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Investing in rural people

Corporate-level evaluation on IFAD's engagement in pro-poor value chain development

Draft approach paper

Note to Evaluation Committee members

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Abbreviations and acronyms

4P	public-private-producer partnership
ADB	Asian Development Bank
COSOP	country strategic opportunities programme
CLE	corporate-level evaluation
DANIDA	Denmark Development Cooperation
FAO	Food and Agriculture Organization of the United Nations
IOE	Independent Office of Evaluation of IFAD
PTA	Policy and Technical Advisory Division

Corporate-level evaluation on IFAD's engagement in pro-poor value chain development

I. Background

1. As decided by the Executive Board in September 2017, the Independent Office of Evaluation of IFAD (IOE) will conduct the first corporate-level evaluation (CLE) on IFAD's contribution to pro-poor value chain development in 2018.
2. International analyses of smallholder agriculture, including by IFAD, indicate that smallholder producers¹ are responsible for a high percentage of agricultural production worldwide but receive a disproportionately low share of its market value.² Facilitating market access for small-scale producers has been a strategic priority for IFAD since 2001,³ to help raise the incomes and improve the livelihoods of the rural poor, if adequate measures are taken into account to mitigate the potentially negative consequences. In many contexts, however, improved access to markets may be a necessary, but not sufficient, condition to sustainably reduce rural poverty.
3. Value chain approaches, initially developed by the private business sector to strengthen comparative and competitive advantage, have gained traction with governments and donor partners as "robust tools to protect threatened links, facilitate upgrading of others to generate greater returns, and to promote foreign direct investment (FDI) programs".⁴ Agricultural value chains have also attracted the attention of international and regional financial institutions, especially to finance off-farm activities and agribusinesses linked to mainstream markets.
4. In the wake of this trend, IFAD's interest and commitment to developing or improving pro-poor value chains have grown significantly since the mid-2000s, in terms of both the number of dedicated operations⁵ and attention to value chains in strategic frameworks.
5. IFAD's Strategic Framework 2011-2015 provided a succinct definition of an agricultural value chain as "the chain of activities through which agricultural goods and services are produced, distributed and consumed". IFAD's commodity value chain development teaser, issued in 2014, defines a value chain as "a vertical alliance of enterprises collaborating to varying 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".⁶ Figure 1 shows a simplified graphic representation of a value chain.
6. Despite the growing international engagement in value chain development, only a few evaluations of work done by international development agencies in support of value chain approaches have been conducted so far, resulting in limited relevant evaluative evidence. Among the few completed assessments (see annex III), an evaluation of Germany's bilateral portfolio between 2003 and 2013 found that promoting agricultural value chains can contribute to poverty reduction and food security for producers through gains in productivity, quality and marketing. However, participation was contingent upon having a minimum level of resources and entry barriers existed for the poorly endowed in land, knowledge and capital,

¹ This evaluation uses the terms "smallholder farmer", "smallholder producer", "small-scale farmer", "small-scale producer" and "family farmer" interchangeably, although in other contexts they may have different nuances.

² In 2013, it was estimated that up to 80 per cent of food in Asia and sub-Saharan Africa was produced by smallholder farmers. From Arias P, David Hallam, Ekaterina Krivonos, and Jamie Morrison, *Smallholder integration in changing food markets*, Food and Agriculture Organization of the United Nations (FAO), 2013.

³ Rural Poverty Report, IFAD, 2001.

⁴ World Bank, *Building Competitiveness for African Agriculture*, 2010.

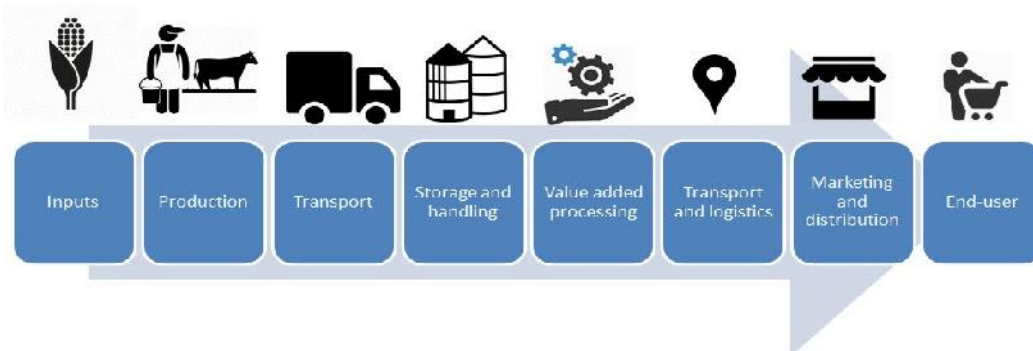
⁵ Thematic study on pro-poor rural value chain development, IFAD, unpublished, 2011.

⁶ These are similar to definitions provided elsewhere, for example in Kaplinsky and Morris 2002, in World Bank, *Building Competitiveness in Africa's Agriculture*, 2010.

and for women. The sustainability of chains depended on the robustness of contractual relationships and degree of cohesion among actors.

Figure 1

A schematic representation of a value chain in the agrifood sector



Source: CLE 2017.

7. Other evaluations, conducted by the Asian Development Bank and Denmark Development Cooperation (Danida), concluded that the work done had focused mainly on supply and production, and less on transformation and value addition, and had not addressed broader agricultural value chain issues. While large agribusiness firms appeared to have obtained benefits, other value chain actors, including poor producers, required additional support. The evaluations agreed that value chain effectiveness is contingent upon a supportive institutional and regulatory environment, infrastructure, market information and business services.

II. IFAD's engagement in pro-poor value chains

A. The strategic framework

8. Improving access to markets for the rural poor has been one of the cornerstones of IFAD's approach to rural development. The focus has evolved over the years from an initial emphasis on physical infrastructure, input supply and increased production and productivity, to supporting the rural poor in accessing markets and establishing stronger market linkages, as well as improving access to rural financial services. The importance of pro-poor value chains has been reflected accordingly in the corporate strategic frameworks.
9. The Strategic Framework 2007-2010 highlighted a lack of market access as one of the determining factors of poverty among poor rural producers, and identified value chain analysis as a key element in addressing it. It also recognized that the implications for the rural poor of emerging factors, including "global value chains", were "by no means certain".
10. The vision set forth in the Strategic Framework 2011-2015 in support of the pursuit of Millennium Development Goal 1 focused on small-scale agriculture, which was to be economically viable, profitable, environmentally sustainable and integrated with "the range of non-farm sectors that contribute, more or less directly, to agricultural value chains". Value chains were to be at the centre of IFAD's rural development strategy to generate opportunities for increased incomes and employment; both on-farm, through increased and better-quality production, and off-farm, through ancillary and value-adding services. At the same time, the Strategic Framework also recognized that gender inequalities might affect fair integration of poor rural women into value chains.
11. The vision embedded in the current Strategic Framework 2016-2025, of an "inclusive and sustainable rural transformation", calls for improved and sustainable livelihoods for all rural poor people as a goal to be achieved through national

processes of economic growth that do not undermine the natural resource base.⁷ Strategic objective 2, “increase poor rural people’s benefits from market participation”, states that value chains are major features of IFAD’s operations. Public-private-producer partnerships (4Ps) are identified as one of the mechanisms to be developed around value chains, for the mutual benefit of all stakeholders.

12. Private sector engagement. The strategy on deepening IFAD’s engagement with the private sector, issued in 2011, focuses on how IFAD intends to engage with the corporate private sector, defined as for-profit businesses or companies that are not owned or operated by government. The strategy makes extensive reference to value chains and underlines the central role of farmers’ organizations in raising farm gate prices and improving the incomes of small farmers within value chains.
13. Another highly relevant document is the 2009 Rural Finance Policy, which does not make specific provision for value chains but envisages innovative products that could target actors throughout the agricultural value chains. The strategy articulates six principles, which also apply to value chain development: (i) support access to a variety of financial services; (ii) promote a wide range of financial institutions, models and delivery channels; (iii) support demand-driven and innovative approaches; (iv) encourage market-based approaches; (v) develop and support long-term strategies focusing on sustainability and poverty outreach; and (vi) participate in policy dialogue.
14. Other key policies and strategies play an important role in defining the corporate approach to pro-poor value chain development: the 2008 Targeting Policy, 2010 Climate Change Strategy, 2012 Policy on Gender Equality and Women’s Empowerment and 2011 Environment and Natural Resource Management Policy. In addition, other corporate guidelines and procedures may have a bearing in shaping how IFAD’s initiatives and interventions address pro-poor value chains.

B. Portfolio and instruments

15. IFAD’s traditional financial instruments to support rural development have included loans to governments as well as grants to governmental and non-governmental actors, including private for-profit entities. In addition, IFAD engages in non-lending activities such as policy dialogue, partnership development and knowledge management. A list of value chain-related publications issued by IFAD between 2012 and 2016 is included in annex 2. IFAD documentation highlights the importance of partnerships with: (i) governments, for project implementation and policy dialogue; (ii) other international organizations, to jointly finance large programmes and work with governments on policy dialogue; and (iii) the private sector, including 4Ps, to build mutually beneficial partnerships between the public sector, the private sector and small-scale rural producers.⁸
16. Based on a preliminary review, table 1 provides an initial summary of existing and planned IFAD-supported activities for pro-poor value chain development in the form of lending and non-lending instruments. In addition, in December 2017 the Executive Board approved the Smallholder and Small and Medium-sized Enterprise Investment Finance Fund (SIF), to provide: (i) direct lending to small and medium enterprises in agribusiness; and (ii) financing of microfinance intermediaries.

⁷ In line with Agenda 2030, the definition of poor rural people includes, in addition to smallholder farmers, “land-poor and landless workers, women and youth, marginalized ethnic groups and victims of disaster and conflict”.

⁸ Regarding 4Ps, the Strategic Framework 2016-2025 highlights the importance of investing in public goods and a supportive policy framework to stimulate and scale up responsible private investments in food and agriculture value chains, benefiting smallholder farmers by giving them access to secure markets, technology and services, and other rural people by creating off-farm jobs along value chains and across the larger rural economy.

Table 1
Tentative list of approaches supported by IFAD's interventions for value chain development

<i>ELEMENT</i>	<i>EXPECTED LINKAGES TO PRO-POOR VALUE CHAIN DEVELOPMENT</i>
Physical/market Infrastructure	Value chain efficiency depends on the existence of a minimum threshold of physical infrastructure (e.g. roads, electricity and storage).
Matching grants	Expected to bridge gaps in term financing without distorting lending rates, especially in higher risk and untested but potentially innovative segments.
Value chain platforms	Facilitate value chain development by building trust, developing a common vision among actors and identifying potential issues in the enabling environment.
Contract farming	Projects support farmers' organizations to increase, improve and plan their production, and negotiate with actors operating at the marketing and processing levels.
Public-private-producer partnerships (4Ps)	Preparation of business plans jointly by the private sector and producer groups to be supported by the public sector, with funding coverage also extending to product and process upgrading, storage and other common facilities.
Upgrading processing technology	Improved crop and livestock technology can increase demand for farmers' output, raise prices and reduce waste.
Market intelligence	Platforms provide data on market prices and other conditions and are expected to help inform decision-making by producers on where, what and when to sell (tested in some grants).
Social capital formation for smallholder producers' organizations	The success of value chain interventions depends critically on the ability of producer organizations to effectively engage in contracts and partnership arrangements.
Policy dialogue and legal, regulatory and institutional reform	To improve the enabling environment: agribusiness and market regulations; sourcing and fiscal policies for smallholders and small and microenterprises; responsible private investment guidelines, trade policy and promotion; food quality, safety and traceability.
Partnerships	Bringing actors with specific knowledge, experience and functions related to value chains into the picture.
Knowledge management	Capitalizing on IFAD's own experience or that of other organizations so as to shorten the learning curve.

Source: IOE 2017, based on a preliminary document review.

17. Loan portfolio. The share of IFAD-supported projects that include work on markets and value chains has risen over time. A 2011 IFAD study⁹ found that prior to 1999 only 3 per cent of projects had addressed value chains, while in 2009 an estimated 46 per cent of projects had done so, most of them approved after 2004.
18. According to a more recent stock-taking exercise by the Policy and Technical Advisory Division (PTA), during the period 2012-2016, 99 of the 126 project loans (or 78.6 per cent) approved by the Executive Board had value chain components ("value chain in-depth"). IFAD's financing of these loans was US\$2.88 billion, equivalent to about 84 per cent of the total (US\$3.43 billion) during the period. As explained further below, the above classification of projects as "value chain in-depth" will be validated in the course of the CLE.
19. IFAD staff resources dedicated to value chain development include the Rural Markets and Enterprises Unit, with three Professional and one General Service full-time staff members. A pool of consultants is also available for project design and supervision, managed by the regional divisions. In addition, specialists in the regional divisions and in other PTA teams also contribute to work in this domain.

⁹ Thematic study on pro-poor value chain development, 2011.

- C. A theory of change for IFAD's approach to pro-poor value chain development
20. Figure 2 presents a proposed logic of intervention to guide support to pro-poor value chains. This scheme will be revised in the course of the evaluation, to reflect its findings. The first level includes the corporate strategies, policies, resources and instruments that IFAD brings to bear in all its initiatives and interventions, at the global and national level (upper box). Below it is the country level, including national strategies, national institutions and actors, and IFAD strategies (country strategic opportunities programmes [COSOPs]).
 21. Further below is the level of IFAD-funded interventions, addressing the context and challenges faced by the poor, such as the inability to produce goods in adequate quantity and quality to meet demand from the markets within reach; or the lack of access to remunerative markets for their produce; and the lack of skills, competencies and resources required to negotiate fair and equitable returns and risk-sharing agreements with private sector actors.
 22. IFAD-funded projects entail a range of possible modalities of work (second column), from the supply of inputs, public goods, infrastructure and finance to contractual arrangements and policy engagement that generate changes in the way value chain actors operate (third column).
 23. This in turn is expected to improve profitability across the value chain, particularly for the poor, through direct and indirect outcomes (fourth column),¹⁰ such as higher farm gate prices for smallholder producers, more job opportunities, larger product volumes and higher quality, and better integration of producers, without compromising the stock of natural resources. The final impact (fifth column) would include improvements in incomes, assets and food security of the rural poor. For simplicity of presentation, the graphic scheme does not differentiate between community, household and intra-household changes, although these can be important from IFAD's perspective, e.g. the different effects on household members of different gender and age.

¹⁰ The direct or indirect nature of outcomes may be less important than their size. Outcomes may be indirect but high (as in the case of policies or market shifts affecting farm gate prices).

Figure 2

A proposed schematic presentation of IFAD approach to pro-poor value chain development

Source: IOE elaboration, 2018.

III. Evaluation framework

A. Objective

24. The CLE has two objectives: (i) to provide an assessment of IFAD's performance in supporting the development of pro-poor value chain development, and how this work contributed to achieving IFAD's mandate of rural poverty reduction and inclusive and sustainable rural development; and (ii) to identify opportunities for improvement and make recommendations to enhance IFAD's approach to value chain development as a means to rural development and poverty reduction.
25. Scope. The time frame for this evaluation will be the period 2007 to end-2017. The evaluation will address three levels of analysis. First is the corporate level, which includes policies, guidelines, capacity, resources and business processes at IFAD applicable to value chain support.
26. The second is the country level and comprises the national context, strategies, policies and institutions. At this level the evaluation will also assess non-lending activities such as knowledge management, partnership development and policy dialogue.
27. The third level includes operations such as loan-funded projects or grants. The CLE will review project-level activities when their design calls for supporting part or all of a value chain; when they include a value chain analysis; and when they explicitly address value chain constraints. It is understood that the boundary between

operational and non-lending activities may not always be clear-cut and some activities may span both the second and third level.

28. The CLE will also selectively review evaluative work completed by IOE during the period that is pertinent to the theme. Part of this evaluative work concerns loans or COSOPs prepared before 2007. This is justified by the importance of studying the evolution of the corporate conceptualization and practice in supporting pro-poor value chain development.
29. Criteria. In line with the 2015 Evaluation Manual, this CLE will analyse IFAD's work according to the following four criteria: relevance, effectiveness, efficiency and sustainability. Aspects concerning changes in rural poverty indicators will be treated under the effectiveness criterion, since available evidence may be limited by the relatively early implementation stage of the IFAD-funded portfolio addressing value chain development.
30. In consideration of their strategic and policy priority for IFAD in rural poverty reduction, and of their relevance to value chain development (as acknowledged in the Strategic Framework 2016-2025), the following specific thematic areas will be covered in the evaluation: gender equality and women's empowerment, nutrition and youth, natural resource management and climate change adaptation. The fact that some of these, e.g. nutrition and youth, were only recently adopted as corporate priorities will be duly taken into account during the CLE.

B. Key evaluation questions

31. The overarching questions of this CLE are as follows:
 - (a) Is the IFAD approach to pro-poor value chain development an effective way to sustainably reduce rural poverty? To what extent, under what conditions and for whom?
 - (b) To what extent are IFAD's organizational set-up and instruments conducive to designing and supporting effective pro-poor value chains?
32. Specific questions to be addressed are presented both below and in greater detail in annex 1. They will be further refined and articulated as required for each level of analysis. Furthermore, an underlying hypothesis of this evaluation is that a value chain approach may not be required for all traditional IFAD-funded interventions that focus on basic needs and productivity improvements, or in those instances where these are combined with market access facilitation. Conversely, a set of conditions may have to be satisfied before adopting a pro-poor value chain approach.
33. Under relevance, the evaluation will explore to what extent: (i) IFAD-supported value chain approaches are in line with national and project area needs, public strategies and policies, as well as IFAD's corporate mandate, policy objectives and strategies; (ii) the supported approaches target the needs of the rural poor, particularly disadvantaged categories or special interest groups such as women, indigenous peoples, youth, landless or quasi-landless people and persons with disabilities; (iii) interventions are based on sound diagnostics; and (iv) knowledge generated by IFAD experience has been taken into consideration by IFAD itself and its partners.
34. As for the effectiveness of value chain approaches, key questions relate to the changes to which interventions contributed, in terms of: (i) pro-poor functioning of specific segments of the chains (e.g. fairness and transparency of price formation, access to information, increasing competition and mitigation of the negative effects of local monopolistic/monopsonistic mechanisms); (ii) capacity and behaviours of individual producers and empowerment of producers' organizations; (iii) capacity and behaviours of other key value chain actors; (iv) engagement with value chain actors, including the private sector; (v) establishment of private-public cooperation

initiatives; (vi) community, household and intra-household welfare (incomes, assets, human and social capital, food security); (vii) pro-poor changes in the policy, normative and regulatory environment at the national or local level. The evaluation will also determine the key conditions to be met for IFAD-supported value chain interventions to achieve the stated goals of inclusive development for all.

35. Regarding efficiency, the evaluation will seek to explore factors that have enhanced or constrained the use of resources in supporting value chain approaches. Questions may thus relate to: (i) the degree to which partnerships have been crafted to exploit comparative strengths, competencies and experience of key actors – government and public entities, private entrepreneurs, donors and technical assistance organizations, non-government and civil society organizations; (ii) given the special role that governments play in IFAD-funded development interventions, to what extent projects have paid attention to upgrading the skills and knowledge of key government and project staff; (iii) the financial and non-financial instruments available to IFAD and its partners to support value chain interventions, including South-South and Triangular Cooperation; (iv) how IFAD's organizational structure, human resources, expertise and budgets have been used to support design and implementation of the evaluated interventions, and how increased decentralization may affect support to value chain development; and (v) implementation performance indicators of value chain projects, compared with IFAD's projects in other domains.
36. Under sustainability, the evaluation will seek to explore factors that may support or hinder a continued stream of benefits to the intended users. Key questions will thus refer to: (i) the social, economic and technical appropriateness of new technologies introduced at various levels of the pro-poor value chains; (ii) the profitability of interventions and approaches promoted for poor households and other key value chain actors; (iii) the degree of support from public actors and agencies; (iv) participation and consistency of interests of private sector actors; (v) likely volatility of market conditions for certain goods and products; (vi) integration of measures for natural resource management and climate change adaptation at design or during implementation so as to stimulate producers' resilience; and (vii) development of risk-management arrangements to cope with different types of risks (e.g. price, climate).

C. Data collection and analysis

37. Identification of the value chain portfolio. As noted, PTA has developed a database of projects that have addressed value chain development since 2012. Using the same indicators, this CLE will validate the database, add relevant projects approved during the missing years (2007-2011) and identify, through research in corporate systems and discussions with IFAD staff, additional interventions such as grants or international events approved or carried out during the evaluation period that have an explicit and specific focus on value chain development.
38. Analysis of available data on the value chain portfolio. Once the value chain portfolio has been established, data and information will be extracted to complement the database with: (i) data on financials and key project milestones (e.g. approval, entry into force, first disbursement, original and actual completion and closure) and self-assessment ratings, from the Grants and Investment Projects System (GRIPS) and Flex cube databases; (ii) information on commodities addressed, modality of support, partners and other characteristics, from project design, supervision, implementation support and completion reports. IOE also maintains the Annual Report on Results and Impact of IFAD Operations (ARRI) database on evaluation ratings, which will be used for already evaluated projects. The above data will be processed in qualitative and quantitative manners and analysed in order to obtain: (i) descriptive statistics (e.g. frequencies, averages,

variance and modal values); (ii) inferential statistics on the significance of differences; and (iii) correlations and associations. The use of software such as NVIVO and STATA is envisaged.

39. Sample of relevant projects. The validated database of value chain projects will enable the CLE to develop a purposive (non-random) sample of projects for in-depth analysis. The CLE team will consult with the Programme Management Department and other IFAD divisions in this process. Tentatively, the sample will include 20 to 25 projects, selected on the basis of the following parameters:
- (a) Date of design and approval: a mix of projects approved throughout the evaluation period will be selected, to capture the evolution of IFAD's approach to value chain development. Inter alia, this will take into account the introduction of strategic documents such as the 2011 Private Sector Strategy and the strategic frameworks;
 - (b) Typology of organizational model and activities: insofar as possible, the sample will include: (i) different approaches (figure 1) to value chain development; (ii) different driving models, i.e. producer-, buyer- or intermediary-driven; and (iii) different commodity types, e.g. staple crops, cash crops, animal-related produce, perishable and non-perishable products.
 - (c) Engagement with the private sector will be reviewed with particular interest: the sample will include projects that envisaged partnerships with private actors, including 4Ps, and that have established value chain platforms for value chain actors.
 - (d) Geographical areas: the sample will include experiences from different regional divisions.
40. Case studies of IFAD value chain portfolio. The CLE will carry out case studies of the selected sample of projects. These will be a mix of "exploratory" (aiming at generating hypotheses for later investigation, particularly for earlier desk-based case studies), "critical instance" (examining a single instance of a unique item of critical interest for the evaluation) and "programme effects" (seeking to understand emerging effects and the main factors) case studies. The overall CLE will act as a cumulative case study, bringing together findings from several case studies against the CLE criteria, questions and thematic areas.¹¹ The case studies will include a desk review and country visits:
- (a) Desk review: tentatively, about two thirds of the sample will be analysed drawing on project design reports, mid-term reviews, supervision and project completion reports, relevant country strategy and programme evaluations, impact evaluations, project performance evaluations and project completion report validation reports, as appropriate.¹²
 - (b) Country visits: depending on resources and time available, for about a third of the sample the desk review will be complemented by a mission.¹³ Other things being equal, countries with more than one project will be selected, to make for a more efficient use of time and budget resources, and better comparison across projects. The country visits will allow for: (i) interactions with the responsible government departments and senior managers, on project aspects and on the collaboration with IFAD in the area of value chain development; (ii) in-depth discussions with value chain project staff,

¹¹ For a general introduction to and classification of case studies, see: US General Accounting Office (1990) Case Study Evaluations, Washington, D.C.

¹² Past evaluative works that have treated selected aspects of value chains include, inter alia, the CLE on the private sector strategy (2011), an Evaluation Synthesis on Smallholder Access to Markets, Country Strategy and Programme Evaluations in Ghana (2012), Republic of Moldova (2013), Cameroon (2017), as well as impact evaluations and project performance evaluations in Sri Lanka (2013), Mozambique (2015) and Ghana (2018).

¹³ Projects already evaluated by IOE will not be included in the list of suitable projects to be directly assessed by the CLE team.

participants, partners and other stakeholders; and (iii) direct observation of physical achievements and results for the beneficiaries. Depending on the need for information needs and available time and resources, and for projects sufficiently well advanced in implementation, field visits may be supported by mini-surveys of project beneficiaries. Attention will be paid to already available remote sensing data.¹⁴

41. Information from upcoming IOE evaluations and syntheses. Evaluative evidence will be complemented by evaluations at the project and country level to be conducted in 2018. Annex III includes a tentative list of the relevant ongoing and upcoming evaluations and syntheses.
42. Assessment of IFAD value chain knowledge products and other documents. The CLE will analyse a number of relevant knowledge and strategy documents, as follows:
 - (a) All knowledge products relevant to value chain development (see tentative list in annex II, to be completed in collaboration with IFAD staff); these will be analysed in terms of coherence with IFAD's strategies and policies, and the technical quality of the content and presentation. A possible additional step will be a simple on-line survey of intended users, to canvas views on the relevance and usefulness of each product;
 - (b) Strategic frameworks, and other strategies and policies, to determine how well the commitment to value chain development is reflected in the theoretical framework; and
 - (c) All COSOPs approved since 2007, to identify references and programmatic commitments to value chain development.
43. Management self-assessments. In line with evaluation policy and past experience, Management will prepare a self-assessment based on key questions prepared by IOE. The self-assessment will be presented and discussed at an internal workshop to be held in early 2018. The assessment will be in the form of an internal document, not for publication.
44. Key informant interviews. The CLE will carry out semi-structured interviews with IFAD staff at different levels and locations, including Management and key staff in relevant departments and decentralized offices. The interviews will focus on various aspects of IFAD's work on value chain development. The CLE team will also interact with selected members of the Executive Board. Interviews will then be held with representatives of NGOs, think tanks, private sector organizations, farmers' organizations and civil society organizations.
45. An electronic survey will be developed to capture the knowledge, views and experience of IFAD managers and operational staff, as well as technical staff from government agencies, managers of IFAD-funded projects and other relevant partners such as the private sector and producers' associations. The survey will be anonymous, and it will not be possible to track the individual respondents.
46. Analysis of partnerships with peer organizations and the private sector. The evaluation will review selected partnerships with peer organizations, including United Nations agencies and international financial institutions, technical assistance agencies, NGOs and private sector actors including multinational corporations, that IFAD entered into in order to promote and develop pro-poor value chains.
47. Analysis of relevant experience in partner organizations. The CLE will collect information on value chain development work, and selectively carry out interviews with staff concerned in selected organizations, representing financial institutions such as the World Bank, African Development Bank, Asian Development Bank and

¹⁴ For instance, based on work done by the West and Central Africa Division in Senegal, Cameroon and Mali.

Inter-American Development Bank; bilateral cooperation agencies such as Agence Française de Développement, Danida, the German Agency for International Cooperation (GIZ), the Netherlands Development Organization and the United States Agency for International Development; and United Nations system agencies such as FAO and the United National International Development Organization. Annex III presents excerpted studies from recent evaluations conducted by other organizations.¹⁵

D. Constraints

48. As pro-poor value chain development is a relatively recent priority at IFAD, not all projects will have undergone sufficient implementation time by mid-2018 to provide information on results and impact, and very few will have been evaluated. This will limit the ability to assess ex post results, particularly at the community, household and intra-household level. However, it is expected that the evaluation will be able to collect information on the implementation progress of a number of recent projects as well as from recent evaluations.
49. In addition, an early review of the documentation and preliminary interviews suggest that there has been a continuum in the extent to which programmes have progressively moved, from improving physical market access, to integrating discrete single aspects, or multiple elements, of a value chain approach. Thus, the CLE may initially include in its analysis, projects that referred to a comprehensive value chain approach in the project design report even though it was not entirely reflected in practice. An initially broader selection seems nevertheless preferable to the risk of excluding projects that might have achieved positive results in this area and could offer important lessons.

IV. Evaluation process

50. Phases. The CLE will be undertaken in six phases: (i) inception, whereby the evaluation questions and methodology proposed in this approach paper will be further refined and specific data collection instruments will be developed; (ii) information gathering at headquarters by means of a review of documentation and interviews with Executive Board representatives, Management and staff members; (iii) design, implementation and analysis of an e-survey; (iv) selected country case studies; (v) data analysis; and (vi) reporting to share emerging findings with Management and finalize the report, Management's response, and dissemination of the evaluation's conclusions and recommendations.
51. Deliverables, review process and feedback. The main deliverables are the approach paper, the final evaluation report and an evaluation profile.¹⁶ The Evaluation Committee will review the draft approach paper, and their comments will be considered in the design and implementation of the evaluation. Management will be invited to provide written comments on the draft approach paper and draft final report. IOE will prepare an audit trail, which will illustrate how Management comments were treated in the final versions of both documents.
52. Evaluation team. Under the overall strategic direction of Oscar A. Garcia, Director, IOE, the CLE will be led by Deputy Director Fabrizio Felloni. The team will include a senior evaluation expert, Tullia Aiazzi, in the role of lead consultant. In addition, the team will comprise two to three senior consultants, whose professional background and experience (in value chain analysis, agribusiness, marketing, socio-economic field surveys) will complement the required competencies pool. National consultants will support case studies. Two Rome-based evaluation analysts will compile desk review materials for case studies and programme portfolio

¹⁵ The African Development Bank is finalizing an evaluation on agricultural value chains. This will be included in the analysis when the final report is available.

¹⁶ Profiles are among the key IOE communication products, and are produced at the end of the evaluation once the report has been finalized. The profile will contain a summary of the main evaluation findings and recommendations.

analysis and prepare desk review notes. As per previous practice, a senior international evaluation expert with experience in value chain assessment will act as independent advisor to provide comments on the draft and final report, and additional technical support as required.

53. Timetable. The evaluation will be conducted in 2018 and completed in 2019.

Table 2
Evaluation timetable (tentative)

<i>Activity</i>	<i>Date</i>
Peer review of approach paper	12 January 2018
Approach paper to IFAD Management	15 January 2018
Comments from IFAD Management on approach paper	28 January 2018
Approach paper sent to Office of the Secretary (SEC)	2 February 2018
Team internal meetings in Rome	19-20 February 2018
Desk review	February-April 2018
Discussion of approach paper with IFAD's Evaluation Committee	23 March 2018
Inception paper and final workplan	End-March 2018
Self-assessment workshop with Management	May 2018
Data collection and field missions	June-September 2018
Report drafting	October 2018-January 2019
IOE peer review of main report	Early February 2019
Report shared with Management	End-February 2019
Comments from Management	End-March 2019
Report finalized	End-April 2019
Discussion Evaluation Committee	June 2019
Discussion Executive Board	September 2019

Evaluation matrix

<i>Evaluation criteria</i>	<i>Evaluation questions</i>	<i>Indicators</i>	<i>Data sources</i>
	<p>Overarching questions:</p> <p>Is the IFAD approach to pro-poor value chain development an effective way to sustainably reduce rural poverty? To what extent, under what conditions, and for whom?</p> <p>To what extent are IFAD's organizational set-up and instruments conducive to design and support effective pro-poor value chains?</p> <p>Corollary questions:</p> <p>To what extent has the traditional target group of the Fund, i.e. the rural poor and their households, benefited or continue to benefit from IFAD-supported value chain (VC) interventions, also in comparison to other social and economic actors?</p> <p>To what extent has the IFAD approach to VC development contributed, or continues to contribute, to the achievement of IFAD's mandate and goals, also taking into account the Sustainable Development Goals?</p> <p>What are the key conditions that have to be met for IFAD-supported VC interventions to achieve the stated goals of inclusive development for all, and how widespread are these?</p>		
Relevance	<p>Extent to which IFAD's VC development approach is consistent with the corporate strategic frameworks and other policy objectives and instruments, including in the light of their combined effects.</p> <p>Extent to which IFAD-supported VC approaches are in line with governments' policies and strategies.</p> <p>Extent to which IFAD-supported VC approaches target the needs of the rural poor, particularly disadvantaged or special interest groups (e.g. women, indigenous peoples, youth, landless or quasi-landless people and persons with disabilities).</p> <p>Extent to which poor rural producers participate in the identification of VC products and models, in IFAD-supported</p>	<p>Coherence and mutually reinforcing goals.</p> <p>Improvements in the livelihoods of poor participants.</p> <p>Socio-economic characteristics of participants.</p> <p>Producers' ownership of the initiative.</p>	<p>IFAD strategic frameworks and policies.</p> <p>Governments' policies in case study countries.</p> <p>Relevant project documents; past and ongoing evaluations.</p> <p>Interviews with IFAD staff, project staff, governments and other stakeholders; e-survey.</p> <p>Case studies; interactions with project participants at national and local level.</p> <p>IFAD knowledge products.</p>

<i>Evaluation criteria</i>	<i>Evaluation questions</i>	<i>Indicators</i>	<i>Data sources</i>
	VC interventions.		
	Extent to which IFAD-supported VC interventions are based on sound diagnostics and integrate a systematic value chain analysis in project designs.	Number of VC interventions that integrated a VC analysis.	
	Extent to which knowledge generated from IFAD experience has been taken into consideration by IFAD itself and its partners.	Lessons learned explicitly taken into account in successive projects.	
	Relevance of IFAD's knowledge products to VC development.	Requests received by IFAD for copies of each publication.	
Effectiveness	Extent to which interventions have led to pro-poor functioning of entire VCs or segments thereof.	Number of supported value chain interventions explicitly engaged in improving the livelihoods of poor participating households.	Relevant project documents; past and ongoing evaluations.
	Results and impact, positive and negative, of IFAD-supported VC interventions on the household incomes and assets of participants.	Improved incomes, livelihoods and assets of poor households participating in the VCs; increased availability of food throughout the year and elimination of lean periods in poor households participating in the VCs.	Interviews with staff in IFAD, governments, projects and other organizations.
	Results and impact, positive and negative, of IFAD-supported VC interventions on the food security of participants.	Management and technical capacity of producers' organizations; capacity of producers' organizations to negotiate beneficial contracts; number of interventions that have led to fair and transparent contractual agreements favourable to poor participating households.	Case studies; interactions with project participants and VC actors and stakeholders at national and local level.
	Extent to which interventions have changed the capacity and behaviours of key actors in the value chain.	Number of pro-poor private-public cooperation initiatives within the universe of partnerships and of supported projects.	IFAD knowledge products.
	Results and impact of IFAD-supported VC interventions on the capacities of participating producers' organizations and of other stakeholders.		
	To what extent have IFAD-supported VC interventions contributed to empowering the organizations of rural producers?		
	To what extent do IFAD-supported VC interventions that engage with private sector actors, including through 4Ps, contribute to improving the incomes and livelihoods of participating poor rural producers?		
	To what extent do IFAD-supported VC interventions engage private sector actors in transparent and fair contractual relationships with poor rural producers?	Examples of VC related policies and	

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	<p>Results of IFAD's efforts in policy dialogue on VC development and normative frameworks at the national level.</p> <p>Use and usefulness of IFAD's knowledge products on VC development.</p>	<p>strategies linked to IFAD's interventions.</p> <p>Examples of use in IFAD's supported projects.</p>	
Efficiency	<p>The degree to which partnerships have been crafted to exploit comparative strengths, competencies and experience of key actors (e.g. government and public entities, private entrepreneurs; donors and technical assistance organizations, non-government and civil society organizations).</p> <p>Extent to which projects have paid attention to upgrading skills and knowledge of key government and project staff.</p> <p>Financial and non-financial instruments available to IFAD and its partners to support VC interventions, including South-South and Triangular Cooperation.</p> <p>How IFAD's organizational structure, human resources, expertise and budgets have been used to support design and implementation of the evaluated interventions and how increased decentralization may affect support to VC development.</p> <p>Average implementation performance of VC projects compared with IFAD projects in other domains.</p>	<p>Integration of complementary contributions according to each organization's comparative advantage.</p> <p>Share of resources dedicated to capacity development; quality of the capacity development opportunities.</p> <p>Examples of positive results for the different instruments.</p> <p>Quality and timeliness of technical support to project teams at agreed milestones and when requested.</p> <p>Comparison between the performance of VC interventions and IFAD's average on selected performance indicators, e.g. time elapsed between implementation milestones, delivery of the portfolio, projects' extension.</p>	<p>Relevant project documents; past and ongoing evaluations.</p> <p>Interviews with staff in IFAD, governments, projects and other organizations; e-survey.</p> <p>IFAD corporate information systems.</p> <p>Case studies; interactions with project participants and VC actors and stakeholders at national and local level.</p>
Sustainability	<p>To what extent have governments assumed ownership and leadership of VC development, including in their policy frameworks?</p> <p>What is the likelihood that the benefits generated by IFAD-supported VC interventions will continue after the completion of planned activities?</p> <p>What is the degree of profitability of interventions and approaches promoted for poor households and other key actors?</p>	<p>Degree of support from policy makers, policy and regulatory environment, strategies and programmes.</p> <p>Analysis of cost and revenues for producers and VC actors; resilience to market volatility; long-term economic and financial projections.</p>	<p>Relevant project documents; past and ongoing evaluations.</p> <p>Interviews with staff in IFAD, governments, projects and other organizations.</p> <p>Case studies; interactions with project participants and VC actors and stakeholders at national and local level.</p>

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	<p>Extent to which risk-management arrangements were developed to cope with the different types of risk (price, climate).</p> <p>What are the prospects of sustainability for the partnerships developed by IFAD-supported VC interventions?</p> <p>To what extent are the new technologies introduced at the various levels of the pro-poor value chains economically, socially and technically appropriate and sustainable over time?</p>	<p>Number of such arrangements in place.</p> <p>Degree of commitment and mutual trust among actors in the specific VC.</p> <p>Degree of adoption of technological innovations and management processes required to continue activities in the absence of external funding.</p>	
Thematic areas			
Gender equality	<p>To what extent have IFAD-supported VC interventions incorporated an adequate gender equality perspective in project design?</p> <p>To what extent have IFAD-supported VC interventions incorporated an adequate gender equality perspective in project implementation?</p> <p>What were the results of IFAD-supported VC interventions on women's positions in their households, workloads, incomes, food security, and leadership positions in their communities and organizations?</p>	<p>Attention paid to: (i) women's time; (ii) addressing perceived gender-related roles and difference; (iii) skills and training needs.</p> <p>Changes in women's access to assets, income, rural organizations, infrastructure workload.</p>	<p>Relevant project documents; past and ongoing evaluations.</p> <p>Interviews with staff at IFAD, governments, projects and other organizations.</p> <p>Case studies; interactions with project participants and VC actors and stakeholders at national and local level.</p>
Nutrition	<p>To what extent have IFAD-supported VC interventions incorporated an adequate focus on nutrition in project design?</p> <p>To what extent have IFAD-supported VC interventions incorporated an adequate focus on nutrition in project implementation?</p> <p>What were the results of IFAD-supported VC interventions on the nutritional status of rural poor participants and of the members of their households?</p>	<p>Changes in the quantity and quality of food available to household members.</p> <p>Changes in household nutritional resilience to seasonal risks.</p>	<p>Relevant project documents; past and ongoing evaluations.</p> <p>Interviews with staff at IFAD, governments, projects and other organizations.</p> <p>Case studies; interactions with project participants and VC actors and stakeholders at national and local level.</p>
Youth	<p>To what extent have IFAD-supported VC interventions incorporated mechanisms to involve youth as participants, in project design?</p> <p>To what extent have IFAD-supported VC interventions</p>	<p>Changes in young people's attitude and interest in value chain activities.</p> <p>Detectable changes in migration patterns.</p>	<p>Relevant project documents; past and ongoing evaluations.</p> <p>Interviews with staff at IFAD, governments, projects and other organizations.</p>

<i>Evaluation criteria</i>	<i>Evaluation questions</i>	<i>Indicators</i>	<i>Data sources</i>
	<p>incorporated mechanisms to involve youth as participants, in project implementation?</p> <p>What were the results of IFAD-supported VC interventions in integrating youth?</p>		Case studies; interactions with project participants and VC actors and stakeholders at national and local level.
Natural resources management	<p>To what extent were the VC approaches in IFAD-supported projects compatible with principles of sustainable natural resources management?</p> <p>To what extent have IFAD-supported VC interventions incorporated measures for sustainable natural resources management in project design?</p> <p>To what extent have IFAD-supported VC interventions incorporated measures for sustainable natural resources management in project implementation?</p> <p>What were the results of IFAD-supported VC interventions on the natural resource base?</p>	<p>Classification of projects according to Social, Environmental and Climate Assessment Procedures (SECAP) review notes.</p> <p>Examples of management practices and effects on environment as well as on the production base for smallholder farmers.</p>	<p>Relevant project documents; past and ongoing evaluations.</p> <p>Interviews with staff at IFAD, governments, projects and other organizations.</p> <p>Case studies; interactions with project participants and VC actors and stakeholders at national and local level.</p>
Climate change	<p>To what extent were the VC approaches in IFAD-supported projects compatible with the need for climate change adaptation?</p> <p>To what extent have IFAD-supported VC interventions incorporated measures for adaptation to climate change and strengthening producers' resilience in project design?</p> <p>To what extent have IFAD-supported VC interventions incorporated measures for adaptation to climate change and strengthening producers' resilience in project implementation?</p> <p>What were the results of IFAD-supported VC interventions on producers' resilience to climate change?</p>	<p>Classification of projects according to the Social, Environmental and Climate Assessment Procedures Review Notes (SECAP).</p> <p>Examples of climate change adaptation practices.</p> <p>Changes in capacity to cope with climate-related phenomena and risks.</p>	<p>Relevant project documents; past and ongoing evaluations.</p> <p>Interviews with staff at IFAD, governments, projects and other organizations.</p> <p>Case studies; interactions with project participants and VC actors and stakeholders at national and local level.</p>

IFAD guidance on value chains

- Commodity value chain development projects, teaser
- Lessons learned: commodity value chain development projects
- How to do: commodity value chain development projects
- How to do: public-private-producer partnerships (4Ps) in agricultural value chains
- How to do: climate change risk assessments in value chain projects
- How to do: livestock value chain analysis and project development
- How to monitor progress in value chain projects
- Agriculture value chain finance strategy and design

Upcoming IOE evaluations in 2018, relevant to the CLE

<i>Country</i>	<i>Projects relevant to the CLE (tentative)</i>	<i>Project approval year</i>	<i>Coverage by evaluation type</i>
Burkina Faso	Rural Business Development Services Programme	2009	Country strategy and programme evaluation
	Participatory Natural Resource Management and Rural Development Project in the North, Centre-North and East Regions (Neer-tamba Project)	2012	
	Agricultural Value Chains Promotion Project	2017, project at early stage	
Côte d'Ivoire	Agricultural Rehabilitation and Poverty Reduction Project	2009	Project performance evaluation
Kenya	Smallholder Horticulture Marketing Programme	2007	Impact evaluation
	Kenya Cereal Enhancement Programme – Climate-Resilient Agriculture Livelihoods	2015, project at early stage	Country strategy and programme evaluation
Mexico	Community-based Forestry Development Project in Southern States	2009	Project performance evaluation
	Sustainable Development Project for Rural and Indigenous Communities of the Semi-arid North-West Rural Productive Inclusion Project	2005	Country strategy and programme evaluation
Republic of Moldova	Rural Financial Services and Agribusiness Development Project	2010	Project performance evaluation
Rwanda	Kirehe Community-based Watershed Management Project	2008	Project performance evaluation
Sri Lanka	Smallholder Plantations Entrepreneurship Development Programme	2006	Project performance evaluation
	National Agribusiness Development Programme	2009	Country strategy and programme evaluation
	Smallholder Tea and Rubber Revitalization Project (StaRR)	2015, project at early stage	
	Smallholder Agribusiness Partnerships Programme	2017, project at early stage	
Swaziland	Rural Finance and Enterprise Development Programme	2008	Project performance evaluation
Tunisia	Agropastoral Value Chains Project in Médenine (Livestock)	2014	Country strategy and programme evaluation
	Siliana Territorial Development Value Chain Promotion Project (fruit, horticulture)	2016, project at early stage	
Global	IFAD's support to livelihoods involving aquatic resources from small-scale fisheries, small-scale aquaculture, coastal zones and in small island developing states	Evaluations since 2009	Evaluation synthesis
	IFAD's experience in rural finance	Based on past evaluations	Evaluation synthesis

Notes from other relevant evaluations

Asian Development Bank: Evaluation Knowledge Study of Support for Agricultural Value Chain Development, 2012

1. ADB's 2009 Operational Plan recognized the emerging importance of value chains and renewed ADB interest in agriculture and food security. There was an increase in projects addressing agricultural value chains and many commercial agriculture projects included elements of a value chain approach. An evaluation knowledge study of 53 loans (62 per cent of the agriculture and natural resources portfolio) and 50 technical operations with commercial agriculture components brought out these key lessons:
 - Improvements in agricultural value chain effectiveness and efficiency can enhance benefits for all participants in the chain, and contribute to food security and poverty reduction.
 - The emergence of value chains has benefited large agribusiness firms, but small farmers and business too can benefit. To be part of value chain and obtain a higher value or a larger portion of the profits, smallholder farmers and agribusinesses will need to meet demands of more sophisticated retail systems, which present challenges related to perishable products (shelf life), differentiated products, food safety issues, and environmental concerns, under the realm of private standards.
 - Smallholders can be supported to enter and benefit from value chains through improved targeting and a staged approach that builds skills and assets necessary to meet market requirements and improves access to relevant information. Contract farming is one option where ADB has seen some success, although with mixed results.
 - Traditional ADB projects focus on smallholders and the production end with limited recognition of the need for market linkages. To support value chains, it may be necessary to support other actors in the chain, to add value through transformation, and to reach higher value market segments (e.g. organic produce).
 - The study concluded that ADB's primary contribution had been for supply/production end of the chains: access to better inputs, improved technology, higher-yielding varieties led to increase in production and net benefits for smallholder farmers. Many projects had placed greater emphasis in linking farmers to markets, and while these contribute to increased incomes, only a few contributed through entry to higher levels of value addition in chains, or linking with high-value markets.
 - Rural infrastructure development – roads and markets – provide critical connectivity, but must connect areas having competitive advantage with strategic markets. Similarly, location of markets and storage facilities was critical for unlocking potential in value chains.
 - Functioning farmer organizations can reduce transaction costs through economies of scale and aggregation. But capacities also need to be improved in several other areas, such as grades and standards, value chain finance and direct marketing. These were not fully addressed.

Evaluation of Danida support to value chain development, 2016

2. Danida has supported value chain development since 2002. An evaluation of Danida's support used the five-capital framework (natural, human, social, physical and financial capital assets) to assess the outcomes. An excerpt of the findings include the following:
 - Natural capital: Danida-supported interventions contributed in some cases to the adoption of more environmentally friendly production techniques (e.g. in relation to farmers' use of fertilizers and chemicals). However, they did not address the risk of soil degradation, soil erosion or water scarcity.

- Human capital: Interventions contributed to improvements in the human capacity asset base, mainly in terms of improved technical agricultural production skills and food security within poor farming households.
- Social capital: Support was intended to ensure mutual benefits and improved relationships among the value chain players. However, only limited contributions were made to improving relationships between key value chain players, both in vertical and in horizontal linkages.
- Physical capital: Interventions contributed to improvements in physical capacities and facilities for production and processing (new equipment, machinery, storage capacity, cooling facilities, etc.). Despite these, a lack of sufficient and proper equipment for storage and processing continued to be a key obstacle within supported chains.
- Financial capital: Interventions contributed to improved financial capital asset base for targeted households and small and medium enterprises in the short term, mainly through grants, short term loans and increased income. However, a medium- to long-term foundation for further developing this asset base had not been established.
- Most interventions were too production-oriented even in countries where a market mechanism focus would have been preferable. There was more progress at the farm level than at secondary stages of transformation. Employment effects were more in unskilled labour, which were vulnerable to mechanization.
- The value chain development approach was considered worthy of continuation based on proper value chain analysis to identify critical market development issues, and more comprehensive strategic assessments of capacities and incentives of implementing partners, and identification of weak links. There was a need for longer term partnerships with national actors; a public sector engagement model for extension services; and designing interventions based on market pull and a sharper focus on smallholders. The evaluation also recommended the importance of preparing a theory of change and impact logic at design.

The German Institute of Development Evaluation (DEVal), 2016

3. For German development cooperation, promoting agricultural value chains has been an important strategy since 2000. Modernization of agriculture production and processing, combined with increased market accessibility, facilitates generating higher incomes and paid employment in value chains. Since the global food crisis in 2008, development cooperation has made increasing use of VC approaches to support food security. A study in 2016, based on the German bilateral portfolio and covering the period 2003-2013 with 140 projects consisting of 169 VC interventions, attempted to find out whether, how and in what circumstances value chain promotion contributes to poverty reduction or food security. The findings were:
 - Promoting agriculture value chains brought gains in productivity, quality and marketing, and thus contributed to poverty reduction and food security for producers. However, there were barriers to entry for a subset of the poor: the poorly endowed in land, knowledge and capital. These could be reached indirectly at best. Most participants were those with more resources and choices and thus greater risk propensities. Insufficient differentiation of the poorest could lead to inequalities and exacerbate exclusion.
 - It was challenging to reach women effectively because of their limited access to land and other resources and decision-making processes. Also, environmental aspects were not systematically incorporated in the intervention logic of value chains.
 - The scale and reach of impact depended on the product: high-value export products commanded greater economic potential but were susceptible to price fluctuations and global demand trends, and fraught with higher risks. On the other hand,

promoting staple foods for domestic market entailed lower profit margins but also lower barriers for target groups, thus enabling broader scale impacts. This also has a direct effect on food availability.

- Food security: staple value chains contributed to food security by boosting production, minimizing post-harvest losses, improving food quality and safety and increasing local availability of products. However, no evidence was found that non-staple production impaired food security by displacing subsistence farming.
- The sustainability of chains depended on the strength of contract relationships and cohesion. A challenge was that newly created groups withered after support was withdrawn.

Preliminary bibliography

The list includes documents that were or will be consulted in future. Additional documents will also be added in the course of the exercise.

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