



Investing in rural people

Independent Office  
of Evaluation

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# Evaluating the Support to Value Chain Development for Poverty Reduction

## *Approaches and Tools*

10 September 2021



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The focus of this presentation is on methodology / approaches, rather than evaluation findings

# Agenda

Organizational context and key evaluation questions

A value chain as a system

Approaches to VC development; and changes in VC governance

Mapping outcomes: (i) VC development; (ii) pro-poor results

# What is IFAD?

- An international financial institution and specialized United Nations agency, investing in **rural people**, to increase their **food security**, improve the nutrition of their families and increase their **incomes**.
- IFAD lends to **Governments** which are responsible for project implementation.
- Since 1978: **US\$22.4 billion approved** in low-interest loans and grants for rural development projects.



## ❑ Overarching questions

1. Were IFAD value chain approaches conducive to reduce development and poverty reduction?
2. Does IFAD have adequate capacity and instruments?

❑ **Time frame:** 2007 – 2018. Finalized in 2019

## ❑ Key sources

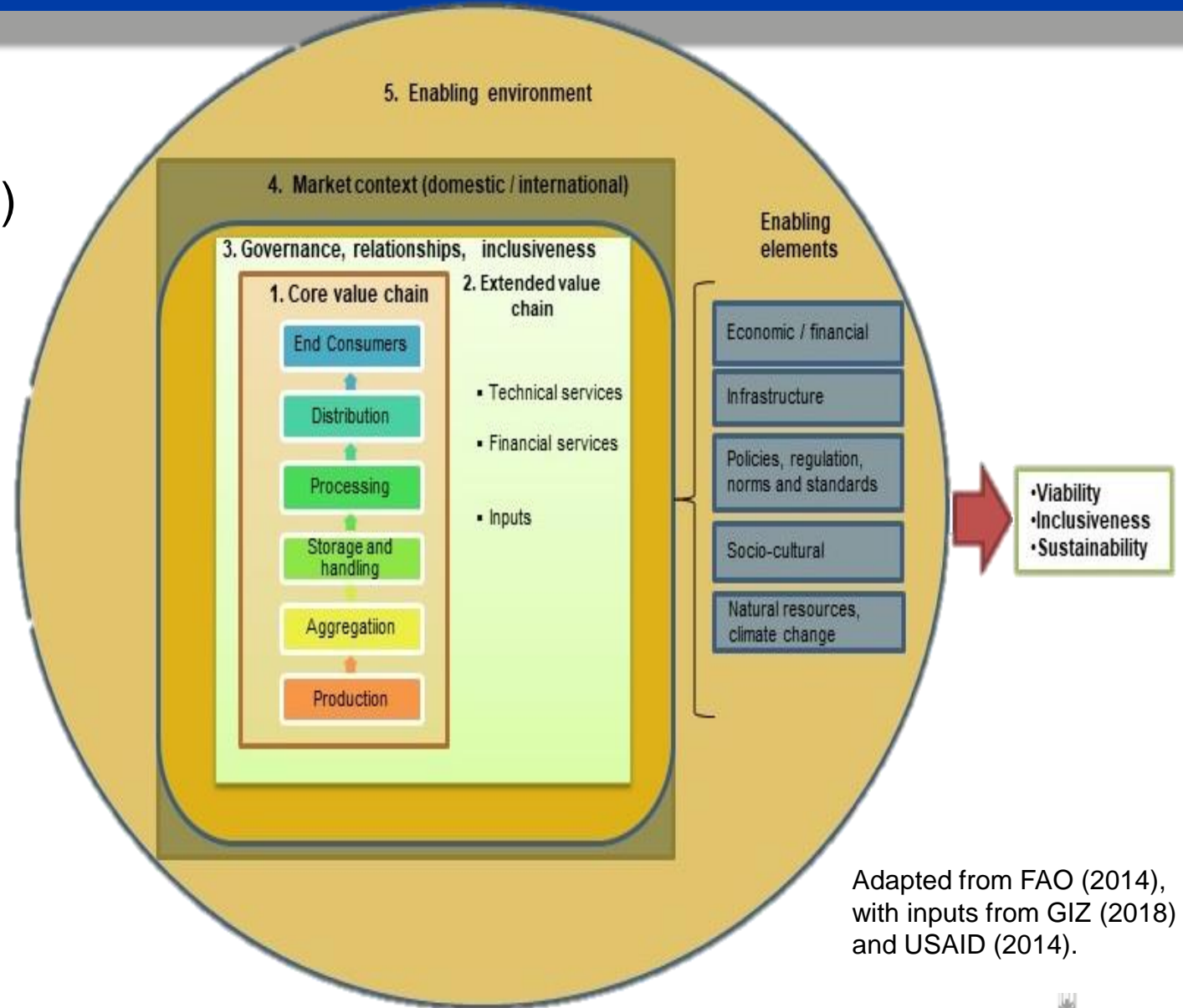
- ✓ Review of 77 projects in 29 countries (country visits + desk review);
- ✓ Interviews at IFAD, with representatives of governments, international org, private entrepreneurs, financial institutions, farmers organizations;
- ✓ E-survey of IFAD staff and managers of IFAD-funded projects;
- ✓ Review of experience from other organizations

# Defining a Value Chain (VC)

- Common definition in literature: VC is a set of phases required to bring a product from the input supply stage through the various phases of production and processing to its final market destination (e.g., Kaplinsky and Morris 2002).
- Narrow perspective: only addresses the 'supply chain', leaves out key factors to create value, governance issues and the enabling environment.
- Conceptually more useful to consider value chain as a system (or sub-system).

# Value chain as a system

1. The supply chain
2. Extended value (ancillary services)
3. Governance: relationships between the main stakeholders
  - Determines trading conditions / inclusion of small producers who typically have limited voice and power
4. Market sub-system: interaction of supply and demand, regulation, level of competition / market power
5. Enabling environment:
  - determines to what extent a value chain favours the flow of commodities, money and information



Adapted from FAO (2014), with inputs from GIZ (2018) and USAID (2014).

# Organizational preparedness to work on value chains

....in order to Support transformational interventions, organizations need to transform themselves...

Dimensions of organizational preparedness

Relevant Strategies and policies

Integration of VC issues in country strategies

Human resources : experts, training of staff

Training, sensitization of government staff

Quality assurance procedures for project design

Supervision, correction during implementation

Knowledge management

# What approaches have been taken to value chain development?

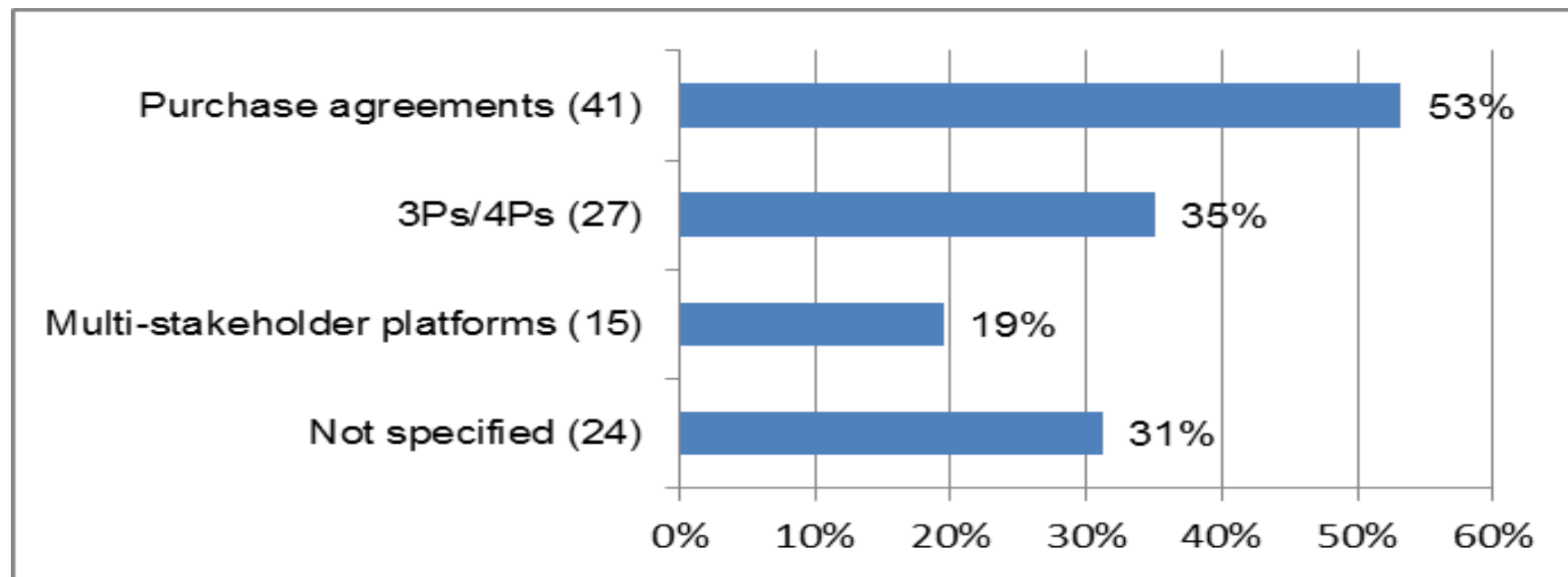
## A Taxonomy

Approach	Description	Remarks
<b>Product &amp; process upgrading</b>	Improvement of quality and/or quantity of production (production techniques, higher-value products) or of the efficiency of the production process	Almost always observed, derivative of IFAD traditional projects
<b>Strengthening horizontal linkages</b>	Creation of cooperatives, federations, capacity-building of producer organizations)	
<b>Strengthening vertical linkages</b>	Promoting formal/stable contracting between producers and aggregators / processors	Observed in almost 80% of cases
<b>Functional upgrading</b>	Adding new functions and activities to producers to generate more value (e.g., processing, packaging)	Slightly over half of the observations



# Addressing value chain governance

## Type of value chain mechanisms promoted



- The evaluation found mostly buyer-driven arrangements. They helped secure markets and revenues but did not substantially alter the value chain governance. Small producers continued in weak bargaining position
- More far reaching effects when projects addressed the governance of (e.g., Multi-stakeholder platforms)

# Mapping the country case findings

## Classification of findings from country case studies along two dimensions:

### Level of development of value chains

- **Incipient:** focus on production, mobilizing producers, building market access infrastructure
- **Intermediate:** functional upgrading for producer organizations, development of vertical linkages, further investment in infrastructure and technology (e.g., warehouses, cold stores and processing machinery)
- **advanced:** higher level of product / process upgrading (e.g., through certification or branding), some form of market information systems, and structured dialogue among value chain stakeholders

### Pro-poor outcomes

- **Inclusiveness** (i.e. degree of actual poverty outreach)
- **Empowerment** of people and groups
- **Size of benefits** for the poor (e.g. income and food security)
- **Perspectives for sustainability** of benefits for the poor

# Mapping of emerging findings

**Percentages refer to the proportion of value chains classified (development & pro-poor)**

	a) Low pro-poor outcomes	b) Medium pro-poor outcomes	c) High pro-poor outcomes
1. Advanced value chain development	3%	10%	10%
2. Intermediate value chain development	10%	19%	12%
3. Incipient value chain development	20%	15%	0%

- Intermediate value chain development and medium pro-poor outcomes were predominant
- Strongest cases of value chain development and poverty reduction linked to long-term intervention experience, focus on VC governance; and availability of technical assistance