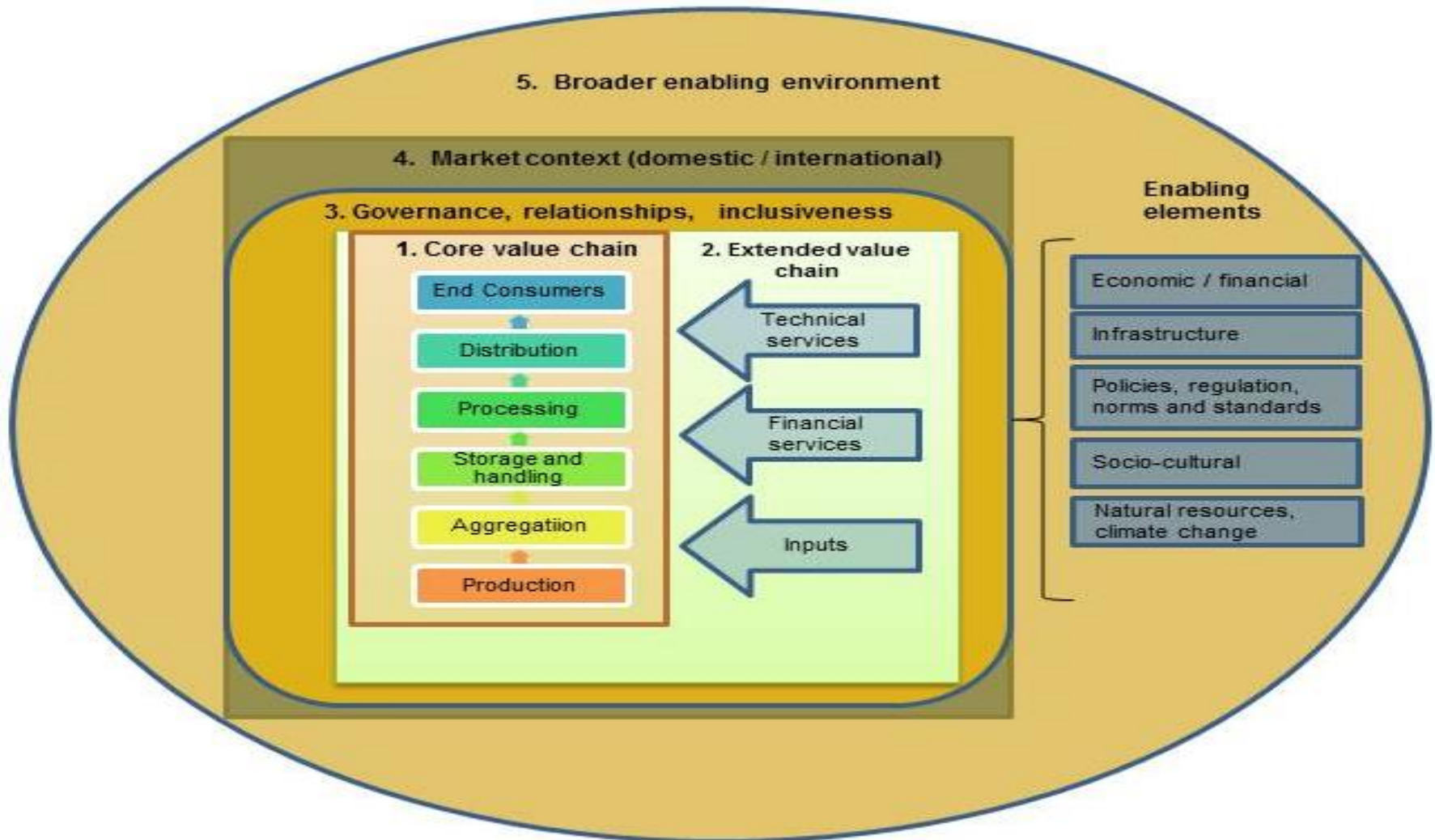




# Corporate-level Evaluation IFAD's Engagement in Pro-poor Value Chain Development

105<sup>th</sup> Session of the Evaluation Committee, 19 June 2019

# Value chains as complex multi-layered systems



# Large increase in proportion of value chain projects at IFAD

	IFAD7 (2007-2010)	IFAD10 (2016-2018)
Proportion of value chain projects approved	41.5%	72.3%
IFAD funding of value chain projects as a proportion of POLG	50%	81%

- IFAD has **no corporate strategy** on pro-poor value chain development to provide conceptual clarity and guidance
  - Combined with heterogeneous country contexts, led to variable interpretations and approaches
- Insufficient emphasis on **skills** of IFAD staff and of project management teams in the field

# Project design has improved but analytical gaps remain

- Based on the review of 77 projects in 29 countries
- Design evolved from support to primary production, adding components on access to markets, and value chain development
- However, the majority of designs lacked:
  - Analysis of **preparedness** for value chain approach
  - **Market intelligence** analysis to select commodities and segments of the value chain
  - Attention to **information technology** to reduce transaction costs and enhance market transparency

# Managing risks

- Most projects have taken into account primary production and infrastructure-related risks
- Less focus on:
  - **Market and price risks** (e.g., price crash due to over-supply)
  - **Policy and regulatory environment risks** (exceptions in Sudan and Kenya)
    - Regulation, verification of product standards, labelling, and food safety, a priority in the future



# Value chain governance

- Addressed in some way by 66% of projects reviewed
- Most commonly: **purchase agreements** (producers-buyers); some cases of public-private-producer-partnerships (**4Ps**).
  - For producers, better access to markets, higher prices. But they continue to be in weak bargaining position, prone to market risks
- **Multi-stakeholder platforms** in 20% of projects reviewed. Improved communication, transparency, and dispute resolution.
  - Improved bargaining position of small-scale producers

# Financial services

- Projects offered **conventional rural finance services**, rather than instruments specific to value chain financing
- Effective at providing basic financial services to primary producers
- Less so in financing small and medium enterprises and cooperatives
  - Can not offer prompt cash payment to producers → side-selling
- Why? 1) traditional IFAD focus on financing small producers; 2) little partnering with specialized organizations and impact investors

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

## Factors promoting outreach

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

## Less successful when

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



# Mapping of emerging findings

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

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

# Key points

- Major increase in value chain portfolio
- No strong corporate guidance.
- Project design has clearly evolved; some analytical gaps remain
- Support to conventional rural finance instruments rather than value chain specific instruments
- Outreach to the very poor in a value chain context is feasible but requires attention to enabling factors
- Strongest cases of value chain development and poverty reduction linked to IFAD's longer experience in the area and support to value chain governance

# Recommendations

1. Prepare a corporate strategy for IFAD's support to pro-poor value-chain development and for organizational changes required
- 2 Adopt a 'programmatic' approach to value chain development (long-term engagement) after assessing local context
3. Promote outreach to poor and very poor groups and gender equality.
4. Promote inclusive value chain governance and policy and regulatory environment

# Recommendations - cont.

5. Strengthen partnerships to enhance market intelligence throughout the project cycle.

6. Sharpen approaches to value chain financing, through partnerships with specialised organizations and impact investors

7. Develop the capacity of project management teams and of IFAD staff