

## Targeting in value chain investments

### I. DEFINITION OF PRO-POOR VALUE CHAINS

1. A value chain (VC) can be defined as a set of enterprises that collaborate to varying degrees along the range of activities required to bring a product from the initial input supply stage and through the various phases of production to its final destination market. Pro-poor VC development interventions are initiatives that promote inclusiveness and the empowerment of poor people in the chain(s) with a view to improving their livelihoods in a sustainable manner while taking advantage of opportunities and addressing constraints in a coordinated manner.
2. The following factors can contribute to good targeting performance:
  - (i) **Selection of products that require little land or capital investment** and involve intensive, unskilled labour inputs;
  - (ii) **Use of simple, verifiable, contextually appropriate targeting criteria;**
  - (iii) **Adoption of pro-poor requirements and measures for agribusinesses** as a condition for obtaining IFAD project support;
  - (iv) **Preparatory community-based groundwork and mobilization of producers;**
  - (v) **Previous work in the same area** that has established a productive base and local knowledge that can inform a participatory approach to design and implementation.

### II. OVERVIEW OF TARGETING MEASURES IN VC DEVELOPMENT PROJECTS

#### (i) Geographical targeting

3. When VC development projects make use of production-focused considerations for purposes of geographical prioritization, criteria based on poverty and food insecurity should also be considered.

#### Box 1

#### Geographic targeting in Viet Nam

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

## (ii) Self-targeting measures or crop targeting

4. **Selection of products/crops.** Choosing a crop that is more likely to be cultivated by the target groups, including crops that do not require any substantial investment of capital or land and are more labour intensive are key measures to be taken into account. Food security and nutrition criteria should also inform the selection of the VC.
5. Particularly in the case of the selection of a VC commodity, it is important to strike a balance between the increasing benefits of engaging with potentially more profitable crops and the additional risk to which poor farmers will be exposed, since their staple food production activities are also a source of food for own-consumption and food security.

## (iii) Use of participatory processes to select and map the entire VC

6. Participatory selection and mapping contribute to an understanding of where priority target groups are more likely to be concentrated across the VC, who captures most of the value generated and what the social risks are and what opportunities there are to make the VC more equitable and sustainable. They should include:
  - (i) A map of all the actors along the VC;
  - (ii) Relationships between IFAD's target groups and other VC players;
  - (iii) The structure and behaviour of VC players;
  - (iv) The specific roles, constraints and opportunities faced by IFAD's target groups.

## (iv) Formulation of eligibility criteria and conditions for the inclusion of the poorest

7. Criteria for **direct targeting** should be simple to implement and appropriate to the context and the target VCs, such as a cap on land size or livestock ownership. Alternatively, and depending on the available resources, robust socio-economic household survey data can be used.

Table 1

### Eligibility criteria for the identification of different target groups for specific value chains in Bosnia

Income poverty		Land size			
Poverty level	Income	Berries/gherkins	Greenhouse	Open field	Tree fruit
Very poor	Below 200 km per household member	Up to 0.2	Up to 300 m <sup>2</sup>	Up to 0.5 ha	Up to 0.5 ha

<b>Poor</b>	201-400 km per household member	0.2-0.5	300-800 m <sup>2</sup>	0.5-1 ha	0.5-1 ha
<b>Borderline poor</b>	401-500 km per household member	0.5-1	800-1500 m <sup>2</sup>	1-3 ha	1-3 ha

8. **Pro-poor criteria for approving grants for VC investments** should also be formulated in such a way as to foster the inclusion of poorer and most vulnerable producers when the time comes to develop business plans under a matching grant scheme. This includes criteria around how priority groups would benefit from the investment and at what scale.

**(v) Empowerment and capacity-building measures**

9. **Implementing pro-poor VC projects in areas that have already received support** from other projects is an important strategy for the inclusion of IFAD target groups. In the context of IFAD's gradual approach, a pro-poor VC project can be integrated with a CDD project whose focus is on the missing enabling elements needed to engage the poorest in a VC project.
10. **Capacity-building** measures are key to enabling the most vulnerable producers to engage in more structured VCs. These measures focus on building or strengthening such producers' assets and promoting their access to finance and appropriate technologies as a means of upgrading their skills and roles in the chain. Training in literacy, numeracy, financial literacy, marketing and other relevant skills is also essential.

**Box 2**

**Enabling women to participate in a male-dominated scheme in Uganda**

**The Vegetable Oil Development Project II in Uganda, 2010-2019**, has linked small-scale growers of oil palm to a nucleus estate. Poor rural women constitute one of the main project target groups and have been increasingly involved as producers and business partners as the project expands their access to land and tenure security and promotes their membership and leadership in farmers' organizations. Poor households are also encouraged to join the scheme through the implementation of the **household mentoring approach**.

11. Smallholders at the top of the pyramid can be supported as "lead farmers" in disseminating knowledge and skills and creating additional demand for those in the middle and bottom layers. Those in the middle layer can be helped to transition towards the top of the pyramid by encouraging them to become more reliable partners of VC business actors in a rewarding and sustainable way.

12. **Empowering measures** that build up the participatory process which informs the choice of crops and the mapping of VCs are very important in order to build the long-term capacity of poor rural producers to sustainably engage with markets and foster win-win, gender-equitable solutions for VC development. It is important to foster institution-building and, in particular, the capacities of farmers' organizations, not only to reduce production costs through economies of scale but also to strengthen their bargaining power and improve the overall governance of the chain.
13. The following measures can be taken:
  - (i) Assisting farmers in organizing horizontally so that communities can act collectively and negotiate with buyers on a more equitable basis;
  - (ii) Encouraging farmers' organizations to work with several different buyers in order to spur competition among those buyers;
  - (iii) Strengthening access to market information for farmers' organizations and improving their business and negotiating skills;
  - (iv) Supporting farmers' organizations in adding value for their members by expanding beyond primary production into areas such as storage, processing and transport. When based on a sound business model, this can be a very successful method for capturing greater returns from the VC, but strong and professional management is required;
  - (v) Ensuring that the members of farmers' organizations have independent access to finance, since when buyers provide their suppliers with credit, they can dictate the terms.
14. ***The empowerment of the poorest and most vulnerable groups to participate in VC governance structures***, including marketing boards, VC platforms and working groups, can also be supported by setting quotas for the participation of women and youth or by engaging in sensitization and pro-poor organizational development. This ensures that the voice and needs of the target groups will be addressed in negotiations, contractual arrangements and VC operations.

#### Box 3

#### **Empowerment and capacity-building measures in Mauritania**

The **Value Chains Development Programme for Poverty Reduction (ProLPRAF), 2010-2016, in Mauritania** promoted the development of VCs (poultry, vegetables, dates, non-timber forest products, etc.) that have the potential to foster the economic inclusion of the rural poor. Measures to empower the targeted populations in the VC development and governance intervention were also implemented. Component 1, on **facilitation**, was designed to identify and mobilize

all VC actors, to facilitate the creation of VC working groups and to implement and coordinate the targeting strategy. Programme activities were built in a participatory manner around an initial two-year workplan and budget proposed by the VC members themselves. ProLPRAF helped to reinforce the capacity of the targeted rural organizations by helping their members to attain functional literacy regarding poultry farming and garden marketing and providing them with access to training in management, organization and poultry farming techniques.

**(vi) Measures to direct benefit the poorest and most vulnerable groups when working with better-off VC actors**

15. ***Create an enabling environment in which the poorest can benefit from employment generation.*** A project needs a strategy and a set of criteria/tools, activities and enabling measures for targeting the poorest and most vulnerable groups at the bottom of the pyramid. Market actors should be sensitized to the importance of generating decent jobs for the poorest, and strategies are needed to maximize the quantity and quality of the jobs that are created.
16. ***Promote self-employment*** in a range of VC-linked services by providing vocational skills training and technical and financial support especially targeted at youth and other landless people. Fostering interest in micro-entrepreneurial ventures on the part of members of IFAD's target group, particularly members who lack the necessary assets, skills or desire to engage in primary production (e.g. women and youth), should be an integral part of the VC project design strategy. Strategies for functional/product upgrading play a very important role in creating new jobs in processing and value addition, especially for women.

Box 4

**Generating wage work and self-employment for women and youth in Rwanda**

The Rwanda Dairy Development Project is an example of an intervention in which priority has been placed on promoting wage employment for young people and encouraging women to engage in self-employment:

- **15,400 young farm assistants** between the ages of 15 and 24 are working as wage labourers. These people are the "hands-on" male labourers in many dairy farms, especially farms run by female-headed households with no adult males. They are typically from very poor families.
- **5,400 rural women** between the ages of 15 and 35 (child-bearing age) will benefit from the creation of new economic opportunities, including small off-farm business opportunities.

## **(vii) Monitoring of targeting performance**

17. **It is important to differentiate between the poorest, poor and better-off rural populations.** This can be done on the basis of income-based indicators, asset-based indicators (e.g. the amount of land being farmed or the number of livestock owned) or other relevant characteristics of poor and disadvantaged groups. Careful monitoring of a project's targeting performance is of key importance in mitigating the risk of excessive elite capture.
18. Both a VC-specific reporting system and an adapted monitoring and evaluation system need to be established. In particular, project-level monitoring and evaluation systems should focus on relevant outcome-level indicators that can provide insights into the effects that the VC has on the poorest and most vulnerable. Key indicators include employment creation and food security and nutrition.

### Box 5

#### **The successful targeting strategy of the Agriculture Value Chains Support Project in Senegal**

**The targeting strategy** of the Agricultural Value Chains Support Project in Senegal has been based on the following measures:

- (i) Selection of value chains in which women, youth and vulnerable groups play a predominant role, such as the sesame, cowpeas, poultry and millet value chains;
- (ii) Selection of crops that have a high potential for fostering both inclusive growth and improved nutrition, which in turn have an immediate positive impact on food security and the nutritional status of children;
- (iii) Promotion of employment generation activities in processing and value addition;
- (iv) Strengthening of local demand and markets by adding value to local products;
- (v) Adoption of appropriate technologies;
- (vi) Implementation of an information and sensitization campaign in partnership with local CSOs, including women's organizations; and
- (vii) Implementation of transparent and clear eligibility mechanisms based on vulnerability-focused criteria.

Through their organizations, women have gained access to good-quality inputs and markets. This has been done with the help of a gradual cofinancing mechanism which has enabled producer organizations to accumulate assets while linking them to market operators. Access to agricultural technologies has allowed women to

save time and enhance their productivity. Contract production has enabled women to increase the quantity of marketed produce and obtain a transparent and remunerative price for their products. The incidence of malnutrition among children aged 0-5 has decreased.