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

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22-23 July 2020
Value chains as complex multi-layered systems

5. Broader Enabling Environment
4. Market Context (domestic/international)
3. Governance, Relationships, Inclusiveness

1. Core Value Chain
   - End Consumers
   - Distribution
   - Storage and Handling
   - Aggregation
   - Processing
   - Production

2. Extended Value Chain
   - Technical Services
   - Financial Services
   - Inputs

Source: CLE adapted from FAO (2014); GIZ (2018), USAID (2014).
Large increase in proportion of value chain projects at IFAD

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<tr>
<td>Proportion of value chain projects approved</td>
<td>41.5%</td>
<td>72.3%</td>
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<tr>
<td>IFAD funding of value chain projects as a proportion of POLG</td>
<td>50%</td>
<td>81%</td>
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- **No corporate strategy** on pro-poor value chain development for conceptual clarity and guidance
- Insufficient emphasis on **skills** of IFAD staff and of project management teams in the field
Analysis of project design

77 projects reviewed in 29 countries

Improvements:
• Design evolved from support to primary production
• Components on access to markets, and value chain development were added
Analysis of project design

Most 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
For producers, better access to markets, higher prices. They continue to be in weak bargaining position and prone to market risks.
Value chain governance

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 in providing basic financial services to primary producers

Less effective in financing small and medium enterprises and cooperatives

1. IFAD is traditionally focussed on financing small producers;
2. Partnering with specialized organizations and impact investors rarely occurred
How can IFAD reach the very poor through value chain approaches?

**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

**APPROACHES WERE LESS SUCCESSFUL WHEN**

- Agribusinesses were left to select small scale producers and de-linked from other project components
- Trickle-down effects from supporting agribusinesses were assumed rather than explicitly supported
Intermediate value chain development and medium pro-poor outcomes were predominant

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<tr>
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<th>Low pro-poor outcomes</th>
<th>Medium pro-poor outcomes</th>
<th>High pro-poor outcomes</th>
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<tbody>
<tr>
<td>Advanced value chain development</td>
<td>3%</td>
<td>10%</td>
<td>10% IFAD’s long experience and multi-stakeholder platforms</td>
</tr>
<tr>
<td>Intermediate value chain development</td>
<td>10%</td>
<td>19%</td>
<td>12%</td>
</tr>
<tr>
<td>Incipient value chain development</td>
<td>20% No articulated value chain design, implementation did not go beyond production</td>
<td>15%</td>
<td>0%</td>
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</table>
Key findings

- Major increase in value chain portfolio
- Absence of strong corporate guidance
- Project design has clearly evolved but some analytical gaps remain
- Support provided 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

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

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

7. Develop capacity of project management teams and of IFAD staff.
Thank you

Read more about the Corporate-level Evaluation on IFAD’s Engagement in Pro-poor Value Chain Development

Download the report
https://www.ifad.org/documents/38714182/41260694/cie_valuechain.pdf/7f0ae37d-5c57-10a2-b14d-0593f08a03d0