	61.5	469
IFAD12	Uganda	PRELNOR	38				1	721 876	71.0	98
IFAD12	Uzbekistan	DVCDP	84	54	213		1	117 367	39.4	336

Note: Negative number in parentheses.

Table 2

**Relationship between financing per project participant and value chain projects**

	(1)	(4)
VARIABLES	US\$ per project participant (log)	US\$ per project participant (log)
Value chain project (1=yes)	0.527** (0.221)	
Limited private sector engagement		0.452* (0.264)
High private sector engagement		0.600** (0.263)

Notes: The ordinary least squares regressions include regional fixed effects. Significance levels are denoted as follows:

\*p < 0.10, \*\*p < 0.05, \*\*\*p < 0.01.