

# OPERATIONAL GUIDELINES ON IFAD'S ENGAGEMENT IN PRO-POOR VALUE CHAIN DEVELOPMENT

Sustainable Production, Markets and Institutions Division





# **OPERATIONAL GUIDELINES** **ON IFAD'S ENGAGEMENT IN PRO-POOR** **VALUE CHAIN DEVELOPMENT**

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# Abbreviations and acronyms

<b>4Ps</b>	public-private-producer partnerships
<b>CLE</b>	corporate-level evaluation
<b>DFID</b>	UK Department for International Development
<b>DVCC</b>	district value chain committee
<b>HHMs</b>	household methodologies
<b>ICT</b>	information and communications technology
<b>IFI</b>	international financial institution
<b>IOE</b>	Independent Office of Evaluation
<b>MPI</b>	Multidimensional Poverty Index
<b>MSP</b>	multi-stakeholder platform
<b>PMU</b>	project management unit
<b>SWOT</b>	strengths, weaknesses, opportunities and threats
<b>VC</b>	value chain
<b>VCDP</b>	Value Chain Development Programme

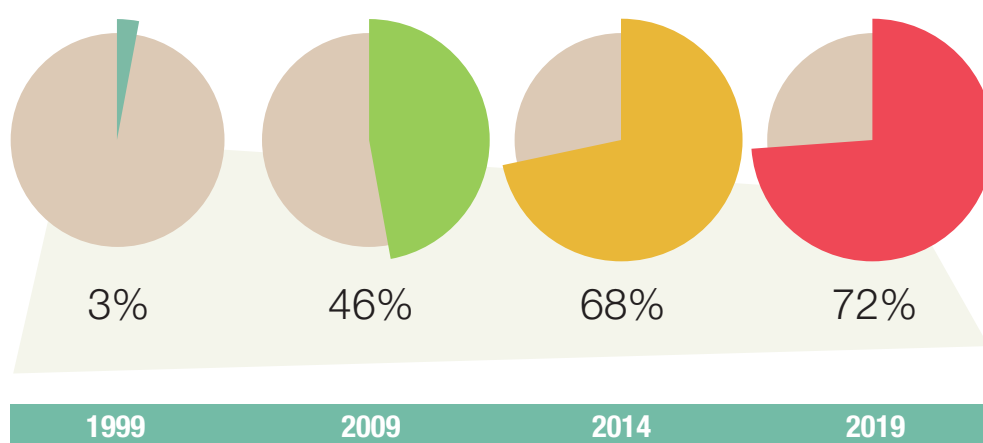
# Purpose of the pro-poor value chain guide<sup>1</sup>

## Motivations for developing pro-poor value chain operational guidelines

Agriculture is the main source of income for 70 per cent of poor households in rural areas. However, although small-scale farmers have the highest share of production, they continue to possess the lowest share of market value and are often in a weaker bargaining position vis-à-vis other more powerful value chain actors. For more than 20 years IFAD has addressed this imbalance through the design and implementation support of pro-poor value chain development projects. In doing so, IFAD leverages its mandate of reaching the poorest, its in-country project exposure across nearly 100 countries and its decades of experience in catalysing public and private investments into development projects.

The number of IFAD-supported projects with a value chain component has increased significantly over the past 20 years. In 2019, of the complete portfolio of 302 ongoing and completed projects, 218 (72 per cent) encompassed a value chain component. Given IFAD's cumulative experience in designing and supervising pro-poor value chain development projects, in 2019 the Independent Office of Evaluation (IOE) completed a corporate-level evaluation (CLE) of IFAD's engagement in pro-poor value chain development.<sup>2</sup>

## Percentage of IFAD projects with a value chain component



1. These guidelines were developed by Mylène Kherallah, Lead Global Technical Advisor, and Eva Pedersen, Consultant, in the Sustainable Production, Markets and Institutions (PMI) Division of IFAD. The authors are grateful for the contributions and comments received from numerous IFAD colleagues including Jonathan Agwe, Ibrahima Bamba, Abdoul Barry, Jose Caceres-Martinez, Marco Camagni, Marie Edwards, Fabrizio Felloni, Ambra Gallina, Michael Hamp, Enrique Hennings, Bernard Hien and the Istanbul hub team, Sauli Hurri, Cecile Kouakou, Athur Mabiso, Lakshmi Moola, Quang Nguyen, Thomas Rath, Claus Reiner, Dina Saleh and the Cairo hub team, Esha Singh and Thouraya Triki.

2. IFAD, 2019a. *IFAD's engagement in pro-poor value chain development*. Corporate-Level Evaluation. IFAD: Rome.

The guidelines presented in this document have been developed in response to the IOE evaluation and the related IFAD Management response.<sup>3</sup> In particular, the guidelines address the major recommendations made by the CLE on ensuring that IFAD's pro-poor value chain development projects reach out to the very poor groups and women, apply a programmatic approach when needed, promote an inclusive value chain governance, work with the appropriate expertise and partners and build capacity for implementation.

Although traditional value chain development programmes have shown significant potential in commercializing smallholder sectors and generating viable economic opportunities for value chain actors, if not carefully designed they can lead to the following risks:<sup>4</sup>

- Significant elite capture by well-off value chain actors.
- Control of assets, activities, incomes and credit sources by male value chain actors.
- Food and nutrition security of smallholders and agroecological diversity being compromised.
- Pressure on productive resources such as land, water and other natural resources.

To limit and mitigate the above-mentioned risks and the possible negative effects of power relations within value chains, practitioners need to ensure that value chain development projects are truly pro-poor. Pro-poor value chain interventions have the potential to improve livelihoods sustainably and promote inclusiveness and empowerment. However, a one-size-fits-all pro-poor value chain approach will be unlikely to address diverse country contexts, commodity specificities and changing market dynamics. Consequently, this document provides step-by-step guidance on pro-poor value chain development that can be customized to individual contexts, markets and commodities.

## Objectives of the pro-poor value chain operational guidelines

The operational guidelines outlined here shed light on the recommended approaches that project stakeholders and IFAD practitioners should follow to render value chain projects truly pro-poor and address imbalanced market power relations. The guidelines build upon the existing IFAD value chain toolkits and pro-poor targeting strategies and guidelines listed in Annex 1 and incorporate the recommendations in the management's response to the 2019 CLE of IFAD's engagement in pro-poor value chain development. The guidelines take a step-by-step approach to designing and implementing a pro-poor value chain project, highlighting best practices from the field. The document also provides concrete project examples to demonstrate how different aspects of the guidelines have been utilized in project contexts.

To reinforce the fact that the design of pro-poor value chain projects is not a one-size-fits-all exercise, it is recommended that practitioners carefully evaluate the value chain project implementation capacity and experience and level of market maturity, as well as the policy environment, in a given context. It should be emphasized that not all of the steps outlined in this document have to be implemented on a sequential basis for each value chain project, but instead should serve as a source of guiding inspiration for operationalizing pro-poor value chain projects.

3. In particular, these guidelines address a number of the recommendations presented in the CLE of IFAD's engagement in pro-poor value chain development. The remainder of the recommendations are addressed by other IFAD strategies and policies, such as the 2019-2024 Private Sector Engagement Strategy and the ICT4D Strategy 2020-2030. Value chain financing will be addressed through the update of IFAD's Rural Finance Policy, which will be submitted to the Executive Board for review in 2021 (following on from and building on the IOE Evaluation Synthesis on inclusive financial services for poor rural people).

4. IFAD, 2019. *Revised Operational Guidelines on Targeting*. EB. 2019/127/R.6. Rome: IFAD.



# Pro-poor value chains defined

Research and the literature offer a plethora of definitions for value chain development. These guidelines refer to the definitions outlined in the IFAD How To Do Note – Commodity Value Chain Development Projects and its CLE of pro-poor value chain development. Although the definitions for value chains and pro-poor value chains are similar, pro-poor value chains extend the concept by focusing on the inclusion and empowerment of poor people and on identifying and addressing the constraints that these actors face. **Table 1** provides an overview of the various definitions that these guidelines refer to.

**TABLE 1: What do we mean by pro-poor value chains?**

## **Value chain**

A value chain is a vertical alliance of stakeholders and enterprises collaborating to various 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.<sup>5</sup>

## **A value chain approach**

A value chain approach is based on a comprehensive analysis of the entire commodity chain, from producers to end-market consumers. Inherent in the value chain approach is acknowledging that there are other stakeholders in the chain (in addition to the IFAD target group) and that they are interrelated.<sup>6</sup>

## **Pro-poor value chain development**

A pro-poor value chain intervention promotes the inclusion and empowerment of poor people in value chains with a view to increasing their income and well-being and addressing constraints in a coordinated sustainable manner. As IFAD's target groups usually have the least power of all the actors in any value chain, the objective is to design and implement interventions that can empower them and improve their position in a more sustainable manner.<sup>7</sup>

5. IFAD, 2014a. How to do note: Commodity value chain development projects. IFAD: Rome.

6. *Ibid.*

7. IFAD, 2019a. *IFAD's engagement in pro-poor value chain development*. Corporate-Level Evaluation. IFAD: Rome.

## Principles of engagement

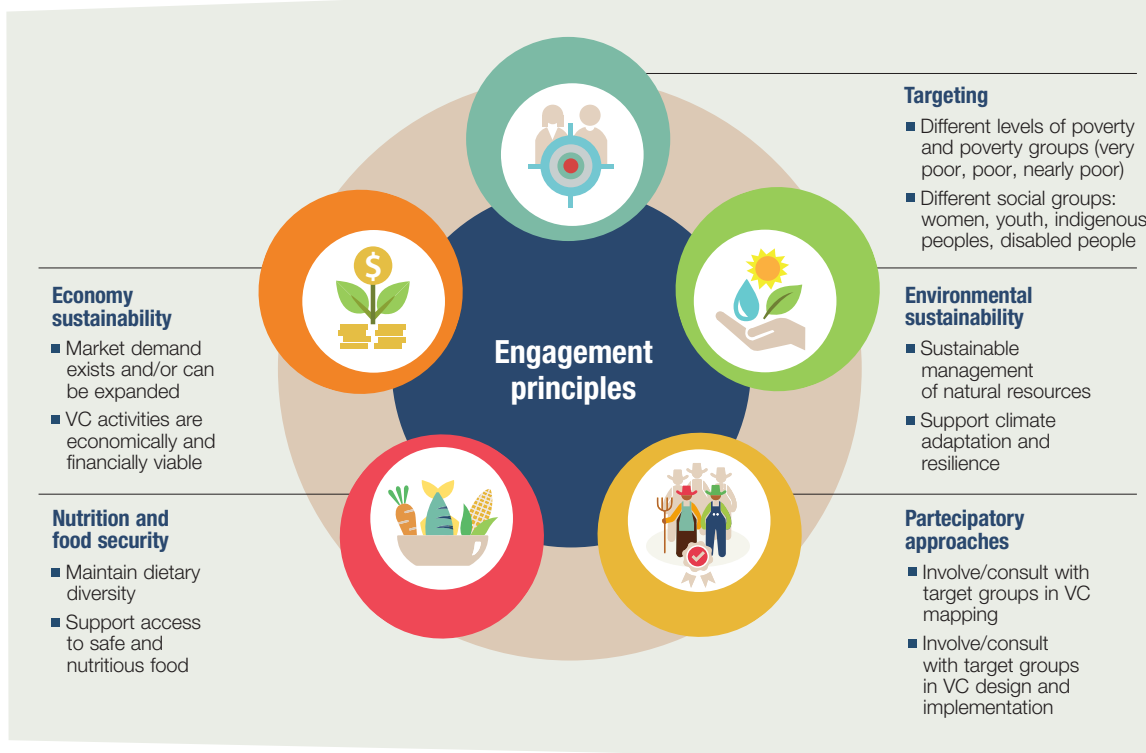
To ensure that value chain projects are inclusive and sustainable and that small-scale producers and other IFAD target groups benefit from enhanced market participation, it is recommended that IFAD projects follow a set of **principles of engagement**. These are summarized below and in **Figure 1**.

- **Targeting different levels of poverty and social groups.** This implies targeting the different layers of the poverty spectrum to ensure the participation of and benefits for very poor, poor and nearly poor people. It also includes the targeting of diverse social groups of particular interest to IFAD, such as women, youth, disabled people and indigenous peoples, depending on country relevance and context. Different projects may focus on different target groups as relevant.
- **Economic sustainability** takes into account the importance of assessing value chains and ensuring that they can respond to market demand and that the value chain activities have short-, medium- and long-term economic viability. (This can be assessed through the economic and financial analysis of the proposed value chain activities of a project.)
- **Environmental sustainability** ensures that the value chain interventions do not have harmful consequences for natural resources (such as land, water and biodiversity) and that climate change adaptation and resilience potential are embedded in the project activities.<sup>8</sup>
- **Nutrition and food security** are achieved through increasing the awareness and production of, and/or market access to, nutritious foods that contribute to dietary diversity and balanced intakes of calories and micronutrients (vitamins and minerals).
- **Participatory approaches** refer to the active involvement of beneficiaries in targeting, value chain mapping, analyses and governance. The active involvement of target groups and shared understanding allow for joint decision-making, the identification and tackling of power asymmetries, and stronger agreements on where and how to intervene.

In applying these principles it is important to consider **diverse country and institutional set-ups**, as well as **cultural differences**, in the assessment of the roles that poor people play and the potential entry points for them to be integrated into value chain projects. For example, in West Africa women play an active role in the marketing and sale of food crops, whereas throughout the Middle East and North Africa this role is predominantly carried out by men, with women tending to assume more production-related and processing roles. Therefore, value chain entry points for different target groups will differ from one context to another.

8. In cases where the value chain project results in partnerships with large private sector or multinational companies, projects should ensure adherence to the Social, Environmental and Climate Assessment Procedures of IFAD, as well as apply IFAD's internal due diligence process for partnering with the private sector (see IFAD Private Sector Engagement Strategy 2019-2024 for further details on reputational and environmental, social and governance risk mitigation).

**FIGURE 1: Principles of engagement for pro-poor value chain projects**



## Lessons learned

Throughout the implementation of value chain projects supported by IFAD, many lessons have been learned. Some of these were highlighted in the 2014 IFAD publication *Lessons Learned - Commodity Value Chain Development Projects* and reported in the IOE's CLE. Furthermore, a wide range of value chain publications have been developed by other organizations that IFAD has worked with and learned from. For an overview of relevant value chain guidelines and lessons learned developed by international financial institutions, development organizations and United Nations agencies, please refer to Annex 2. For a list of IFAD project examples that address various pro-poor value chain elements, please refer to the IFAD Case Studies listed in Annex 3.

These guidelines highlight the **10 key lessons** learned in terms of the principles of engagement in pro-poor value chain development. These lessons learned have been collected from pro-poor value chain projects supported by IFAD and other development organizations.<sup>9, 10</sup>



### Targeting and social inclusion

1. **Gender-mainstreaming** interventions need to encompass **strategic actions** that address gender inequalities in access to assets, resources, services and information at household and community levels. For example, women are often poorly represented in farmer organizations and/or have no access to credit. In these cases, specific interventions are needed to improve their active participation through different and complementary measures, including changing membership requirements and by-laws for farmer organizations, introducing mandatory quotas, developing women's committees, implementing focused capacity-building and offering women targeted access to affordable credit.
2. Value chains can be inclusive of poor rural people **not only at the primary production level** but also **at other levels of the value chain**, such as in processing, transport, input and other service provisions and through the creation of employment and microenterprise development. This is particularly relevant for young people, who often lack farm assets and skills and prefer to work in the service sector.
3. **Vulnerable groups** can be **more effectively** reached when commodities with limited land and investment requirements are selected, when agribusinesses supported by projects comply with verifiable pro-poor conditions and when previous work and knowledge in an area are leveraged.

9. IFAD, 2019a. *IFAD's engagement in pro-poor value chain development*. Corporate Level Evaluation. IFAD: Rome.

10. IFAD, 2014b. *Lessons learned. Commodity value chain development projects*. IFAD: Rome.



### Economic sustainability

4. Overcoming **information asymmetries** through the promotion of information flows on pricing and quality and establishing **long-term contractual relationships** foster trust and collaboration and contribute to securing a **market outlet**.
5. Public and private **investment in community and market infrastructure** (e.g. roads, storage facilities, including cold storage for perishable crops, marketplaces, information and communications technology [ICT] infrastructure) leads to market access improvements and contributes to the economic viability of value chains, while having wide multiplier effects on entire communities.



### Environmental sustainability

6. Improving environmental sustainability includes the following elements: (i) **diversification** through the inclusion of a wider set of crops, crop varieties and mixed farming systems, as well as a broader set of income-generating options (e.g. on- and off-farm activities) to increase farmers' livelihoods and reduce risks related to monocropping and market shocks; (ii) **climate-proofing** – specific interventions to make key stages of the value chain more climate-resilient, for instance through better design of infrastructure, roads, bunds and elevated storage structures to manage and harvest water from heavy rainfall and the introduction of drought-tolerant seeds; and (iii) **supply chain efficiencies** – investments in energy-efficient infrastructure and processing/production equipment and machinery such as drip irrigation schemes and solar-powered processing equipment to deliver efficiencies and higher profitability.<sup>11</sup>



### Nutrition and food security

7. To ensure that the focus is maintained on **food security** and **nutrition**, value chain projects need to dedicate sufficient resources to basic household food consumption, through either own production and/or increasing the availability of food to buy from nearby markets. **Behavioural change campaigns** can support the awareness-building required for the production, sale, purchasing and consumption of nutritious foods.



### Participatory approaches

8. **Specific enabling measures** such as awareness-raising, inclusive policy dialogue and capacity-building of target groups are often needed to complement direct or self-targeting measures to ensure that specific target groups have the capacity to be engaged.
9. **Mobilization and aggregation** of producers into groups or clusters combined with **capacity-building** increases the ability of groups to more efficiently aggregate outputs, access inputs and services, negotiate prices and meet quality standards.
10. **Multi-stakeholder platforms (MSPs)**, through effective representation of target groups, have proven to be effective in improving value chain governance, reducing power asymmetries, negotiating better prices and services for farmers, establishing more trust and transparency, and bolstering commitment among value chain stakeholders.

11. IFAD, 2015a. *How to do: Climate change risk assessments in value chain projects*. IFAD: Rome.

# Guidelines on engaging in pro-poor value chain development

## Design approach

The operational guidelines for developing pro-poor value chain projects can be summarized in the **three-step framework** outlined in **Figure 2**. The framework is descriptive, flexible and customizable and allows for the broadening of the concept of value from a purely economic focus to one that also incorporates value that is relevant for poverty, social inclusion, environmental sustainability, food security and nutrition. As a result, the framework allows for the flexible application of the **principles of engagement** throughout the different steps.

It is important to emphasize that the framework does not have to be strictly followed to develop pro-poor value chain development projects. The framework serves as guidance for the variety of actions and analyses that can be undertaken. In all cases, capacity and contexts need to be considered when developing pro-poor value chain projects. Throughout the development of the analyses it is recommended that an **evidence-based approach** is utilized wherever possible. Such an approach entails the use of data, analytics, research evidence and knowledge products at various levels to enable learning and informed decision-making to enhance value chain benefits for poor people.

**FIGURE 2: Pro-poor value chain development framework**

	<b>STEP 1: Targeting and situational analysis</b>	<b>STEP 2: Prioritization of pro-poor value chains</b>	<b>STEP 3: Pro-poor value chain analysis and planning</b>
<b>Key elements</b>	<ul style="list-style-type: none"> <li>■ Disaggregation of target groups</li> <li>■ Pro-poor targeting principles</li> <li>■ Targeting approaches</li> </ul>	<ul style="list-style-type: none"> <li>■ Pro-poor value chain prioritization criteria:                             <ul style="list-style-type: none"> <li>- growth potential</li> <li>- inclusive and sustainable development potential</li> <li>- enabling environment responsiveness</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Pro-poor value chain diagnostics:                             <ul style="list-style-type: none"> <li>- pro-poor value chain mapping</li> <li>- opportunities and constraints</li> </ul> </li> <li>■ Power relations and pro-poor value chain governance</li> <li>■ Theory of change and value chain action plans</li> <li>■ Monitoring and evaluation</li> </ul>

# STEP 1:

## Targeting and situation analysis

### Disaggregation of target groups

The foundation for selecting inclusionary targeting approaches is based on the initial disaggregation of identified target groups. It is recommended that disaggregation is conducted in terms of **income poverty**. Practitioners should first consider local and national poverty conditions when disaggregating target groups. However, for comparative and illustrative purposes, the World Bank’s (2020) definition of the international poverty line of US\$1.90 per day is applied in these guidelines to derive the following disaggregation:<sup>12</sup>

- **Extreme poor:** income of less than US\$1.90 per day
- **Moderately poor:** income of US\$1.90-3.20 per day
- **Nearly poor:** income of US\$3.20-5.5 per day

To ensure a greater understanding of target groups, however, it is recommended that **disaggregation goes beyond income levels**. Broadening disaggregation efforts will enable pro-poor value chain development projects to target beneficiaries on the basis of a number of poverty-related criteria and to measure the progression out of poverty beyond income levels. The Multidimensional Poverty Index (MPI)<sup>13</sup> can be utilized as a basis to determine the elements to include in the disaggregation exercise. The MPI considers the poverty dimensions of health, education and standard of living and it is recommended that the appropriate indicators under each dimension are considered. The **Rural Competitiveness Development Project (RCDP)** in **Bosnia and Herzegovina** effectively profiled target groups by considering land ownership, asset base, source of livelihoods, production surplus, proximity to markets and intermediaries, and access to financial services).<sup>14</sup> **Table 2** disaggregates the target groups by the quantifiable indicators outlined in the profiling description. Overall, disaggregation should encompass elements that, given a project’s capacity and experience, can be quantified and measured. Disaggregation should also be adjusted for each actor type analysed and should consider local poverty conditions and definitions.

**TABLE 2: Pro-poor disaggregation: Rural Competitiveness Development Project – Bosnia and Herzegovina**

<b>Very poor</b>	Landless; no productive assets
<b>Borderline poor</b>	Land ownership: 0.1-0.2 ha; asset ownership: 1-2 cows
<b>Poor</b>	Land ownership: 0.3-4 ha; asset ownership: 4-5 cows

12. Poverty Overview. World Bank: <https://www.worldbank.org/en/topic/poverty/overview>

13. The MPI encompasses the poverty dimensions and indicators of **health**: nutrition and child mortality; **education**: years of schooling and school attendance; and **standard of living**: cooking fuel, sanitation, drinking water, electricity, housing and assets. See UNDP (2019). UNDP, 2019. *The 2019 Global Multidimensional Poverty Index (MPI)*. UNDP: <http://hdr.undp.org/en/2018-MPI>

14. IFAD, 2015c. *Rural Competitiveness Development Project – Project Design Report*. IFAD: Rome.



**Tips:** Some value chains are considered to be more adapted to certain target groups. For instance, the poultry value chain is traditionally associated with poor rural women. Other commodities such as millet, coarse cereals, pulses and non-timber forest products have shown strong pro-poor potential in Eastern and Southern Asia.

## Pro-poor targeting principles

To ensure that pro-poor targeting is carried out throughout value chain development projects, it is recommended that the principles outlined in IFAD's *Revised Operational Guidelines on Targeting* are followed.<sup>15</sup> For more details on these principles, see Annex 4. Applying IFAD's targeting principles combined with disaggregation and defining different poverty levels contributes to greater inclusionary effects.

## Targeting approaches

As outlined in IFAD's targeting guidelines, IFAD's targeting policy should be considered when selecting and employing a targeting approach in a pro-poor value chain context. IFAD's targeting policy includes the following measures and methods:

- **Geographical targeting** to select the poorest or most vulnerable areas within a country or region.
- **Direct targeting** is linked to the choice of pro-poor value chain-specific eligibility criteria when services and resources are to be channelled to specific individuals or households to ensure inclusion of the poorest and most vulnerable people.
- **Self-targeting measures** include the provision of goods and services that are aligned with the priorities, assets, capacities and livelihood strategies of the identified target groups, while at the same time being of little interest to other groups. Commodity targeting should be selected on the basis of level of participation of poor groups, including women and youth, limited investment and capital requirements, high nutritional value and potential to generate wages and self-employment opportunities.
- **Enabling measures** to promote a policy and institutional environment among stakeholders and partners that is favourable to poverty targeting, employment generation for the poorest and participatory approaches that serve as a basis for decision-making.
- **Procedural measures** to facilitate transparency in administrative procedures and remove unintended obstacles that may hinder social inclusion and gender equality. For example, for indigenous peoples, free, prior and informed consent should be considered.
- **Empowering and capacity-building measures** to develop the capacity and self-confidence of those with less of a voice and less power so that they can articulate their needs and participate in planning, decision-making and negotiations.

15. IFAD, 2019b. *Revised Operational Guidelines on Targeting*. EB. 2019/127/R.6. IFAD: Rome.



## Best practices in pro-poor targeting

- The following examples demonstrate the effectiveness of combining targeting approaches with the application of pro-poor selection criteria to target and include vulnerable groups in productive value chains that are linked to wider markets.

### Commodity-oriented Poverty Reduction Programme – Viet Nam (2015-2020)

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 value chains; and (v) the extent of ongoing support projects. The selection of communes was carried out in such a way as to ensure a balance between communes that have closer links to markets and more remote communes that can form linkages with the help of value chain development interventions.<sup>16</sup>

### Adapting to Markets and Climate Change Project – Nicaragua (2014-2020)

Under the **Adapting to Markets and Climate Change Project (NICADAPTA)** in **Nicaragua**, geographical targeting combined with selection criteria related to vulnerability to climate change, poverty, gender and belonging to vulnerable and indigenous populations was used to target **40,000 families**. Targeted beneficiaries included smallholder farmers who produce coffee or cocoa and families belonging to indigenous and Afro-descendant communities that have the potential to participate in the selected productive chains.



**Household methodologies (HHMs)** can help to target specific disadvantaged groups. HHMs tackle underlying social norms, attitudes, behaviours and systems that represent the root causes of inequitable power distributions, rather than the symptoms. HHM tools help to unite what are often disparate livelihood strategies pursued by women, men, young people and the elderly, in the same household or group, into a joint vision and practical strategy.<sup>17</sup> The **inequitable distribution of power** is especially prevalent throughout the production and trade of high-value crops, which are often dominated by male actors. HHMs can mitigate the risk of male capture of women's high-value crops through the promotion of greater gender-balanced decision-making.

The usage of HHMs is exemplified in **Nigeria's Value Chain Development Program (VCDP)**, where the self-targeting approach combined with the **Gender Action Learning System (GALS)** methodology were used to target and increase the participation of women in value chain activities.<sup>18</sup>

16. *Ibid.*

17. IFAD, 2018d. *Household Methodologies. Tools and Guidelines, Lessons Learned*. IFAD: Rome.

18. *Ibid.*

### Nigeria's Value Chain Development Programme (2013-2022)

VCDP integrated GALS through (i) self-targeting of women through specific value chain activities; (ii) proportional minimum (35 per cent) quotas in programme resources for women and women's participation in groups; and (iii) inclusion of a dedicated gender/youth officer. By 2019, **70,558 women-headed households** (32 per cent above target) had been reached. A total of **41,617 women** are also receiving services promoted and/or supported by the VCDP (95 per cent above target).

Another approach that inclusively targets and integrates poor people by building their capacity to participate in value chains is the **graduation approach**. Graduation approaches are designed to gradually build the capabilities and assets of poor households to the point where they become food-secure and able to derive sustainable incomes from self-employment activities.<sup>19</sup> It is envisioned that by building productive assets and capabilities beneficiaries will increase their ability to participate in value chains and produce goods for markets. To support households to graduate in a time-bound period, synergies in consumption, asset and skills training support, mandatory savings requirements and monitoring and coaching are leveraged.

To ensure that effective pro-poor targeting is conducted, practitioners can rely on pro-poor targeting indicators. **Table 3** provides some of the indicators that can be used to evaluate the extent to which targeting efforts are geared to reach and include vulnerable beneficiaries. These pro-poor targeting indicators can be used as a basis to evaluate if targeting measures have the potential to impact various stakeholders in a pro-poor manner throughout value chains.

**Table 4** outlines the primary and secondary data that can be collected to measure the pro-poor targeting indicators.<sup>20</sup> Primary data sources can include information gathered from interviews with government counterparts and target groups, focus groups, surveys and field observations. Secondary data sources can include government-published policies and strategies, relevant research papers, past project reports (if applicable), trade data and statistics, available household data, and weather and climate-related data and media reports.

19. IFAD, 2017a. *Graduation Models of Rural Financial Inclusion*. IFAD: Rome.

20. The table has been adapted from: IFAD, 2018. *Stepwise Description of Value Chain Studies for Strategic Investment Planning Output*. IFAD: Laos.

**TABLE 3: Pro-poor targeting indicators**

<b>Income</b>	<ul style="list-style-type: none"><li>▪ Monthly income level compared with the national/international recognized poverty line</li><li>▪ Employment status – full-time versus part-time/seasonal employment</li><li>▪ Liquidity and access to capital/financing</li><li>▪ Financial support from other national/international development and social protection schemes</li></ul>
<b>Assets</b>	<ul style="list-style-type: none"><li>▪ Land ownership/rent – number of hectares</li><li>▪ Land farmed – number of hectares</li><li>▪ Livestock – number of animals by type of animal</li><li>▪ Ownership of/access to input supplies – number and value of input supplies</li><li>▪ Ownership of/access to processing/production machinery/technologies – number and value of machines and technologies</li></ul>
<b>Education</b>	<ul style="list-style-type: none"><li>▪ Numbers of years of education received at the primary/secondary/tertiary levels</li><li>▪ Number of training programmes participated in as part of government-led programmes/previous IFAD projects/other international projects/company programmes</li></ul>
<b>Women</b>	<ul style="list-style-type: none"><li>▪ Number of women participating in the value chain</li><li>▪ Number of women with access to land/resources/employment opportunities</li></ul>
<b>Youth</b>	<ul style="list-style-type: none"><li>▪ Number of youth participating in the value chain</li><li>▪ Number of unemployed youth in the targeted area</li></ul>
<b>Indigenous peoples</b>	<ul style="list-style-type: none"><li>▪ Number of indigenous groups/members of indigenous groups participating in the value chain</li></ul>
<b>Disabled people</b>	<ul style="list-style-type: none"><li>▪ Number of disabled people participating in the value chain</li></ul>
<b>Commodity selection</b>	<ul style="list-style-type: none"><li>▪ Availability/potential to produce commodities with potential to contribute to economic and social inclusion – number of commodities</li><li>▪ Availability/potential to produce commodities with a comparative advantage</li></ul>
<b>Nutrition</b>	<ul style="list-style-type: none"><li>▪ Number of people who are undernourished/suffer from malnutrition</li><li>▪ Number of people who are food-insecure</li><li>▪ Number of children/mothers who suffer from malnutrition</li><li>▪ Number of children who suffer from stunting</li><li>▪ Number of diverse foods consumed at the household level</li></ul>
<b>Environment</b>	<ul style="list-style-type: none"><li>▪ Areas that are prone to extreme climate events – number of hectares</li><li>▪ Number of commodities that are affected by climate events</li></ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"><li>▪ Degree of connectivity (number and quality of roads, bridges and ICT infrastructures, etc.)</li><li>▪ Supply chain infrastructure (existence of storage facilities, warehouses and logistics set-up)</li></ul>

**TABLE 4: Data collection for pro-poor targeting in value chain projects**

Area of research for primary and secondary data collection for pro-poor targeting	Secondary research	Primary research
1. Importance of the commodity to the economy (e.g. percentage of agricultural GDP, employment in the sector, employment for poorer people, domestic food consumption levels)	X	
2. Local, cross-border, regional and global end markets for commodity (how it is organized, quantities and quality)	X	X
3. Current market trends for the commodity, demand and supply trends and potential for expansion	X	X
4. Existence of farmer groups in the district producing the same commodity (number and size of farmer groups, production clusters and horizontal linkages)	X	X
5. The importance of the commodity as a cash crop in relation to other crops produced by the village farmers	X	X
6. Extent to which village farmers are knowledgeable in the production, harvesting and post-harvest treatment of the commodity	X	X
7. Agricultural extension service: extension approach, number and education of advisors, mobility, ratio of advisors to farmers, etc.	X	X
8. Average income levels of target beneficiaries		X
9. Number of full-time, part-time and seasonal jobs assumed by target beneficiaries		X
10. Number of individuals who have a credit history/outstanding loans		X
11. Access to finance (where farmers can obtain loans for agricultural purposes, conditions of loans, etc.)	X	X
12. Average area of land rented/owned by households in target cluster		X
13. Average area of land farmed by households in target cluster		X
14. Average number of animals owned by households in target cluster		X
15. Agriculture inputs (availability of seeds, fertilizer and agrochemicals, quality of inputs, level of application safety, number of input suppliers and availability of advice)	X	X
16. Agriculture tools/mechanization (ownership of tools and machinery and availability of hire services and repair facilities)	X	X
17. Average level of education of targeted beneficiaries		X
18. Whether production and simple processing of the commodity is dominated mainly by men or by women (gender dimension of commodity)	X	X
19. Number of women with access to land, resources and employment opportunities		X
20. Average number of unemployed youth (18-35 years) in targeted area	X	X
21. Numbers of indigenous groups and indigenous households in targeted area	X	X
22. Number of disabled people who are willing and able to participate in value chain activities		X
23. Extent to which the commodity is directly linked to food and nutrition security (commodity is used as nutritious food in the area versus commodity is sold as a non-food cash crop)	X	X

**TABLE 4: Data collection for pro-poor targeting in value chain projects**

Area of research for primary and secondary data collection for pro-poor targeting	Secondary research	Primary research
24. Number of people who are undernourished and/or food-insecure – with a particular focus on the number of children/women suffering from malnutrition; average number of cases stunting by 100 households in targeted area	X	
25. Extent to which the commodity addresses a specific dietary gap in the villagers consumption patterns	X	X
26. Traditional or customary restrictions prohibiting the consumption of commodity by all or certain groups of society	X	X
27. Agroecological conditions in the project province/district for production of the selected commodity (e.g. suitability of climate and soils, exposure to climate change risks, prevailing challenges such as soil erosion, pests and diseases)	X	X
28. Road access and transportation (gravel or tarmac roads, distance to nearest road in kilometres, all-weather access, etc.)	X	X
29. Storage facilities and warehouses (individual or communal storage facilities, quality of storage facilities, etc.)	X	X

## STEP 2: Pro-poor value chain prioritization



**Tips:** Overall, institutional capacity should be considered when selecting the number of value chains, as countries with more project management capacity and experience working with the value chain approach will be able to handle a larger number of value chains. Alternatively, a project can start with a few value chains and expand the number throughout project implementation. In general, projects that focus on fewer value chains at any one time tend to perform better.

Once pro-poor targeting has been implemented, practitioners need to evaluate the resources at their disposal, including human and monetary resources and institutional capacity. As these resources are limited, pro-poor value chains need to be prioritized within a project. This was done in the **Agricultural Value Chain Development Project in the Mountain Zones of Al-Haouz Province in Morocco**, where the project focused on three pro-poor value chains.

Value chain prioritization should be revisited throughout project implementation to ensure that the value chains selected remain relevant, competitive and inclusive. Pro-poor value chains can be prioritized using the criteria presented in **Table 5**. These criteria are intended to serve as guidance. Not every value chain will have to adhere to all the criteria listed, and other criteria not listed may apply depending on the project focus. It is, however, recommended that value chain projects are inclusive, sustainable and have growth potential, and are underpinned by a supportive enabling environment. In

cases where governments and relevant stakeholders have preselected commodities and value chains, project teams should aim to build up an evidence base that justifies interventions and their potential for pro-poor impacts.

### **Agricultural Value Chain Development Project in the Mountain Zones of Al-Haouz Province (2012-2020)**

The prioritization of a limited number of commodities (olives, apples and sheep) that are well suited to the environment and showed value-added and social inclusion potential resulted in a successful project in terms of pro-poor targeting. Service teams (equipes-metiers) composed of youth and trained by the project to deliver technical assistance to farmers created employment opportunities for young men and women. Existing demand was leveraged to improve productivity levels through investment in value-added activities and assets and the development of specialized labelling and geographical indications of mountain commodities. In 2019, a total of **15,267** women benefited from project activities (141 per cent of target), representing **71 per cent of income-generating activities beneficiaries, 36 per cent of cooperative members and 22 per cent of service teams**. Additionally, **12 youth service teams** were created. Overall, a guaranteed outlet for a focused number of high-potential commodities played a significant role in employing, structuring and professionalizing all value chain actors, including women and young beneficiaries.

**TABLE 5: Pro-poor value chain selection criteria**

Area	Criteria
<b>Inclusive and sustainable development potential</b>	<ul style="list-style-type: none"> <li>■ Opportunity for the inclusion and empowerment of <b>poor people/women/youth/disabled people/indigenous groups</b></li> <li>■ Availability of resources and opportunity to <b>produce for surplus</b> and not strictly for food security</li> <li>■ Opportunity to promote <b>nutritious food varieties</b> where existing knowledge and capacities can be capitalized</li> <li>■ Opportunity to <b>leverage indigenous, traditional and environmentally sustainable practices</b> in cultivation and production where existing experience and knowledge can be exploited</li> <li>■ <b>Climate change impact</b> reduction and <b>resilience/adaptation</b> potential</li> </ul>
<b>Growth potential</b>	<ul style="list-style-type: none"> <li>■ Current/potential (unmet) <b>market demand</b></li> <li>■ <b>Competitive advantage</b> and <b>potential for sustainable profitability/returns</b> for IFAD target groups</li> <li>■ Potential to adopt/adapt to <b>technology improvements</b></li> <li>■ Smallholder capacity and access to <b>productive assets/capital/natural resource endowments</b></li> <li>■ Smallholder ability/opportunity to <b>organize</b> and <b>pool volumes</b></li> </ul>
<b>Enabling environment responsiveness</b>	<ul style="list-style-type: none"> <li>■ <b>Private sector interest</b>/willingness to invest in/source from small-scale producers</li> <li>■ <b>National priorities</b> with regard to <b>poverty reduction</b> and support for the sector/commodity</li> <li>■ <b>Complementarity</b> to other income sources/off-farm employment</li> <li>■ Existence of <b>basic infrastructure</b> and <b>ICT</b></li> <li>■ Longer term international/national impacts on <b>price, market risks</b> and <b>trends</b></li> </ul>

To facilitate the selection of pro-poor value chains, a dynamic weighting system, illustrated in **Table 6**, can be used when prioritizing value chains.<sup>21</sup> Within this scoring system each criterion is assigned a maximum score. Value chains that have the highest overall score exhibit the greatest potential and should be considered.

The **Rural Livelihoods and Economic Enhancement Programme** in **Malawi** is an example where the project team used a defined set of weighted criteria to select the value chains.

To assess the financial and economic viability of investing in value chains under consideration, it is recommended that practitioners rely on **IFAD's Internal Guidelines: Economic and Financial Analysis of Rural Investment Projects**. Volume 1 outlines the basic concepts of and rationale for economic and financial analyses, Volume 2 provides an overview of minimum requirements and practical examples and Volume 3 illustrates a series of practical case studies that can be used as inspiration. The volumes also outline the different approaches that can be used to financially and economically evaluate investments, including the **cost-benefit analysis, cost-effectiveness analysis** and **multi-criteria analysis**. Practitioners need to carefully consider resources, time available, and data availability and quality when deciding which approach to undertake.

21. The table has been adapted from: IFAD, 2018. *Stepwise Description of Value Chain Studies for Strategic Investment Planning Output*. IFAD: Laos.

**Rural Livelihoods and Economic Enhancement Programme – Malawi (2007-2017)**

The starting point for value chain development was the selection of focal commodities. The selection of priority commodities was based upon the level of smallholder participation in the value chain, market potential, participation of women and youth, opportunities for value addition, value chain development and profitability. The project initially selected groundnuts and Irish potatoes and gradually extended the focus to soybeans, dairy, sunflowers and beef. **Seven value chain action plans** (140 per cent of target) were developed, **68 grant agreements** were signed and **2,146 market groups** were formed and/or strengthened (221 per cent of target).

**TABLE 6: Pro-poor value chain dynamic weighting system**

	Number	Criterion	Points	VC1	VC2	VC3	VC4
Inclusive and sustainable development potential	1	Scope for reliance on indigenous, traditional and environmentally sustainable cultivation and production practices	7				
	2	Presents scope for climate change adaptation measures and climate change resilience development activities	7				
	3	Poverty reduction potential (number of very poor, poor and nearly poor value chain actors involved)	7				
	4	Female farmers involved in production/trading/processing	7				
	5	Youth, disabled persons' and indigenous peoples' involvement in value chain activities	7				
	6	Nutrition improvement potential: filling a dietary gap/ decreasing malnutrition/improving food security/decreasing incidents of child stunting	7				
Growth potential	7	Existing market or proven demand for commodity/commodities	7				
	8	Profitability of commodity for value chain actors (positive gross margins and share of value gained by target beneficiaries)	7				
	9	Target actors' knowledge, experience and capacity in relation to input supply/processing/production	5				
	10	Potential for volume aggregation and scale	6				
	11	Scope for technology improvements and/or product/process/functional upgrading	5				
Enabling environment responsiveness	12	Interest of farmers, the community and the government in commodity/commodities	7				
	13	Availability of and access to agricultural inputs and services	5				
	14	Existence of and/or scope to invest in/develop basic infrastructure	6				
	15	Scope for complementarity to other income sources	5				
	16	Market risks and trends and impacts of international and domestic market prices	5				
	<b>Total score</b>		<b>100</b>				



## STEP 3:

# Pro-poor value chain analysis and planning

### Pro-poor value chain analysis

Once the target groups have been identified and the pro-poor value chains have been prioritized, it is recommended that a series of diagnostic assessments are carried out. Based on requirements and context, some of these diagnostics can be carried out in parallel to targeting and prioritization efforts. It is, however, recommended that more extensive analyses are reserved for a number of prioritized value chains and target groups. Furthermore, data collected during targeting efforts can serve as inputs for prioritization and analysis.

**Step 3** evaluates whether the value chains prioritized under **step 2** have the potential to reach and impact beneficiaries targeted under **step 1**. Pro-poor value chain analyses enable IFAD practitioners and project officers to identify the opportunities and constraints that the target groups face. The analyses also serve as a blueprint to identify and design key intervention areas. **Table 7** summarizes the range of analyses that can be carried out to diagnose the market viability, livelihood interdependencies, constraints and opportunities of value chains.

**TABLE 7: Pro-poor value chain analyses**

Area	Analyses
<b>Mapping of the value chains</b>	<ul style="list-style-type: none"> <li>■ <b>Functions:</b> Mapping of the economic functions of value chains (production, aggregation, storage, processing, distribution and consumption)</li> <li>■ <b>Direct actors:</b> Mapping of those who handle the commodity throughout at least one stage in the value chain. Input suppliers who provide seeds, fertilizers, chemicals, etc., are usually also considered as direct actors. When possible, disaggregate direct actors in terms of gender, poverty, age, etc.</li> <li>■ <b>Supporting actors:</b> Mapping of actors not actually handling the commodity but providing support services. These typically include public or private agricultural extension services, maintenance services, veterinary services, business development services, quality assurance and certification bodies, professional associations, NGOs and law-making authorities. When possible, disaggregate supporting actors in terms of gender, poverty, age, etc.</li> <li>■ <b>Distribution of value:</b> Mapping of the value distribution will allow an understanding of where the value currently resides in the value chain and with whom</li> </ul>
<b>Constraints and opportunities</b>	<ul style="list-style-type: none"> <li>■ Identification of <b>barriers</b> to and <b>opportunities</b> for <b>market entry</b>, including market power relations</li> <li>■ <b>Access</b> to productive assets and agricultural and financial services and information</li> <li>■ <b>Capacities</b> of and <b>incentives</b> for poor people</li> <li>■ <b>Gender-</b> and <b>youth-based</b> opportunities and constraints (e.g. power and agency)</li> <li>■ <b>Risk assessment</b> (e.g. supply, production, logistics, output prices, regulatory environment)</li> <li>■ <b>Upstream</b> and <b>downstream climate change</b> opportunities and constraints</li> <li>■ Constraints on and opportunities for <b>food security</b> and <b>nutrition</b></li> </ul>

To determine how to intervene effectively in a value chain, it is recommended that **value chain mapping exercises** are conducted. **Table 8** can be utilized to support the **mapping of value chain actors**. Within the matrix, functions should be listed across the top and actors along the side. Cells should be marked to indicate which actors perform which of the functions listed. The individual actors' activities should be described either in the matrix or separately. When possible, actors should be disaggregated by poverty, gender, age, indigenous origins and disabilities.

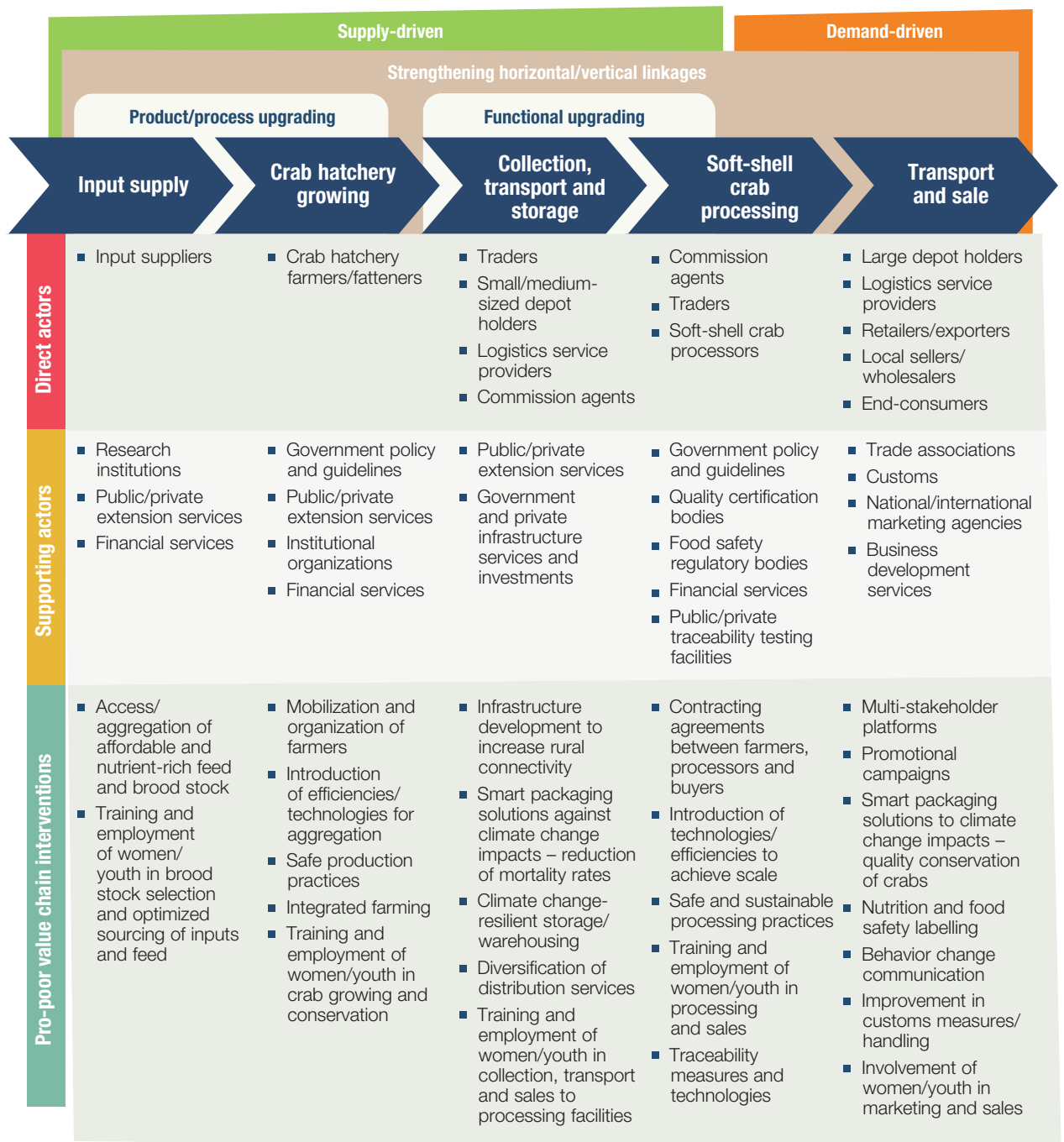
The identification of value chain actors and the roles they assume serves as the basis for value chain mapping, where interactions between the actors and their respective activities are mapped. **Figure 3** provides an example of the value chain mapping of soft-shell crabs in Bangladesh. The figure highlights potential direct and supporting actors involved in each step of the value chain, as well as the different pro-poor value chain interventions that can take place. Pro-poor value chain mapping can be conducted either throughout the design stage and/or during the initial phases of the implementation of a pro-poor value chain project. Resources and time available need to be evaluated when deciding at which stages mapping exercises should be carried out. Pro-poor value chain mapping can also be conducted at earlier stages and updated throughout the implementation course of a pro-poor value chain project.

To supplement value chain mapping efforts, practitioners can map the **value distribution** along the value chain. Mapping the value distribution serves as an additional reference point for understanding and quantifying **value chain power dynamics** and for prioritizing and designing **intervention entry points** that are required to address inequitable value distributions within the chain. Annex 5 illustrates the value distribution within the soft-shell crab value chain in Bangladesh. This example demonstrates that, through the earnings gained at different stages in the chain, processors and exporters capture most of the value. However, costs need to be carefully analysed to determine the actual profit margins of each actor in the chain.

**TABLE 8: Mapping of value chain actors**

Actors	Functions						
	Inputs	Production	Collection and transport	Processing	Wholesale	Retail	Export
<b>Direct actors</b> (women, youth, poor people, indigenous peoples and disabled people, etc.)							
<b>Supporting actors</b> (women, youth, poor people, indigenous peoples and disabled people, etc.)							

**FIGURE 3: Illustrative value chain mapping of soft-shell crabs – Bangladesh**



To further support the distribution and capture of value across nodes within value chains, the **volume of product** and **employment** can be mapped. Annex 6 demonstrates how the volume of product can theoretically be mapped through the value chain. Annex 7 demonstrates the number of actors and employed individuals in the vegetable retail value chain in Hanoi.<sup>22</sup> It should be noted that mapping the number of full-time employees in informal sectors can be challenging. Throughout this mapping, the number of poor people who are employed should also be taken into consideration.<sup>23</sup>

22. DFID, 2008. *Making Value Chains Work Better for the Poor – A Tool book for Practitioners of Value Chain Analysis*. M4P, 2008.

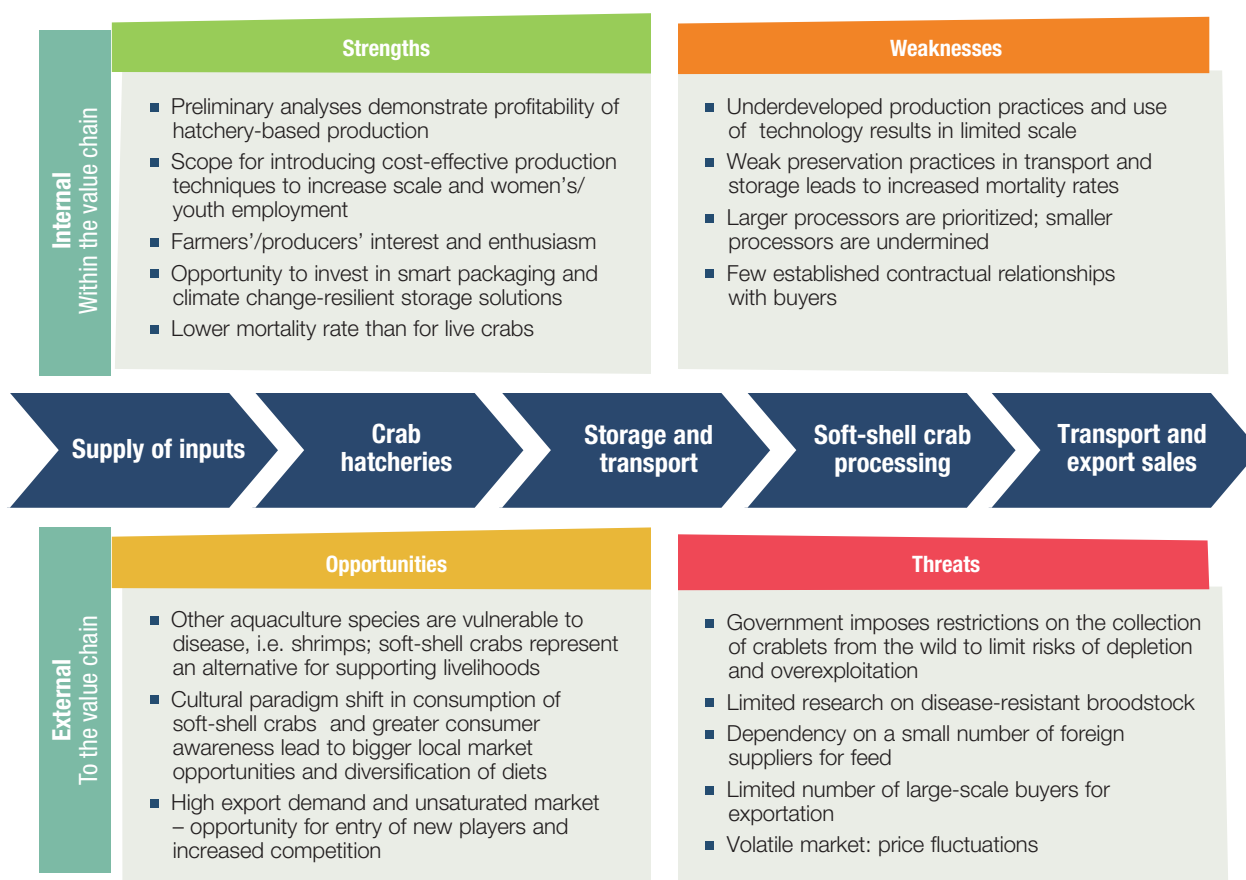
23. *Ibid.*

Once value chains have been mapped, the various opportunities and constraints in the value chain should be assessed. To support the assessment of opportunities and constraints, the design team can conduct a **strengths, weaknesses, opportunities and threats (SWOT) analysis**. The SWOT analysis identifies how strengths and weaknesses within the value chains will internally impact activities, beneficiaries and ultimately outcomes. It also helps identify the external opportunities and potential threats to the viability of the value chain development project. **Figure 4** illustrates this analysis of the soft-shell crab value chain in Bangladesh.

### Power relations and pro-poor value chain governance

In most value chains, the strongest market actors and those that derive the highest value are often those that are closest to the consumer retail market, e.g. retail buyers and traders, food shops, supermarkets and exporters (see Annex 5 as an example). This is especially true when value chains mature and larger business actors become involved. As market concentration increases, it can weaken the smaller suppliers within the chain. These stronger lead actors have the capability to define and impose the contract conditions in the value chains (e.g. prices, product and process standards, quantities and delivery conditions). Small farmers in the value chain are often in a weaker bargaining position because lead firms can swap suppliers or at least threaten to do so, squeezing their partners' profits and appropriating a larger share of the total gains of the value chain.<sup>24</sup>

**FIGURE 4: SWOT value chain mapping**



24. IFAD, 2014b. *Lessons Learned. Commodity value chain development projects*. IFAD: Rome.

One of the key roles of IFAD-supported value chain projects is to identify these power structures and support the establishment of a more equitable and pro-poor value chain governance. The following project measures can be used to ensure that value chain interventions are inclusive and benefit poor rural people:

- engage different value chain stakeholders, including poor rural people and their representatives, through multi-stakeholder consultation platforms to enhance their participation and decision-making power and provide them with a greater share of the benefits (see more below on MSPs);
- strengthen farmer organizations so that they can defend the rights of their members and negotiate better terms for them – the more structured and representative the organization, the more weight they would have in these negotiations;<sup>25</sup>
- promote business models that are more inclusive of poor rural people in the decision-making and negotiating process, such as the public-private-producer partnerships (4Ps) model;<sup>26</sup>
- engage with governments when required to regulate market transactions and introduce relevant pro-poor policies; and
- carry-out regular monitoring of market dynamics and the results and outcomes of project interventions to detect structural shifts in power structures and adjust interventions accordingly.

One of the most effective pro-poor value chain governance models that IFAD has supported is **MSPs**. Ample research, including the IOE CLE on IFAD's engagement in pro-poor value chain development, has noted that MSPs are effective in adding value and improving incomes for small farmers through the interaction and coordination of the different stakeholders participating in the value chains.<sup>27, 28</sup> With adequate representation and inclusion of target beneficiaries, MSPs have the potential to improve value chain governance through the following aspects:<sup>29</sup>

- Setting priorities for pro-poor value chain upgrading strategies and interventions to respond to market opportunities and constraints.
- Developing joint action plans and roadmaps for investments and resource planning.
- Facilitating meetings and developing linkages between stakeholders to enable the setting of pricing, volume requirements, timing and quality standards.
- Long-term coordination and collaboration to achieve the agreed-upon objectives and goals.
- Enhancing the sense of ownership, commitment and trust through joint decision making and knowledge- and experience-sharing.
- Providing room for policy dialogue to improve wider business environments.

25. IFAD, 2016e. *Engaging with farmers' organizations for more effective smallholders' development*. IFAD: Rome.

26. IFAD, 2016b. *How to do: Public-Private-Producer Partnerships (4Ps) in Agricultural Value Chains*. IFAD: Rome.

27. Graham Thiele, André Devaux, Iván Reinoso, Hernán Pico, Fabián Montesdeoca, Manuel Pumisacho, Jorge Andrade-Piedra, Claudio Velasco, Paola Flores, Raúl Esprella, Alice Thomann, Kurt Manrique & Doug Horton (2011). Multi-stakeholder platforms for linking small farmers to value chains: evidence from the Andes, *International Journal of Agricultural Sustainability*, 9:3, 423-433, DOI: 10.1080/14735903.2011.589206

28. Cadilhon, J.-J. 2013. Story. The functions of facilitation in multi-stakeholder learning: lessons learned from capacity development on value chains management in innovation platforms in Burkina Faso and Ghana. *Knowledge Management for Development Journal* 9(3): 174-181

29. IFAD, 2019f. *Nepal: Value Chains for Inclusive Transformation of Agriculture – Programme Implementation Manual*. IFAD: Rome.

As exemplified below, the **High-Value Agriculture Project in Hill and Mountain Areas (HVAP)** in Nepal and the **Northern Rural Growth Programme (NRGP)** in Ghana successfully introduced MSPs to generate a number of pro-poor impacts. Another example of a successful MSP established through an IFAD-supported project is the Commodity Alliance Forum (CAF) promoted by the VCDP in Nigeria, which has proven to be a particularly effective platform for implementing 4Ps in the rice sector. As reported in the IFAD related case study, “the CAF was originally created as a forum to facilitate business transactions, but it has since grown to also serve as a channel for policy dialogue with governments and for conflict resolution among smallholder farmers, other users of land and natural resources, and the government”.<sup>30</sup>

#### High-Value Agriculture Project in Hill and Mountain Areas – Nepal (2010-2018)

The project conceived **the MSP modality** as a means of driving value chain development by firmly placing the **market** as the starting point with a series of interactions. These interactions were designed for selecting, prioritizing and shortlisting possible interventions addressing **critical bottlenecks** in each value chain along with identifying **business opportunities**, developing formal and informal buy-back arrangements between producers and agribusinesses/traders and developing contracts between value chain actors and service providers. This arrangement resulted in the ability of the producers to fix the type of commodity to be produced, the quality of the produce, the quantity to be produced and the price at which the produce would be purchased. In particular, enabling poor/vulnerable producers, agribusinesses and traders to engage in joint decision-making incentivized producers to participate in value chains and boosted their confidence to make critical investments (IFAD, 2019c). MSPs are now being replicated in the most recent IFAD-supported project in Nepal, Value Chains for Inclusive Transformation of Agriculture (VITA).

Source: IFAD, 2019. *High-Value Agriculture Project in Hill and Mountain Areas – Project Completion Report*. IFAD: Rome

#### Northern Rural Growth Programme – Ghana (2009-2016)

Facilitated by an external NGO, district value chain committees (DVCCs) were designed to ensure that smallholder farmers can secure access to credit, other inputs and end-buyers within each district. All value chain actors are represented on the DVCCs: farmers' organizations (including women producers), input dealers, tractor service providers, local aggregators and buyers, the Ministry of Food and Agriculture (District Development Unit), the Department of Cooperatives and participating banks from the Rural and Community Bank (RCB) network. The DVCC executive committee has nine elected volunteer members and four non-voting members representing the Ministry of Food and Agriculture, the District Development Unit, the Department of Cooperatives and the RCB network. The executive committee manages all DVCC activities, produces annual crop enterprise budgets, reviews all production loans and endorses loan applications, and selects input dealers and tractor service providers through a cashless credit scheme. The DVCC also serves as a forum for price negotiations with aggregators. The DVCCs have been replicated in subsequent projects such as the Ghana Agricultural Sector Investment Programme (GASIP).

Source: <https://www.ifad.org/en/web/knowledge/publication/asset/39403139> and reproduced as Box 5 in IFAD, 2016b. *How to do: Public-Private-Producer Partnerships (4Ps) in Agricultural Value Chains*.

30. The multifaceted benefits of the 4Ps (public-private producer partnership) approach: a case study of the Nigerian Value Chain Development Programme. IFAD case study. 2020.

It is recommended that MSPs are centred on commodities that present market demand and production potential in a specific province/district/municipality. MSPs can be formed at a provincial, district or municipal level and it is advisable that local governments and/or relevant chambers of commerce take an active part in forming and leading MSPs. As MSPs require time to be established and set up coordination strategies, it is recommended that the process for forming an MSP is outlined in the design report and that start-up actions are taken throughout the initial stages of implementation. While projects should support local governments and/or chambers of commerce in establishing and institutionalizing MSPs, MSPs should strive to become self-governing forums. When possible, NGOs can assist in the mobilization of MSPs and can contribute to enhancing the credibility of the platforms.

MSPs should also aim to involve a wide range of stakeholders. These can include policymakers, service providers, traders/processors, producers, financial institutions, associations and chambers of commerce, farmer organizations, government entities and researchers. The duration and frequency of meetings will depend on the context and the capacity of the actors involved. However, it is recommended that MSPs convene at least once or twice annually and that a gradual approach is taken to creating a sense of ownership among the actors and developing a shared vision and common understanding of opportunities and challenges, as this will serve as the basis for fostering trust and developing longer term relationships. Furthermore, it is important that proper handover plans for established MSPs are created prior to project completion. This includes determining the ownership and funding of MSPs and developing plans for continuous interactions and meetings after project completion.

## Theory of change

The main findings of the pro-poor value chain analysis will serve as input to the selection and design of pro-poor value chain strategies and the development of the theory of change. The objective of the value chain strategies is to improve the value chain projects and to render them more sustainably inclusive of poor people so that they can gain from increased participation and strive to gain more equitable benefits. **Table 9** outlines the different **value chain upgrading strategies** that, combined with pro-poor targeting measures and pro-poor value chain prioritization and analysis, render the upgrading strategies pro-poor.<sup>31</sup>

**TABLE 9: Value chain upgrading strategies**

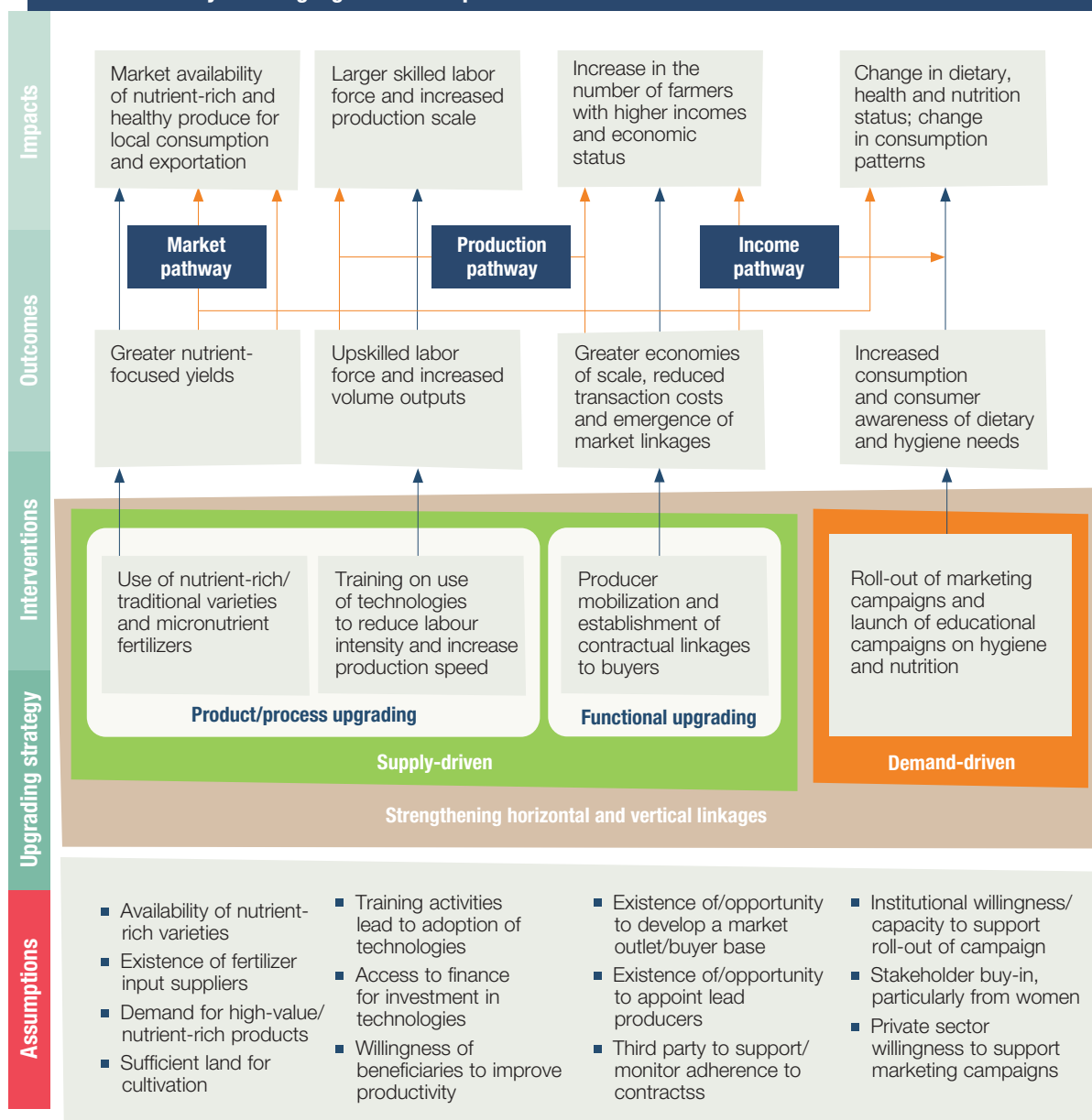
Product/process upgrading	Functional upgrading	Strengthening horizontal and vertical linkages
<ul style="list-style-type: none"> <li>■ Product diversification and improved product characteristics/quality</li> <li>■ Improvements in certification, food safety and traceability</li> <li>■ Increased efficiencies through the reduction of unit production costs and increased output volumes</li> </ul>	<ul style="list-style-type: none"> <li>■ Increasing (upgrading) or reducing (downgrading) the number of functions/activities</li> <li>■ Introducing value-added activities in processing, grading, packaging, branding, marketing, etc.</li> <li>■ Eliminating non-value-added functions/activities</li> </ul>	<ul style="list-style-type: none"> <li>■ Improving <b>horizontal linkages</b> at the same functional level (producer mobilization, aggregation and capacity-building of producer organizations)</li> <li>■ Improving <b>vertical linkages</b> among stakeholders at different functional levels (infrastructure development, contracts, MSPs, market infrastructure and ICT solutions to enhance access to finance, promote informational flows and improve market access)</li> </ul>

31. IFAD, 2017. *Stocktaking of IFAD's Value Chain Portfolio*. PTA-RME Desk. (Mimeo).

Prioritizing and selecting the upgrading strategy or strategies will underpin the development of a **theory of change**. Developing a theory of change is a requirement for all IFAD-supported projects and it is important that projects describe how specific activities and value chain development interventions will reach each category of poor groups, including women, youth, indigenous groups and disabled people. The theory of change requires the underlying causes of a development problem to be analysed and a solution to be proposed that provides evidence and clear logic pathways to generate sustainable outcomes to increase income and diversification.

To support the generation of the theory of change, **impact pathways** should be developed to provide visibility on the outcomes and impacts that the chosen strategies could generate in terms of income, sustainability and inclusiveness. Where possible, impact pathways should be disaggregated to address diverse target groups based on poverty, gender, youth, indigenous origin and disability. Visualizing impact pathways contributes to the identification of any required adjustments to the strategies and supporting actions to maximize opportunities for impact. **Figure 5** outlines a generic example of a theory of change that can be used as a source of reference.

**FIGURE 5: Theory of change: generic example**







## Best practices in complementing interventions

- **Visualizing the theory of change** can lead to the identification of the multiple complementary interventions that can be pursued.
- For instance, promoting inclusive value chain governance can be achieved through the establishment and strengthening of MSPs that provide small-scale producers and other value chain stakeholders with (i) information on prices and markets; (ii) a venue for dispute resolution; and (iii) a voice in discussing the policy and regulatory system. At the same time, a project can complement this intervention point by vertically strengthening the value chain through partnerships with the private sector that enhance market intelligence and linkages throughout the project cycle.
- In many cases, complementary public sector and community-based activities are required to lay the foundation for effective value chain interventions. This can take the form of **government extension services**, the **provision of public goods** and **basic infrastructure**. For instance, public purchasing programmes, food assistance and school feeding programmes can provide viable and secure markets for smallholders' produce, while also targeting vulnerable groups of consumers.<sup>32</sup>

As an example, Annex 8 provides the theory of change developed for the **High-Value Agriculture Project in Hill and Mountain Areas (HVAP)** in Nepal. As elaborated below, the development and visualization of the theory of change can lead to the identification of complementary entry points and interventions.

### Value chain action plans

Once pro-poor targeting, value chain prioritization and value chain analyses have been conducted and the theory of change has been developed, the focus should be on integrating these outputs into a **value chain action plan**. Value chain action plans will ultimately provide the project team with a menu of intervention options that can be executed throughout the pro-poor value chain development projects. Depending on the resources and time available, value chain action plans can be developed throughout the design stage or during the initial stages of implementation. Value chain action plans can also be drafted throughout the design phase and elaborated upon and finalized throughout the implementation phase. A value chain action plan should aim to cover the following areas:

- **Envision the future pro-poor value chain projects** and list the **objectives** for engaging and investing in selected value chain projects;
- **Justifications** for **engaging in prioritized value chain projects** using findings from analyses conducted;
- Use the **theory of change** to **identify** and **select interventions** for generating pro-poor outcomes and impacts;
- Breaking down prioritized interventions into **intervention activities** to achieve expected pro-poor outcomes and impacts;



**Tips:** Pro-poor value chains often address many issues in a resource-constrained context. Selecting intervention activities that address high-priority constraints will limit the risk of intervening randomly.

32. IFAD, 2018. *Nutrition-sensitive value chains: A guide for project design* – Volume I, 2018. IFAD: Rome

- Prioritize the **intervention activities** required to overcome **key constraints**; and
- **Envision the exit and scaling-up strategy** and the support pro-poor value chain projects require to sustain and expand the interventions introduced.

To adequately plan and integrate the appropriate activities into project designs, it is recommended that key intervention activities are mapped against the constraints identified.

**Table 10** provides examples of intervention activities mapped against the constraints identified.

**TABLE 10: Illustration of key intervention activities**

Value chain segment	Constraints	Illustrative key intervention activity
<b>Input supply</b>	Lack of affordable and/or quality input supplies	<ul style="list-style-type: none"> <li>■ Identify, mobilize and organize input suppliers and provide them with training and access to finance</li> <li>■ Support the development of linkages between input supplier groups and producers</li> <li>■ Use ICT solutions (e-wallets and e-vouchers) to facilitate payments for input supplies</li> </ul>
	Limited nutrient-rich input varieties	<ul style="list-style-type: none"> <li>■ Provide technical capacity to input suppliers/seed growers to develop different varieties</li> </ul>
	Lack of micronutrient/organically produced fertilizer, vaccines and pharmaceuticals	<ul style="list-style-type: none"> <li>■ Train input suppliers on biosustainable compost/fertilizer production practices</li> <li>■ Train input suppliers on the use and sale of vaccines and pharmaceuticals required for effective livestock management</li> </ul>
<b>Production/cultivation</b>	Limited scale/production volume outputs	<ul style="list-style-type: none"> <li>■ Mobilize and organize producer groups and enable them to pool volumes</li> <li>■ Work with intermediaries to aggregate produce across farmers or groups</li> </ul>
	Limited quality-enhancing/value-added activities performed	<ul style="list-style-type: none"> <li>■ Eliminate non-value-added activities</li> <li>■ Introduce new processing techniques</li> <li>■ Introduce quality control/grading measures</li> <li>■ Establish private sector partnerships/guidance on specifications/quality requirements</li> </ul>
	Low employment rates of women/youth/indigenous peoples	<ul style="list-style-type: none"> <li>■ Identify, target and organize specific groups</li> <li>■ Set employment targets in production groups</li> <li>■ Target specific groups for competitive grants/co-financing schemes</li> </ul>

**TABLE 10: Illustration of key intervention activities**

Value chain segment	Constraints	Illustrative key intervention activity
<b>Production/ cultivation</b>	Women have limited access to land	<ul style="list-style-type: none"> <li>■ Target commodities that do not require much land</li> <li>■ Through land redistribution settlement cases, ensure that land is allocated to women</li> </ul>
	Low productivity levels	<ul style="list-style-type: none"> <li>■ Introduce farmer field schools (FFSs) and/or pay-based advisors to deliver training and technical assistance to farmers</li> <li>■ Introduce farming as a business training to enable production for surplus and diversification of outputs</li> <li>■ Use ICT solutions to digitally provide extension services/advice</li> </ul>
	Lack of environmentally sustainable production/cultivation practices	<ul style="list-style-type: none"> <li>■ Introduce climate-smart/climate adaptation- and resilience-based demonstration plots and exchange visits</li> <li>■ Engage farmers through FFS training on environmentally sustainable cultivation practices</li> </ul>
<b>Storage/logistics</b>	Lack of traceability	<ul style="list-style-type: none"> <li>■ Engage government/private sector/research institutions in supporting certification and geographical indication development</li> <li>■ Leverage ICT solutions to trace outputs from cultivation sites to final points of sale</li> </ul>
	Limited physical access to markets	<ul style="list-style-type: none"> <li>■ Government and/or community investment in roads, markets and related infrastructure development</li> </ul>
	No/limited warehousing capacity	<ul style="list-style-type: none"> <li>■ Private sector/government/project investment in climate change-resilient storage facilities</li> <li>■ Establish producer rental services for storage spaces</li> </ul>
	High spoilage/mortality rates	<ul style="list-style-type: none"> <li>■ Introduce climate-smart logistics solutions, i.e. temperature-controlled supply chains</li> <li>■ Support the selection of alternative modes of transport and/or new storage methods</li> </ul>
<b>Processing/ packaging/labelling</b>	Limited processing capacity/capabilities	<ul style="list-style-type: none"> <li>■ Provide support for access to finance to expand processing capacity</li> <li>■ Introduce technologies to improve processing speed/value-added activities</li> </ul>

**TABLE 10: Illustration of key intervention activities**

Value chain segment	Constraints	Illustrative key intervention activity
<b>Processing/ packaging/labelling</b>	Absence of labelling/ packaging capacity/ capabilities/standards/quality	<ul style="list-style-type: none"> <li>■ Private sector partnerships/guidance on labelling/packaging specifications and requirements</li> <li>■ Project-subsidized training on labelling and packaging, food safety and hygiene</li> <li>■ Project support for product testing and certification (both mandatory and voluntary)</li> <li>■ Introduce climate-smart packaging solutions to offset environmental impacts and extend the shelf-life of products</li> </ul>
	Limited knowledge of nutrition labelling	<ul style="list-style-type: none"> <li>■ Private sector/government-based/project training on nutrition information-specific labelling requirements</li> </ul>
<b>Marketing and sales</b>	Lack of contractual relationships	<ul style="list-style-type: none"> <li>■ Project support in identifying and forging contractual relationships with buyers, including through 4Ps</li> <li>■ Support the establishment of e-commerce or e-market platforms where small producers and other organizations can sell their products online</li> <li>■ Introduce farming as a business training to smallholder farmers to enable them to better understand markets and negotiate favourable prices</li> </ul>
	Lack of consumer awareness of nutrition/dietary requirements	<ul style="list-style-type: none"> <li>■ Train women in food preparation methods and recipes to preserve nutritional values and promote food safety</li> <li>■ Set up promotional/behavioural change campaigns in nutrition and food safety</li> <li>■ Set up public purchasing programmes and food assistance and school feeding programmes</li> </ul>
<b>Information-sharing and data monitoring</b>	Limited transparency on pricing, volume requirements and quality standards between buyers and sellers	<ul style="list-style-type: none"> <li>■ Leverage ICT solutions to create information and price transparency between producers and buyers</li> <li>■ Develop pricing formulas that allow for regular price adjustments based on independently verifiable information</li> <li>■ Utilize MSPs as a forum to jointly negotiate pricing, volume requirements and quality standards</li> <li>■ Establish computerized management information systems to monitor beneficiary participation and progression throughout value chain development projects</li> </ul>

For each strategy and supporting interventions, an **exit and scaling-up plan** should be envisioned. It is recommended that, early on, the project determines how interventions will be sustained by beneficiaries after project support is withdrawn. The potential for replicating interventions in other non-project areas or for an increased number of beneficiaries also needs to be considered.

To ensure **sustainability**, it is important that handover plans are developed and that relevant institutions, value chain actors and/or government agencies take ownership of these. Supporting policies developed under the project should also be owned and managed by the respective institutions.



## Best practices in targeted interventions

- **Nutrition-sensitive value chains.** The **Smallholder Livelihood Development Project** in **eastern Indonesia** identified **nutritional and behavioural change communication campaigns** as a way to develop and build demand for nutritious food commodities.<sup>33</sup>

### **Smallholder Livelihood Development Project – Indonesia (2011-2019)**

The campaign encompassed various dimensions of consumption, such as food preparation methods and recipes to preserve nutritional values and promote food safety (e.g. eliminating cyanogens while minimizing nutrient loss in cassava). Women, especially pregnant women and mothers, were targeted given their roles in household food purchasing and preparation. However, men and schoolchildren were also considered as consumers and actors who play an active role in supporting or undermining efforts to improve nutrition.

- **Public-private-producer partnerships.** 4Ps can be used as an approach to support the development of pro-poor value chains through competitive co-investments by the private sector, the project, government and the target groups based on approved business plans.<sup>34</sup> As elaborated below, 4Ps were used extensively in the **Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces (AMD) project**.<sup>35</sup>

### **Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces (2014-2020)**

To access 4Ps co-investments, businesses, with the support of government agencies, developed business plans. The co-investments generated **2,305 contracts signed between farmers and enterprises**, resulting in the creation of **1,733 full-time jobs** (300 per cent of target). In total, 11,054 households have benefited from the 4Ps model, of which **2,405 are poor households**. Relevant government agencies are committed to replicate the 4Ps approach through the use of provincial budgets and by supporting the development of business plans, as well as providing business development services and training to companies applying to the co-investment schemes.

33. IFAD, 2018a. *Developing nutrition-sensitive value chains in Indonesia. Findings from IFAD research for development*. IFAD: Rome.

34. IFAD, 2016b. *How to do Public-Private-Producer-Partnerships (4Ps) in Agricultural Value Chains*. IFAD: Rome.

35. IFAD, 2019. *Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces – Supervision Report*. IFAD: Rome.

TABLE 11: Tips for pro-poor value chain design and implementation



#### Resource requirements

- National expertise is not always available in all countries and international expertise may be required for **value chain analyses and implementation**.
- Project design teams need to **work with partner organizations and governments** to evaluate resource requirements and availability. Prioritization of “nice-to-have” versus “need-to-have” should be made jointly.



#### Private sector expertise

- To ensure that pro-poor value chain projects are properly implemented, it is recommended that project management units (PMUs) appoint individuals with **private sector and/or value chain expertise** and/or that PMU staff are trained in implementing value chain projects.



#### Institutional capacity

- **Institutional capacity** can be limited in terms of promoting inclusive policies and regulations. These challenges can be overcome through the **recruitment** of specialized **policy advisors** and/or through the development of **MSPs**, which can be used to accelerate inclusive policy changes and reforms.



#### Implementation approaches

- In contexts where capacity for/experience in implementing value chains is still limited, a **multi-phased implementation** or **programmatic approach** may be better suited. This may involve focusing on improving production/productivity and organizing producers first, followed by other interventions along the value chain, or starting with a few commodities and gradually expanding to new ones.
- Project timelines are **often not long enough to fully operationalize new value chains**. Given the limited timelines, the development of new pro-poor value chain projects needs to be carefully assessed.

Table 11 provides an overview of additional tips that practitioners should be aware of when designing and implementing pro-poor value chain development projects.

### Monitoring and evaluation

It is important that practitioners develop a **strong monitoring and evaluation (M&E) system** to assess the **targeting performance** and the relevance and effectiveness of pro-poor value chain development projects. Assessing the relevance and effectiveness of the interventions will determine if any adjustments to the interventions are required during project implementation.

Using baseline data as a benchmark, project-level M&E systems should focus on relevant output and outcome-level indicators **disaggregated by target group (i.e. youth, women, indigenous peoples and disabled people)** that can provide insights into the effects that the value chain development project is generating for them. Some examples of indicators that can be used to measure these effects by target group, could include:

- Increase in volume of production and/or productivity to meet market requirements
- Increase in percentage of produce processed (volume of value added)
- Reduction in pre- and post-harvest losses (e.g. product loss, food loss, nutrient loss)
- Increase in percentage of final price and value-added accruing to producers
- Increase in sales by producers participating in the value chains
- Increase in value of production (relative to reference market prices) sold by producers participating in value chains
- Number of jobs created and maintained after three years, disaggregated by target group, etc.

For a full list of output and outcome indicators, refer to *How to Monitor Progress in Value Chain Projects Note*.<sup>36</sup> Lastly, it is important that results, success stories and lessons learned are documented and made available to relevant parties as this will allow for showcasing and thus increased potential for replication and sustainability.

36. IFAD, 2016c. *How to Monitor Progress in Value Chain Projects*. IFAD: Rome.

## Conclusions

Although value chain development projects can generate viable economic opportunities for IFAD target groups, if not carefully designed they can lead to value capture by well-off value chain actors, a limited focus on wider impacts and undue pressure on natural resources. Given the centrality of value chain projects throughout the IFAD portfolio, it is important that interventions generate positive and sustainable impacts for poor rural people.

The operational guidelines described in this document provide practitioners with step-by-step guidance on how to develop pro-poor value chain development projects. They define value chains and pro-poor value chains, outline the principles of engagement and provide key lessons learned in pro-poor value chain development. A three-step framework consisting of pro-poor targeting, prioritization of pro-poor value chains and pro-poor value chain analysis and planning is elaborated. The guidelines provide examples and best practices from the field to illustrate how recommended approaches were applied in different contexts. The document refers to relevant IFAD value chain toolkits, pro-poor approaches and guidelines, as well as value chain guidelines developed by other United Nations agencies, IFIs and development organizations.



## ANNEX 1:

# IFAD knowledge products and guidelines

- ▶ IFAD, 2010. IFAD Decision Tools for Rural Finance. IFAD: Rome. <https://www.ifad.org/documents/38714170/39144386/IFAD+Decision+Tools+for+Rural+Finance.pdf/67965f15-2388-4d23-8df6-ae97bade810>
- ▶ IFAD, 2012. Agricultural Value Chain Finance Strategy and Design – Technical Note. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39181165>
- ▶ IFAD, 2013. Smallholders, food security, and the environment. IFAD: Rome. [https://www.ifad.org/documents/38714170/39135645/smallholders\\_report.pdf/133e8903-0204-4e7d-a780-bca847933f2e](https://www.ifad.org/documents/38714170/39135645/smallholders_report.pdf/133e8903-0204-4e7d-a780-bca847933f2e)
- ▶ IFAD, 2014a. How to do note: Commodity value chain development projects. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39402428>
- ▶ IFAD, 2014b. Lessons learned. Commodity value chain development projects. Rome: IFAD. <https://www.ifad.org/documents/38714170/40311826/Commodity+value+chain+development+projects.pdf/504a1102-7bc7-47e8-a46c-003333fe9335>
- ▶ IFAD, 2015a. How to do: Climate change risk assessments in value chain project. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39181457>
- ▶ IFAD, 2015b. Scaling Up Note: Sustainable Inclusion of Smallholders in Agricultural Value Chains. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39402748>
- ▶ IFAD, 2015c. *Rural Competitiveness Development Project – Project Design Report*. IFAD: Rome.
- ▶ IFAD, 2016a. How to do note: Livestock value chain analysis and project development. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39404163>
- ▶ IFAD, 2016b. How to do: Public-Private-Producer Partnerships (4Ps) in Agricultural Value Chains. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39433604>
- ▶ IFAD, 2016c. How to monitor progress in value chain projects. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/40314596>
- ▶ IFAD, 2016d. How to do: Poverty, targeting, gender equality and empowerment. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39597663>
- ▶ IFAD, 2016e. Engaging with farmers' organizations for more effective smallholders development. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/39258128>
- ▶ IFAD, 2017a. Graduation Models of Rural Financial Inclusion. IFAD: Rome.

- ▶ IFAD, 2017b. Toolkit: Poverty Targeting, Gender Equality and Empowerment. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/40241536>
- ▶ IFAD, 2017c. *Stocktaking of IFAD's Value Chain Portfolio*. PTA-RME Desk. (Mimeo).
- ▶ IFAD; 2018a. Developing nutrition-sensitive value chains in Indonesia. Findings from IFAD research for development. IFAD: Rome. [https://www.ifad.org/documents/38714170/40197148/Indonesia\\_brochure.pdf/9ab34286-983d-4b3c-ba85-d6950a50ab68](https://www.ifad.org/documents/38714170/40197148/Indonesia_brochure.pdf/9ab34286-983d-4b3c-ba85-d6950a50ab68)
- ▶ IFAD, 2018b. Nutrition-sensitive value chains: A guide for project design – Volume I. IFAD: Rome. <https://www.ifad.org/en/web/knowledge/publication/asset/40805038>
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- ▶ IFAD, 2018d. *Household Methodologies. Tools and Guidelines, Lessons Learned*. IFAD: Rome.
- ▶ IFAD. 2019a. IFAD's engagement in pro-poor value chain development. Corporate-Level Evaluation. Rome: IFAD. [https://www.ifad.org/documents/38714182/41260694/cle\\_valuechain.pdf/7f0ae37d-5c57-10a2-b14d-0593f08a03d0](https://www.ifad.org/documents/38714182/41260694/cle_valuechain.pdf/7f0ae37d-5c57-10a2-b14d-0593f08a03d0)
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- ▶ IFAD, 2019c. Economic Activities of Persons with Disabilities in Rural Areas: New Evidence and Opportunities for IFAD Engagement. IFAD: Rome. <https://webapps.ifad.org/members/eb/128/docs/EB-2019-128-R-7.pdf>
- ▶ IFAD, 2019d. Stocktake of the Use of Household Methodologies in IFAD's Portfolio. IFAD: Rome. [https://www.ifad.org/documents/38714170/41377902/hhm\\_stocktake.pdf/d64f0301-19d5-b210-3ace-765ba0b5f527](https://www.ifad.org/documents/38714170/41377902/hhm_stocktake.pdf/d64f0301-19d5-b210-3ace-765ba0b5f527)
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- ▶ IFAD, 2019f. *Nepal: Value Chains for Inclusive Transformation of Agriculture – Programme Implementation Manual*. IFAD: Rome.
- ▶ IFAD, 2019g. *Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces – Supervision Report*. IFAD: Rome.

## ANNEX 2:

# Value chain guidelines from other development agencies

### Value chain guidelines from other development agencies

Guideline	Sponsoring organization	Key focus areas
<i>The African Development Bank's Support for Agricultural Value Chain Development: Lessons for the Feed Africa Strategy (2018)</i>	African Development Bank Group (AfDB)	<ul style="list-style-type: none"><li>■ Independent development evaluation of AfDB's support for agricultural value chain development to generate lessons and recommendations for supporting the implementation of the Feed Africa Strategy</li></ul>
<i>Strategy for Promoting Safe and Environment-friendly Agro-based Value Chains in The Greater Mekong Subregion and Siem Reap Action Plan, 2018-2022 (2018)</i>	Asian Development Bank (ADB)	<ul style="list-style-type: none"><li>■ Subregional strategy that provides guidance on how to connect the supply chains of safe and environment-friendly agriculture products in the Greater Mekong subregion</li></ul>
<i>Support for Agricultural Value Chain Development (2012)</i>	Asian Development Bank (ADB)	<ul style="list-style-type: none"><li>■ This evaluation study reviews the relevance and effectiveness of ADB's assistance for projects supporting agricultural value chains; it reviews the project designs of 54 agriculture and natural resources loans totalling US\$2.6 billion and 50 technical assistance operations with commercial agriculture components during 2001-2009.</li><li>■ It draws lessons for ADB's future engagement in this area and, particularly, for how poor rural people can participate in the value chain</li></ul>
<i>Evaluation of DANIDA Support to Value Chain Development (2016)</i>	Danish International Development Agency (DANIDA)	<ul style="list-style-type: none"><li>■ This evaluation aims to improve the design and implementation of DANIDA'S bilateral programme cooperation under inclusive green growth and employment to provide future support for value chain development</li></ul>

## Value chain guidelines from other development agencies

Guideline	Sponsoring organization	Key focus areas
<i>A Rough Guide to Value Chain Development: How to create employment and improve working conditions in targeted sectors</i> (2015)	International Labour Organization (ILO) and Danish International Development Agency (DANIDA)	<ul style="list-style-type: none"> <li>■ Provides a simplified overview of the value chain development approach as applied by the ILO</li> </ul>
<i>Making Value Chains Work Better for the Poor (M4P): A toolkit for practitioners of value chain analysis</i> (2008)	UK Department for International Development (DFID)	<ul style="list-style-type: none"> <li>■ An easy-to-use set of tools for value chain analysis, with a focus on poverty reduction</li> <li>■ Strengthens the links between value chain analysis and development interventions that improve opportunities for poor people</li> </ul>
<b>ValueLinks 2.0 (part 1): Value chain analysis, strategy and implementation (2018)</b> <b>ValueLinks 2.0 (part 2): Value chain solutions (2018)</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	<ul style="list-style-type: none"> <li>■ Manual on generic sustainable value chain development</li> <li>■ Manual that examines strategic options and describes how value chain actors can arrive at a shared vision for chain development</li> </ul>
<i>Guidelines for Value Chain Selection: Integrating economic, environmental, social and institutional criteria</i> (2015)	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and International Labour Organization (ILO)	<ul style="list-style-type: none"> <li>■ Guidelines for a holistic and structured approach to value chain selection, combining economic, environmental, social and institutional dimensions</li> </ul>
<i>Best Practice Guideline for Agriculture and Value Chains</i> (2013)	Food and Agricultural Organization (FAO)	<ul style="list-style-type: none"> <li>■ Formative guidelines for improving the ecological, societal, cultural and economic sustainability of farms and businesses</li> <li>■ Benchmark for programmes, operations and sustainability assessment tools</li> <li>■ Promotion of indicators and metrics to assist in an operation's evaluation</li> </ul>
<i>Developing Sustainable Food Value Chains - Guiding principles</i> (2014)	Food and Agricultural Organization (FAO)	<ul style="list-style-type: none"> <li>■ Provides practical guidance on sustainable good value chain development by facilitating the spread of innovative solutions emerging from the field to a target audience of policymakers, project designers and field practitioners</li> </ul>
<i>Developing Gender-sensitive Value Chains: A guiding framework</i> (2016) <i>Developing Gender-sensitive Value Chains: Guidelines for practitioners</i> (2018)	Food and Agricultural Organization (FAO)	<ul style="list-style-type: none"> <li>■ Guidelines to ensure that gender equality dimensions are more systematically integrated into programmes and value chain development interventions</li> </ul>

## Value chain guidelines from other development agencies

Guideline	Sponsoring organization	Key focus areas
<i>Working with Smallholders: A Handbook for firms building sustainable supply chains</i> , 2nd ed. (2019)	International Finance Corporation (IFC)	<ul style="list-style-type: none"> <li>■ Guidelines for operational managers in agribusiness companies responsible for integrating smallholder farmers into value chains as suppliers, clients or customers</li> </ul>
<i>Integrated Value Chain Risk Management</i> (2016)	Inter-American Development Bank (IDB)	<ul style="list-style-type: none"> <li>■ Addresses the role of public policy in improving access to finance and making risk management in Latin America and the Caribbean value chains more effective</li> <li>■ Appraisal of the role that the IDB could play to support development banks and specialized public agencies in the design of integrated risk management programmes for the region's value chains</li> </ul>
<i>Challenges for Global Value Chain Interventions in Latin America</i> (2013)	Inter-American Development Bank (IDB)	<ul style="list-style-type: none"> <li>■ Overview of relevant interventions by international organizations and donor agencies</li> <li>■ Analysis of a sample of IDB value chain projects to develop broad conclusions regarding the value chain approach and logic</li> </ul>
<i>Program Design for Value Chain Initiatives – Information to action: A toolkit series for market development practitioners</i> (2007)	Mennonite Economic Development Associates	<ul style="list-style-type: none"> <li>■ The toolkit is a reference for value chain development practitioners who want to design sustainable, effective development programmes</li> <li>■ The toolkit has been prepared for practitioners who are familiar with value chain development, through either training or practical experience</li> </ul>
<i>Planning the Unplannable: Designing value chain interventions for impact @ scale</i> (2015)	Royal Tropical Institute (KIT) and SNV Netherlands Development Organisation	<ul style="list-style-type: none"> <li>■ Examination of five cases in which impact at scale was realized</li> <li>■ Recommendations to increase the chances of value chain interventions contributing to impact at scale</li> </ul>
<i>Donor Interventions in Value Chain Development</i> (2007)	Swiss Agency for Development and Cooperation (SDC)	<ul style="list-style-type: none"> <li>■ Highlights the most important issues that development agencies need to consider when engaging in value chain development</li> <li>■ Offers guiding principles for development practitioners and policymakers, and points to further useful material</li> </ul>

## Value chain guidelines from other development agencies

Guideline	Sponsoring organization	Key focus areas
<i>Pro-poor Value Chain Development: 25 guiding questions for designing and implementing agroindustry projects</i> (2011)	United Nations Industrial Development Organization (UNIDO), IFAD and Danish Institute for International Studies (DIIS)	<ul style="list-style-type: none"> <li>■ Builds on a review of common practices in value chain development projects in Asia and the Pacific region, as well as on experience from six case studies in Sri Lanka, Viet Nam and Indonesia</li> <li>■ Provides 25 questions, checklists and tools used in the field on pro-poor value chain development</li> </ul>
<i>Integrating Very Poor Producers into Value Chains: Field guide</i> (2012)	United States Agency for International Development (USAID)	<ul style="list-style-type: none"> <li>■ Provides field-level practitioners with tools and applications at the value chain design and implementation levels for reaching very poor households</li> </ul>
<i>Market Links – Value chain approach</i>	United States Agency for International Development (USAID)	<ul style="list-style-type: none"> <li>■ Step-by-step guidance on how to develop, implement and monitor a value chain approach</li> </ul>
<i>Methodology and Value Chain Analysis. Background paper for building resilience: A green growth framework for mobilizing mining investment</i> (2019)	World Bank	<ul style="list-style-type: none"> <li>■ Delivers an account of mining technologies, processes and strategies that seek to incorporate environmental sustainability considerations and that have the potential for local value creation and green growth</li> </ul>
<i>Inclusive Value Chains to Accelerate Poverty Reduction in Africa</i> (2020)	World Bank	<ul style="list-style-type: none"> <li>■ Overview and analysis of different value chain models that have emerged in the past decades and a review of the literature on the main development implications</li> <li>■ Categorization of existing policy initiatives that aim to stimulate inclusive value chain development</li> <li>■ Identification of lessons and implications for policymakers</li> </ul>
<i>Building Competitiveness in Africa's Agriculture: A guide to value chain concepts and applications</i> (2010)	World Bank	<ul style="list-style-type: none"> <li>■ The guide presents, reviews and systematically illustrates a range of concepts, analytical tools and methodologies centred on the value chain that can be used to design, prepare, implement, assess and evaluate agribusiness development initiatives</li> </ul>

## ANNEX 3:

# IFAD case studies

IFAD case studies					
Region	Project name	Country	Year	Document type	Key themes addressed
Asia and the Pacific	Commodity-oriented Poverty Reduction Programme in Ha Giang Province	Viet Nam	2019	Supervision mission report	<ul style="list-style-type: none"> <li>- Geographical targeting</li> <li>- Value chain selection</li> <li>- Indigenous peoples</li> <li>- Infrastructure</li> </ul>
	Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh Provinces	Viet Nam	2019	Supervision mission report	<ul style="list-style-type: none"> <li>- Geographical targeting</li> <li>- Climate change adaptation and resilience</li> <li>- Infrastructure</li> <li>- 4Ps</li> </ul>
	Promoting Agricultural Commercialization and Enterprises Project	Bangladesh	2019	Supervision mission report	<ul style="list-style-type: none"> <li>- Value chain selection</li> <li>- Value chain mapping</li> <li>- Value chain analyses</li> </ul>
	Developing nutrition-sensitive value chains in Indonesia	Indonesia	2018	IFAD Research document	<ul style="list-style-type: none"> <li>- Nutrition</li> <li>- Gender</li> </ul>
	Commercial Agriculture and Resilient Livelihoods Enhancement Programme	Bhutan	2019	Supervision mission report	<ul style="list-style-type: none"> <li>- Climate change adaptation and resilience</li> <li>- Infrastructure</li> </ul>
	Convergence of Agricultural Interventions in Maharashtra's Distressed Districts Programme	India	2019	Completion report	<ul style="list-style-type: none"> <li>- Gender</li> <li>- Climate change resilience</li> </ul>
	High-value Agriculture Project in Hill and Mountain Areas	Nepal	2019	Completion report	<ul style="list-style-type: none"> <li>- Value chain selection</li> <li>- Food security</li> <li>- Sustainability, scale-up and replication</li> </ul>
	Convergence on Value Chain Enhancement for Rural Growth and Empowerment Project	Philippines	2020	Supervision mission report	<ul style="list-style-type: none"> <li>- Value chain selection</li> <li>- Value chain action plans</li> </ul>

## IFAD case studies

Region	Project name	Country	Year	Document type	Key themes addressed
West and Central Africa	Nigeria's Value Chain Development Programme	Nigeria	2019	Supervision mission report	- Gender - MSPs - Nutrition
	Northern Rural Growth Programme	Ghana	2014	Supervision mission report	- Gender - MSPs
	Agricultural Value Chains Support Project-Extension	Senegal	2020	Implementation support mission	- Self-targeting - Value chain selection - Gender - Youth
	Smallholder Commercialization Programme	Sierra Leone	2019	Completion report	- Gender - Youth - Disabled people - Pro-poor policy dialogue - Food security
	Ruwanmu Small-scale Irrigation Project	Niger	2018	Completion mission	- Gender - Youth - Food security - Infrastructure
	National Programme to Support Agricultural Value Chain Actors – Lower Guinea and Faranah Expansion	Guinea	2019	Supervision mission report	- Gender - Youth - Pro-poor policy dialogue
	Youth Agropastoral Entrepreneurship Promotion Programme	Cameroon	2020	Supervision mission report	- Youth - Pro-poor policy dialogue - Certifications
	Near East, North Africa, Europe and Central Asia	Agricultural Value Chain Development Project in the Mountain Zones of Al-Haouz Province	Morocco	2019	Completion report
Agriculture Modernization, Market Access and Resilience Project		Georgia	2019	Supervision mission report	- Monitoring and evaluation - Climate change resilience - Gender targeting
Programme to Reduce Vulnerability in Coastal Fishing Areas		Djibouti	2019	Implementation support mission	- Value chain selection - Gender targeting - Climate change adaptation and resilience
Rural Clustering and Transformation Project		Montenegro	2019	Supervision mission report	- Value chain selection
Integrated Agriculture and Marketing Development Project		Sudan	2019	Supervision mission report	- Climate change adaptation and resilience - Gender - Youth



## IFAD case studies

Region	Project name	Country	Year	Document type	Key themes addressed
East and southern Africa	Rural Livelihoods and Economic Enhancement Programme (RLEEP)	Malawi	2018	Supervision mission report	<ul style="list-style-type: none"> <li>- Value chain selection</li> <li>- Value chain mapping</li> <li>- Value chain action plans</li> <li>- Exit plan</li> </ul>
	Project for Rural Income Through Exports	Rwanda	2019	Supervision mission report	<ul style="list-style-type: none"> <li>- Value chain selection</li> <li>- MSPs</li> </ul>
	Climate-resilient Post-harvest and Agribusiness Support Project	Rwanda	2019	Supervision mission report	<ul style="list-style-type: none"> <li>- Targeting</li> <li>- Value chain selection</li> <li>- Climate change resilience</li> </ul>
	Financial Inclusion and Cluster Development Project	Eswatini	2018	Project design report	<ul style="list-style-type: none"> <li>- Gender</li> </ul>
	Pro-poor Value Chain Development Project in the Maputo and Limpopo Corridors	Mozambique	2019	Supervision mission report	<ul style="list-style-type: none"> <li>- Climate change adaptation and resilience</li> <li>- Value chain selection</li> <li>- Gender</li> </ul>
Latin America and the Caribbean	Public Services Improvement for Sust. Territorial Development in the Apurimac, Ene, and Mantaro River Basins	Peru	2019	Supervision mission report	<ul style="list-style-type: none"> <li>- Gender</li> <li>- Youth</li> <li>- Indigenous peoples</li> <li>- Climate change adaptation and resilience</li> </ul>
	Adapting to Markets and Climate Change Project	Nicaragua	2019	Supervision mission report	<ul style="list-style-type: none"> <li>- Gender</li> <li>- Youth</li> <li>- Value chain selection</li> <li>- Climate change adaptation and resilience</li> </ul>
	Inclusion of Family Farming in Value Chains Project, PPI	Paraguay	2017	Mid-term review	<ul style="list-style-type: none"> <li>- Gender</li> <li>- Youth</li> <li>- Indigenous peoples</li> <li>- 4Ps</li> </ul>
	Rural Territorial Competitiveness Programme	El Salvador	2019	Completion report	<ul style="list-style-type: none"> <li>- Youth</li> <li>- Food security</li> <li>- 4Ps</li> </ul>
	Goat Value Chain Development Programme, PRODECCA	Argentina	2019	Supervision mission report	<ul style="list-style-type: none"> <li>- Gender</li> <li>- Youth</li> <li>- Value chain selection</li> </ul>
	Catalysing Inclusive Value Chain Partnerships Project, DINAMINGA	Ecuador	2020	Supervision mission report	<ul style="list-style-type: none"> <li>- Gender</li> <li>- Youth</li> <li>- Indigenous peoples</li> </ul>

## ANNEX 4:

# IFAD's targeting principles

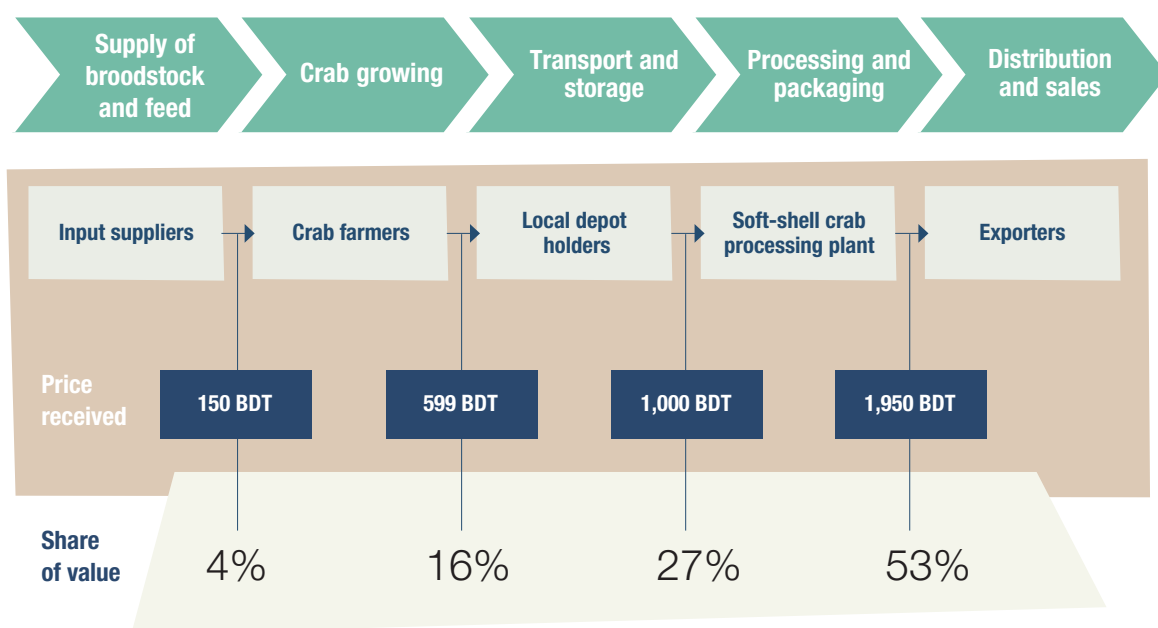
The following targeting principles are included in *IFAD's Revised Operational Guidelines on Targeting* (IFAD, 2019a), which were approved by IFAD's Executive Board in 2019. IFAD recommends that, for effective project targeting, these principles should be followed.

- **Targeting** the poorest, the poor and vulnerable rural people and those who are more likely to be left behind.
- **Mainstreaming** gender, youth, nutrition, and environmental and climate issues in the operationalization of the targeting processes.
- **Recognizing** the dynamic nature of poverty and the importance of tackling the multiple forms of vulnerability.
- **Aligning** targeting with government poverty reduction priorities, policies and strategies.
- **Ensuring** that working with relatively better-off stakeholders results in direct benefits for the poorest people.
- **Testing** innovative targeting approaches by strengthening existing partnerships and establishing new ones.
- **Adopting** consultative and participatory approaches to targeting.
- **Empowering** and building the capacity of those who have less of a voice and fewer assets.

## ANNEX 5:

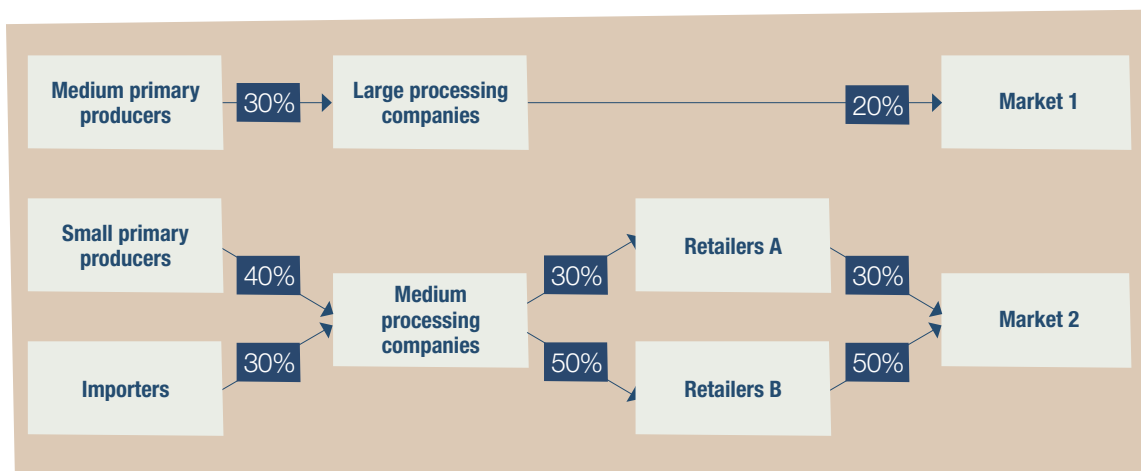
# Value chain mapping: value distribution

The following value chain mapping example illustrates the value distribution in the soft-shell crab value chain in Bangladesh. Amounts are based on 1 kg of crab and the indicative values in Bangladeshi Taka have been extracted from a cost analysis carried out under the **Promoting Agricultural Commercialization and Enterprises (PACE) project**. This example demonstrates how value chains can be mapped to deduce where and by whom most of the value is captured. It serves as an additional reference point for understanding and quantifying value chain power dynamics and for prioritizing and designing intervention entry points required to address inequitable value distributions within the chain.



## ANNEX 6: Value chain mapping – product volume

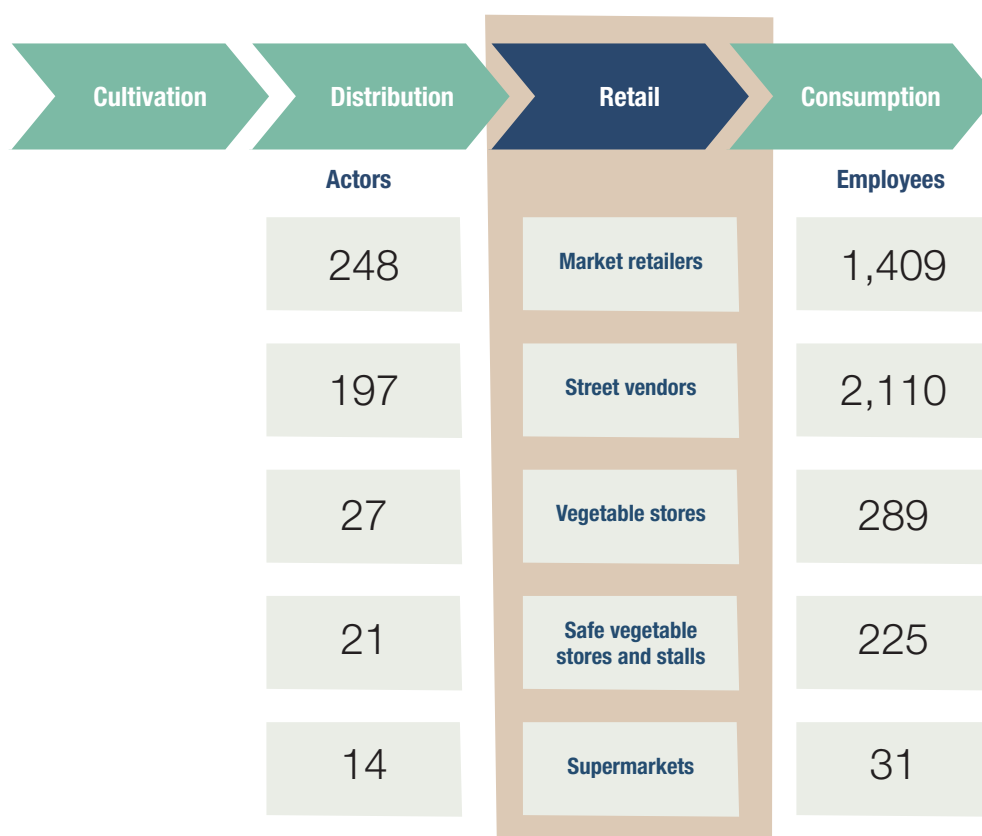
The following figure provides an example of how product volume can be mapped out along the value chain. It provides a further understanding of value distribution along the chain. This example has been adapted by the Value Chain Guidelines developed by DFID in 2008.



*Adapted from: DFID, 2008. Making Value Chains Work Better for the Poor – A Tool book for Practitioners of Value Chain Analysis. M4P, 2008.*

## ANNEX 7: Value chain mapping – employment

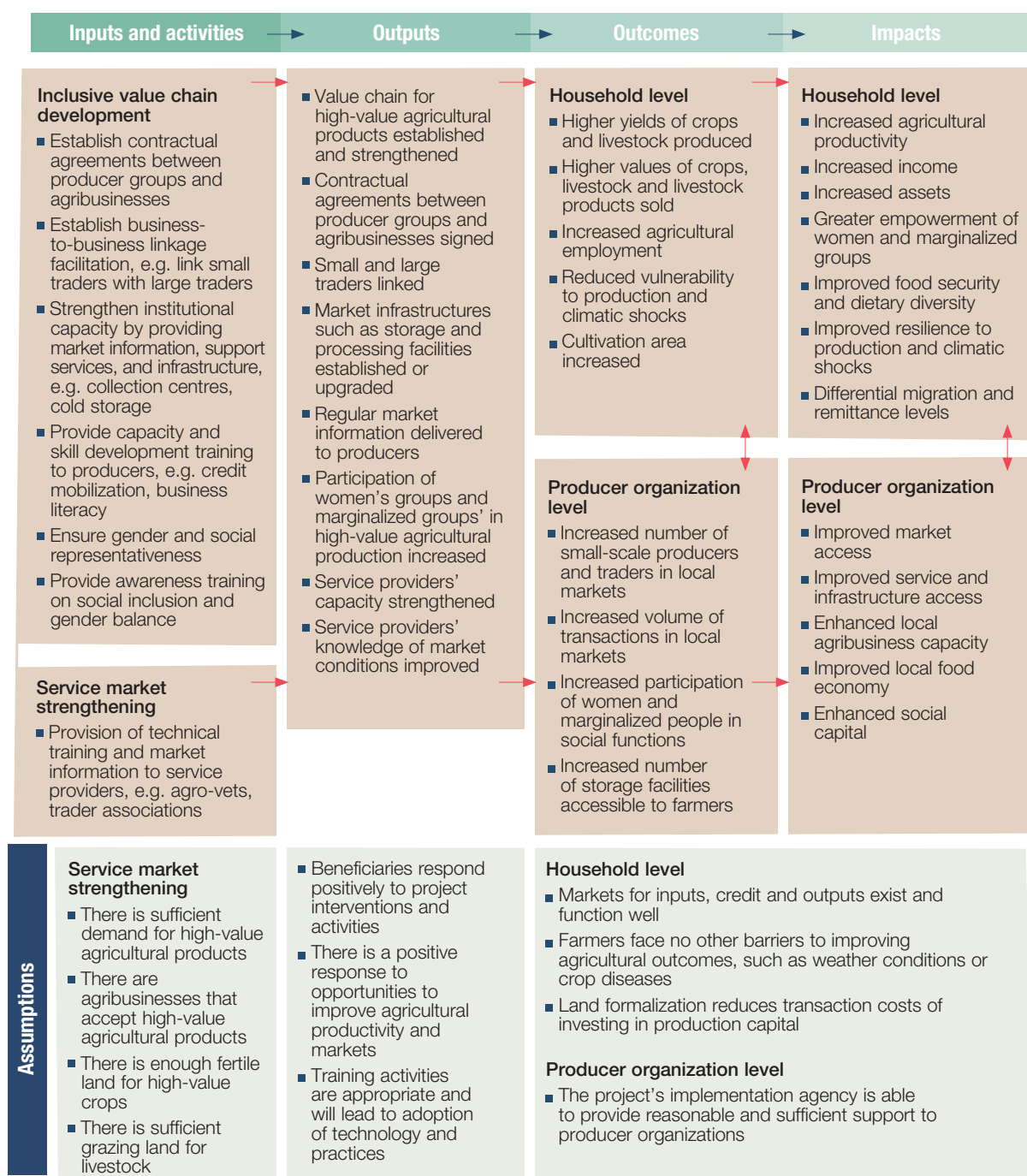
The following figure provides an example of mapping out the number of actors and employed individuals in the vegetable retail value chain in Hanoi. Quantifying the number of actors and employed individuals will provide an understanding of the level of market saturation and opportunity within each node of the value chain. This example has been adapted by the Value Chain Guidelines developed by DFID in 2008.



*Adapted from: DFID, 2008. Making Value Chains Work Better for the Poor – A Tool book for Practitioners of Value Chain Analysis. M4P, 2008.*

## ANNEX 8: Theory of Change: Nepal High Value Agriculture Project in Hill and Mountain Areas

The theory of change below was developed under an IFAD *ex post* project impact assessment. It provides an example of a theory of change developed retrospectively for a value chain project.








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