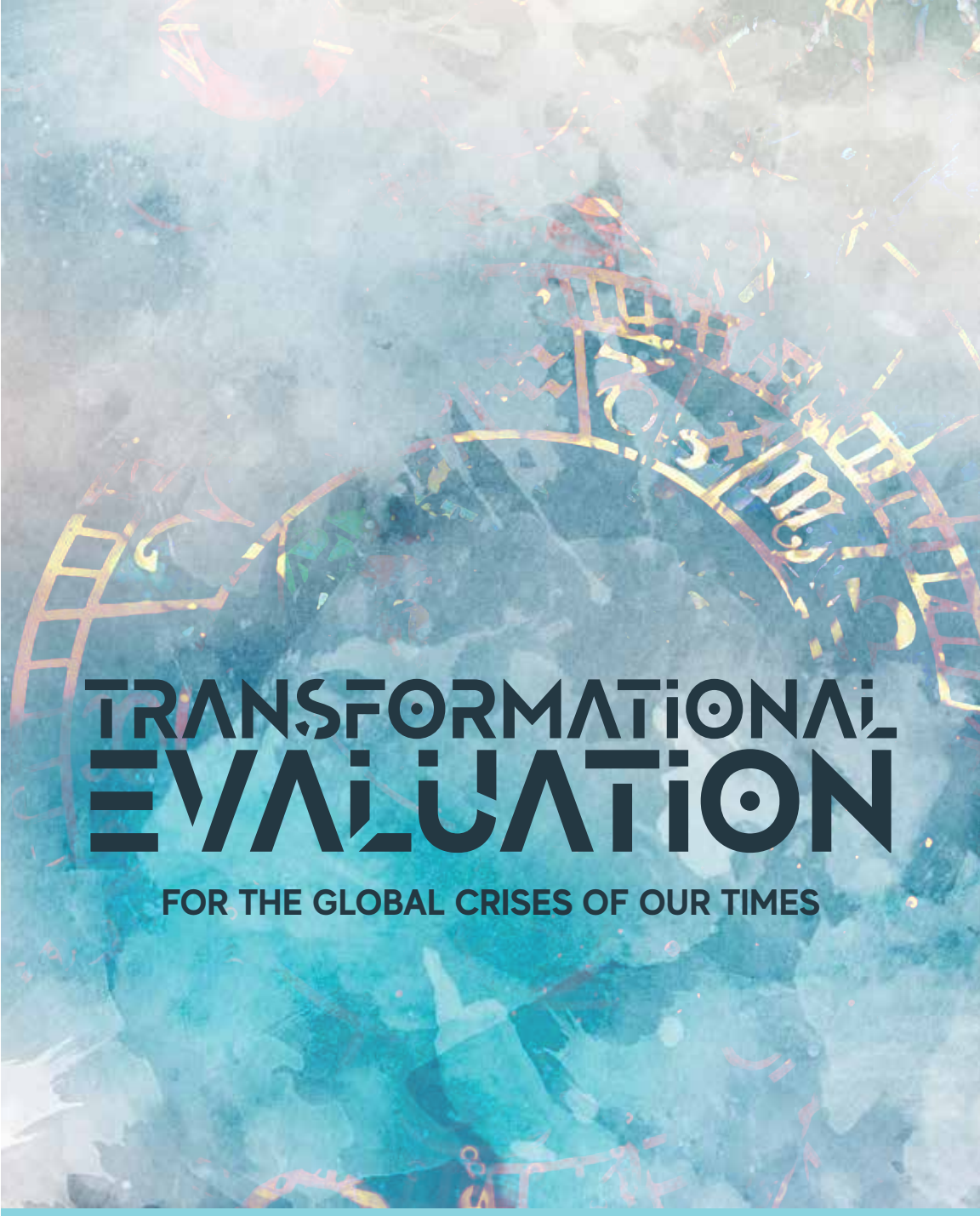


TRANSFORMATIONAL EVALUATION

FOR THE GLOBAL CRISES OF OUR TIMES

Rob D. van den Berg

Cristina Magro

Marie-Hélène Adrien

EDITORS

INTERNATIONAL DEVELOPMENT EVALUATION ASSOCIATION

IDEAS

KNOWLEDGE CAPACITY DEVELOPMENT NETWORKING

TRANSFORMATIONAL EVALUATION

FOR THE GLOBAL CRISES OF OUR TIMES

EDITORS

Rob D. van den Berg
Visiting Professor, King's College London
Leidschendam, the Netherlands

Cristina Magro
International Evaluation Academy, Member of the Council
Belo Horizonte, MG, Brazil

Marie-Hélène Adrien
Universalia Management Group, Senior Associate Consultant
Montreal, Canada

INTERNATIONAL DEVELOPMENT EVALUATION ASSOCIATION
IDEAS
KNOWLEDGE CAPACITY DEVELOPMENT NETWORKING

© 2021 International Development Evaluation Association (IDEAS), Exeter, UK
Email: ideascoordinator@gmail.com

All rights reserved.

Any views expressed in this book are those of the authors. They do not necessarily represent the views of IDEAS, the editors, the authors' institutions, financial sponsors or reviewers.

This book is distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY NC-ND 4.0): https://creativecommons.org/licenses/by/4.0/legalcode

This license permits any non-commercial use, duplication, adaptation, distribution, and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source. Please cite the work as follows:

Van den Berg, Rob D., Cristina Magro and Marie-Hélène Adrien (eds.). 2021. *Transformational Evaluation for the Global Crises of Our Times.* Exeter, UK: IDEAS.

ISBN (paper): 978-1-9168982-0-2
ISBN (electronic): 978-1-9999329-9-2

Assistant editor: Zuzana Vozárová
Copy-editing: Ann Shildneck
Design: Nita Congress

CHAPTER 13

The Potential of Value Chain Development for Transformative Change: The Experiences of AfDB and IFAD

FABRIZIO FELLONI AND GIRMA KUMBI

Abstract. This chapter examines the contribution of the African Development Bank and International Fund for Agricultural Development to agriculture-related value chain development, based on evaluations that these organizations conducted. The chapter offers a systemic perspective from which to conceptualize value chains and value chain development for poverty reduction. If well designed and implemented, value chain support can lead to transformative changes for smallholder farmers and rural small-scale producers, but both evaluations conclude that working on value chains requires major changes in the organizational culture. This chapter emphasizes the importance of corporate-level strategies in creating consistency and guidance on value chains and thereby assisting with project design and implementation. Evaluation findings indicate that reaching impoverished rural farm households through value chain approaches requires specific attention. Having approached the topic of value chains from a system perspective, this chapter identifies five key fundamentals and enablers that characterize successful agricultural value chain development, highlights policy implications and makes key recommendations. It provides some lessons that will be relevant to future evaluations on this topic.

Introduction

Background

Large-scale processing, wholesale and logistics operations serving retailers, foodservice operators and large markets have increasingly been replacing traditional food systems through value chains. Small-scale producers are still responsible for a large part of food production in the world but receive a disproportionately low share of its market value[1]. Governments, development agencies, non-governmental organizations and some private companies have begun showing interest in making food value chains more socially inclusive and environmentally responsible. In addition, the 2030 Agenda for Sustainable Development has focused on the principle of 'no one left behind'. This aphorism brought attention to the topic of inclusiveness, the ability of poor producers and other marginalized groups to participate in value chains without increasing inequality. The expectation was that supporting value chain development in an inclusive manner would bring about a transformative change for small producers by enabling better contractual conditions and ultimately access to a larger share of the final consumer price.

This chapter provides an overview of the findings of two recent evaluations that the Independent Office of Evaluation of the International Fund for Agricultural Development (IFAD) and the Independent Development Evaluation of the African Development Bank (AfDB) conducted (IFAD IOE 2019 and AfDB IDEV 2018, respectively). Both are international financial institutions providing financing to governments and non-sovereign entities for preparation and implementation of development projects. IFAD specializes in rural development and poverty alleviation. AfDB's portfolio spans several sectors, but approximately 11 per cent was dedicated to agricultural development in 2016.

Marked Growth in the Financing Portfolio Relevant to Value Chain Development

At IFAD, interest in and commitment to developing or improving pro-poor value chains have grown significantly since the mid-2000s. This was intended to mark a departure from the previous almost exclusive focus on production. It started from the issuance of its Strategic Framework

[1] In 2013, it was estimated that smallholder farmers produced up to 80 per cent of food in Asia and sub-Saharan Africa (Arias et al. 2013).

for 2007–2010 and continued through the Strategic Frameworks for 2011–2015 and 2016–2025. The proportion of value chain–relevant projects approved increased from 41.5 per cent between 2007 and 2009 to 72.3 per cent between 2016 and 2018, and the proportion of loan volumes with value chain components increased from 50 per cent to 81 per cent over the same period.

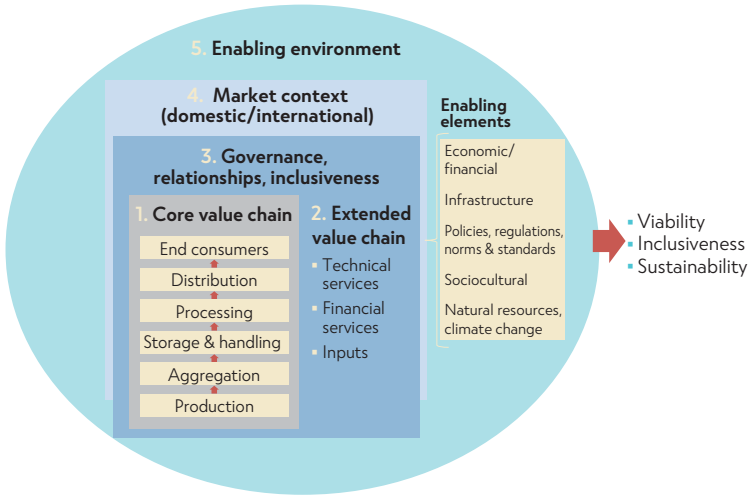
AfDB's Ten-Year Strategy (2013–2022) expresses the Bank's ambition to assume a more central role in Africa's development. With respect to agriculture, this strategy places a more direct focus on achieving food security through increased production or access to disposable income for purchase of food. The Feed Africa Strategy (2016–2025) aims to transform African agriculture into a competitive, inclusive agribusiness sector that creates wealth, improves lives and secures the environment. The Feed Africa Strategy promotes an integrated value chain development approach, with the private sector at the heart of the development process. It also envisages that the public sector will facilitate investments in the agricultural sector, particularly when serving smallholders and small and medium-sized enterprises. Inclusiveness is important to ensure that benefits from value chain development reach poor farmers, women and young people. AfDB's project interventions focusing on value chain development have increased from 15 per cent during 2005 to 2010 to 52 per cent during 2011 to 2016.

A Systemic Representation of a Value Chain

In the literature, the usual definition of value chain is the set of units of production and processing along the chain of activities required to bring a product from the initial input supply stage through the various phases of production and processing to its final market destination (e.g. Kaplinsky and Morris 2002)[2]. This definition does not take into account the complexity of a value chain, its embeddedness in a market system, the importance of an enabling policy environment and the conditions for a value chain to develop in an inclusive manner. It is more useful to adopt a systems approach and consider a value chain as a system, of which the supply chain is only a subsystem that is connected to other subsystems (figure 13.1, subsystem 1). The supply chain subsystem comprises a series of functions from production to aggregation, storage and handling, processing, and distribution, finally reaching end-users (FAO 2014; M4P and DFID 2008; USAID 2014). An

[2] The term 'value chain' is credited to Michael Porter (1985).

Figure 13.1 Representation of a Value Chain System



Source: IFAD IOE (2019), adapted from FAO (2014), with inputs from M4P (2014) and USAID (2014).

additional subsystem (subsystem 2), which is ignored or downplayed in many schematic representations, comprises providers of goods and services such as inputs to production (e.g. seeds, fertilizers), financial services, advisory services and market information.

Part of a value chain system is its governance (subsystem 3), which refers to how business linkages are structured along the chain and to the relationships among the stakeholders, including buyers, sellers, service providers and regulatory institutions. For value chains that cut across national borders, governance may be particularly complex because stakeholders are located in different countries and subject to different policies and regulatory provisions.

Governance is essential for inclusion of the poor, given that one of their most frequent problems is lack of power and voice in the system. Strengthening their representation and bargaining power can increase the economic and non-economic benefits they receive, such as through building the capacity of small producers to negotiate terms of trade with buyers.

A value chain also interacts with a market (subsystem 4), which is characterized by the interaction of supply and demand (local, national or international), a set of regulations and the level of competition between

stakeholders (or varying degree of monopolistic power). The enabling environment (subsystem 5) determines to what extent a value chain favours the flow of commodities, money and information in a viable manner in the short term; is sustainable in the long run and generates equitable outcomes for its stakeholders.

The systemic representation of the value chain is a useful conceptual reference for those in charge of designing programmes and those that evaluate them. The most important lesson learned is the interconnectedness between the subsystems within the broader value chain system. Too often, the value chain is identified in a narrow manner – with the supply chain and the importance of governments, markets and regulations. Project designs do not need to cover all the subsystems, and in many cases, it may be too ambitious to do so, but they need to be cognizant of the system complexities, even if they are only intervening in a single subsystem or parts of it, at least as guidance to prioritize their planned activities. As discussed further below, the initial drive towards value chain development at IFAD and AfDB was not based on a systemic value chain perspective.

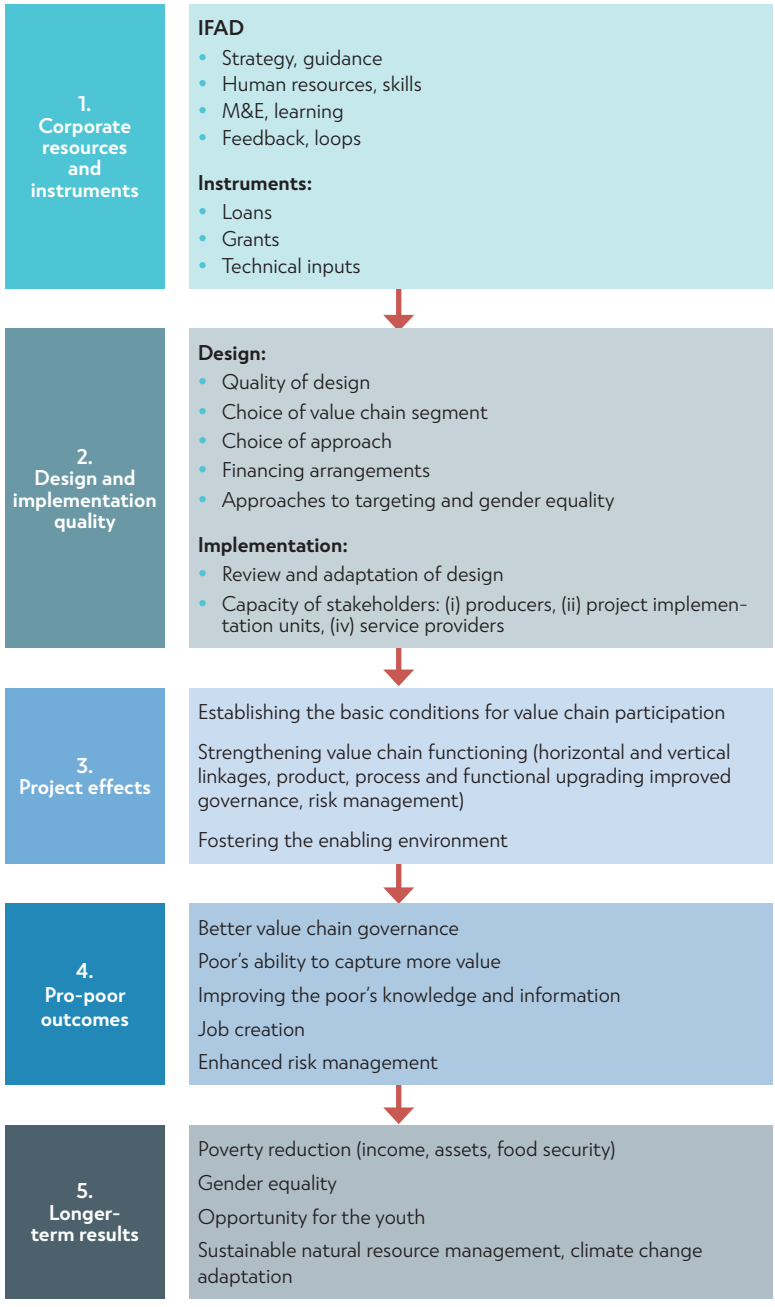
Highlights of the Methodology Used in the AfDB and IFAD Evaluations

Although the two evaluations addressed different corporate mandates, institutional contexts and business models, there were similar fundamental questions, such as:

- Were the organizational setup and instruments conducive to supporting value chain development?
- Have the strategies and interventions been relevant in their focus on value chain development?
- To what extent have value chain development interventions been effective in achieving their planned objectives and the corporate mandate?
- Have value chain development interventions been inclusive (e.g. of the poor, women and youth)?

Figure 13.2 illustrates that the evaluation first explored IFAD's organizational capacity to promote pro-poor value chains. It reviewed corporate resources and instruments to support governments and other country partners in value chain development, quality of project design, implementation

Figure 13.2 IFAD's Support to Value Chain Development for Poverty Reduction



Source: Adapted from IFAD IOE (2019).

performance, immediate project effects and project outcomes for the poor and longer-term results.

Main Findings

Corporate Organizational Aspects

Supporting agricultural value chains was expected to have transformative effects for rural small-scale producers. Experience showed that the development organizations financing these programmes needed to transform how they operate.

According to IFAD (IFAD IOE 2019), although the number and financial volume of investments with value chain elements increased significantly from 2007 to 2017, the organization did not elaborate a strategy, a policy or any comprehensive corporate guidance on value chain development. Such strategy or guidance, building for example on a systemic approach to value chains, could have built consensus on how value chain support relates to the mandate of poverty reduction and, in particular, through what channels and mechanisms poor people could benefit. There was, initially, limited emphasis on training of staff on the concepts of value chains and value chain development and on making explicit the nexus between being pro-poor and inclusive. Value chain development also implies collaborating with private entrepreneurs and companies, which was a relatively new concept at IFAD.

Government agencies execute IFAD-funded projects, which are staffed with employees that, largely, come from the public sector and have experience in agricultural production, civil engineering, procurement and project administration. Value chain development requires new skills and a business perspective. The need for value chain or marketing specialists was only occasionally anticipated in project management units. Numerous project managers had limited familiarity with value chain development. There was no capacity-building strategy through which technical support opportunities were defined in a coordinated manner and synchronized with project activities. On a positive note, IFAD staff and project managers displayed willingness to adapt, experiment and learn, although interpretations varied widely as to what supporting value chains meant and how rural poor people should be engaged.

A longitudinal review across generations of project designs showed that there was an evolution in project conceptualization. Whereas IFAD-funded projects formulated until the first half of the 2000s were typically focused on improving primary production, with time, the marketing of products and

concerns about 'good prices' and selling opportunities for small farmers and producers had come to the forefront of project formulation. The evaluation also found considerable 'learning by doing'. Projects with better value chain analysis at design (e.g. in Rwanda, Senegal and São Tomé and Príncipe) were based on previous experience in a given area and a set of commodities. From an initial focus on increasing production and productivity, these projects had transitioned to supporting producers' access to market, processing and retailing facilities.

Few project designs were backed by a systemic perspective on value chains encompassing market characteristics, opportunities and trends; price evolution over time and locations; or estimation of initial investments and costs for small-scale producers.

Projects have sought to help small-scale producers and other value chain stakeholders manage production-related risks by providing training on improved agronomic practices and control of pests and diseases. Logistical and infrastructure-related risks have been addressed by constructing or rehabilitating rural roads and bridges. Projects had less focus on market and price risks than on infrastructure. An example was the price crash in the raspberry value chain in Bosnia and Herzegovina, which was not anticipated, although it was known that the country was a small producer surrounded by large producing countries and that prices would be profitable for small producers when the neighbour countries experienced low harvests.

Most projects did not address policy and enabling environment challenges and risks, although there were also exceptions, such as in Sudan (gum Arabic value chain). There, cofinancing with the World Bank helped turn a national purchasing board authority, which kept farm-gate prices low, into a regulatory authority and opened the market to private traders, leading to higher prices to producers. In Kenya, one project worked on the regulation of the horticulture subsector and another on policies for the dairy subsector. Regulation on and verification of product standards, labelling and food safety are likely to become a priority for international and domestic markets.

AfDB IDEV (2018) found that lack of full value chain analyses and market studies have limited the relevance of its operations. Each value chain intervention is expected to ensure added value along the chain for as many actors as possible, without which other actors may not support improvement in one link of the chain, which might adversely affect the achievement of outcomes. However, the country case studies found that, in practice, few interventions involved a systemic analysis to ensure that the interventions were relevant. For example, in the Democratic Republic of Congo (DRC), insufficient consideration was given to equipment for facilities constructed

to enable viable operations for meat value chains. In Zambia, there was a focus on increasing cashew production and infrastructure for processing but insufficient analysis of the interplay between the international and domestic markets and how increased production would be absorbed in the markets.

Flexibility in responding to market changes was not adequately considered in the design and implementation modalities. Value chain development interventions cannot be planned fully in advance of an intervention. During the course of implementation, market factors and actors may change (e.g. export price fluctuations for cocoa in Côte d'Ivoire and cashews in Zambia). Therefore, it is critical that implementers of interventions have the capacity to respond to market signals and review the original analyses to assess whether they are still relevant. Adaptation to changing contexts calls for a robust monitoring and evaluation system and room for adaptive management in project design that allows projects to be responsive to changes in the value chain context or markets for the targeted commodities. The country case studies illustrated that there was insufficient monitoring and evaluation to assess the extent of impact and sustainability. During implementation, lack of consideration of responsiveness to market needs caused sustainability challenges (AfDB IDEV 2018).

Approaches That Projects Took to Support Inclusive Value Chain Development

IFAD-funded projects took various approaches to value chain development (table 13.1). Products and processes were upgraded, and horizontal linkages, which were derivative of IFAD's traditional project approaches, were strengthened in the vast majority of projects. This suggests that production aspects required improvement before interventions could strengthen vertical linkages or functional upgrading, which were seldom observed. This may also indicate lack of clarity regarding how to facilitate access to the three value chain flows – commodity, money and information – to maximize their benefits in the process[3].

[3] *Product upgrading* is an increase in the quality or quantity of production (production techniques, higher-value products). *Process upgrading* is an increase in the efficiency of the production process to reduce production costs and promote certification, food safety or traceability. *Strengthening horizontal linkages* refers to improving linkages among stakeholders at the same functional level of the value chain (e.g. creation of cooperatives, federations, capacity building of producer organizations) to increase their bargaining power to buy their inputs and sell their

Table 13.1 Number and Percentage of Reviewed Projects That Included Different Aspects of Value Chain Strengthening in Design

Value chain segments addressed	Number	Percent
Product and process upgrading	75	97.4
Horizontal linkages	67	87.0
Vertical linkages	61	79.2
Governance mechanisms	51	66.2
Functional upgrading	44	57.1
Enabling policy environment	28	36.3
Market information systems	11	14.3

Source: IFAD IOE (2019).

Note: $n = 77$.

Market information systems were planned in only 14 per cent of projects reviewed at IFAD. The main challenges had to do with the time required to establish market information systems and to ensure that these systems were institutionalized and financially sustainable after the end of project funding.

AfDB's support tended to focus on the primary production segment, with the greatest proportion of resources dedicated to infrastructure, equipment and inputs in support of production (irrigation, seeds and seedlings) and to a lesser extent on processing and marketing (bulking centres, landing sites, milk collection centres and market sheds). Few projects strengthened links between actors (public, private, farmer's organizations, civil society) or fostered agreements between them (contracts and trust building). Across the nine case study countries, although production was supported in some way in all nine commodities studied, value addition was supported in only six (Zambia, Rwanda, DRC, Liberia, Uganda, Mozambique). These mainly

outputs. *Strengthening vertical linkages* means improving linkages among stakeholders at different functional levels of the value chain. This may include promoting formal or stable types of contracting and increasing physical access to markets. *Functional upgrading* refers to adding new functions and activities to the target group (e.g. producers and their associations), such as processing, storage and packaging, to capture more value (IFAD IOE 2019).

related to provision or rehabilitation of market infrastructure and processing units and some training and extension for commercialization[4].

Public sector support can enhance value chain development but requires good working relationships with private sector actors and other relevant organizations such as farmers associations, rural banks and input suppliers. Examples of public–private collaboration were, on the one hand, the success in Rwanda with milk collection centres and processors' and farmers' associations and, on the other hand, challenges with credit access in Mozambique, where linkages were not effectively established, thwarting the desired outcomes.

Many interventions lacked private sector engagement and market orientation. For instance, the Rural Infrastructure Development Support project in DRC was designed in 2010 as a rural infrastructure project, and in Mozambique, the Baixa Limpopo Irrigation and Climate Resilience Project invested in irrigation infrastructure and did not specifically aim to support rice marketing. In neither of these cases were the facilities constructed used to their full potential because market factors were insufficiently considered. This could have been addressed early on in the projects if private sector actors had been engaged in determining market needs and size. A positive example was the dairy farmers' cooperatives in Rwanda, which gave collective voice to dairy farmers, generated economies of scale, enhanced product quality and engaged in marketing on behalf of farmers (AfDB IDEV 2018).

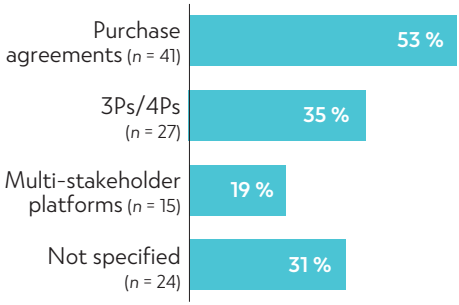
Making Governance of Value Chains More Inclusive

Mechanisms to improve value chain governance were promoted in two-thirds of the projects reviewed (IFAD IOE 2019). Purchase agreements between producers and buyers were the most common form of governance, involving 53 per cent of projects, with 35 per cent promoting public-private-producer partnership arrangements and 19 per cent supporting multi-stakeholder platforms. (Approximately one-third had no governance arrangement (figure 13.3).

Purchase agreements ranged from loose, informal agreements to fully defined contracts that specified the quantity, quality and price of goods and

[4] For example, support to the meat subsector in DRC included rehabilitation of slaughter facilities and markets, and support to the cassava value chain in Liberia included processing and training for commercialization. In addition, because of the lack of value chain analysis, the profitability of value-adding activities was not clearly defined in AfDB's interventions.

Figure 13. 3 Governance Mechanisms Used in Projects Reviewed



Source: IFAD IOE (2019).

Note: n = 77. Projects may have more than one governance mechanism, so numbers do not sum to 100 per cent. 3P = public-private partnership; 4P = public-private-producer partnership.

the terms of the transaction. Some projects facilitated agreements between producer groups and processors, for example, the rice value chain in Cambodia. Other projects enabled producer organizations to better supply clients according to precise requirements for quality and delivery (e.g. palm oil bunch in Uganda; coffee, cocoa, cashew and horticulture cooperatives in El Salvador and Honduras).

Public-private-producer partnerships are agreements between government agencies, private sector entrepreneurs and producer organizations. They were instrumental in motivating private sector engagement in pro-poor value chains, although many interventions did not address fundamental questions regarding incentives for entrepreneurs to partner with small-scale producers and requirements such as the size of the initial investment (training, machinery), the expected profit margin and risks, and the size of the market and level of competition.

Nineteen per cent of projects reviewed set out to form multi-stakeholder platforms, which bring together stakeholders linked to a value chain (e.g. input providers, producers, processors, distributors) to increase communication, trust and mutual understanding and establish commercial relationships. Establishing these platforms was an advanced way to improve governance of the value chain. This functioned well where there was a tradition of dialogue among stakeholders, such as in Niger and Senegal, but the role of projects in enabling all actors to participate actively was equally important.

More far-reaching results in terms of changes in governance were found in the projects in which multi-stakeholder platforms had been established and worked well (e.g. Nepal, Niger, Senegal and, in part, Ghana and Uganda). The platforms opened space for dialogue and coordination regarding issues such as input supply, market infrastructure, price level, market information and dispute resolution.

Value chains that straddle countries, such as with tradable cash crops (e.g. coffee, cocoa, cashews, dried fruits), are a special challenge. Key value

chain stakeholders are located in a different country from the one where the development project is supported and may be difficult to reach. Moreover, trade policies in other countries may affect demand for and prices of products. As the IFAD evaluation found, a generally successful way to address these challenges was to link producer organizations with fair-trade movements. This helped these organizations negotiate special price premia related to production modality (e.g. organic, low-chemical inputs; good stewardship practices for natural resources) and bridge the gap with stakeholders in other countries. Reportedly, producer organizations linked to fair-trade movements experienced smaller fluctuations in commodity prices, although this required long-term support of producer organizations (e.g. extension, quality control), as well as policy and regulatory frameworks of national governments (e.g. inspection for sanitary and phytosanitary standards), and was hard to achieve during a single project phase (6–7 years). Successful cases were found when there were two or more coordinated project phases.

Another area that requires attention is trade policy and regulatory coordination between countries, because projects are typically focused on individual countries. Some initial attempts to address bilateral trade coordination were found between Niger and Nigeria, promoted by an IFAD-funded project in Niger. Similarly, AfDB supported regulatory policy coordination between Uganda and DRC in fish resource management and marketing. In Côte d'Ivoire, AfDB also increased the capacity of producer organizations, which resulted in better quality cocoa because obtaining certification required that international standards be met.

Evidence of the distribution of value within value chains was fragmented, but the distribution appeared to be more stable and equitable when efforts were made to develop dialogue and trust between stakeholders, producer organizations were empowered to negotiate exchange conditions, competition was high between buyers (so that they had to offer good prices and other favourable transaction conditions to attract small producers), focus was on niche markets and buyers were committed to fair terms of trade.

Financing the Value Chain

Projects were effective at providing basic financial services to producers through community-level informal groups and some microfinance institutions (IFAD IOE 2019), although projects offered conventional rural finance services rather than instruments specific to value chain financing. The most

common instruments were linkage facilitation between formal and informal financial institutions; credit that rural finance institutions provided to small-scale producers, generally short-term finance for purchasing inputs; matching grants for small-scale producers to reduce the total amount borrowed and grants to aggregators, processors and wholesalers to offset costs and encourage partnerships with small-scale producers and their associations.

Experience in financing small and medium-sized enterprises, cooperatives and producer organizations was uneven. In turn, these organizations could not offer prompt cash payment to their members, creating incentives for side selling and making it difficult to fulfil purchase agreements with buyers. Part of the problem was the lack of familiarity of banks with the specific agribusiness finance systems and hence their aversion to offering agricultural credit. From the borrower's side, cooperatives and producer organizations faced small profit margins and could not afford prevailing interest rates.

In five of the nine cases, there was a variety of financial intermediation support (AfDB IDEV 2018). For instance, in Rwanda, support was provided to dairy cooperatives to access finance to support members. In DRC, a project coordinated with a microfinance institution to increase access to finance in the project area. In Morocco, a project helped farmers access agricultural insurance, which increased their access to formal credit. In Rwanda, to reduce risk of financial losses, finance was provided in kind (one cow per low-income family); through this scheme, 16,072 families received cows, with repayment deducted through the cooperatives, which helped increase dairy production in the country by 59.6 per cent and helped reduce poverty (from 44.9 per cent to 39.1 per cent) in beneficiary families. In Mozambique, access to credit was limited, which severely restricted benefits to poor farmers.

Promoting Transformative Changes for the Poor

As noted, the shift towards value chain support was expected to promote transformative changes for the poor, although there has been debate, at IFAD, AfDB and elsewhere, whether it is feasible to reach out to very poor groups through value chain approaches. Based on the evaluation findings, a short (perhaps crude) answer is that it is possible but will not happen automatically and requires a clear sense of direction and good diagnostics – at project design and during implementation. Factors contributing to effective outreach to poor small-scale producers included (IFAD IOE 2019):

- selecting commodities requiring little land or capital investment and involving intensive, unskilled labour inputs;
- enforcing pro-poor requirements for agribusinesses as a condition for obtaining IFAD project support;
- community-based groundwork and mobilization of producer groups combined with other activities; and
- previous work in the same area establishing the productive base and local knowledge and participatory approach to design and implementation.

Targeting was often weak when there were unwarranted assumptions about trickle-down effects to poorer groups from more entrepreneurial farmers and agribusinesses. Such effects might take place when there was a sizeable increase in demand for smallholders' products and a significant increase in farm-gate prices (e.g. Vietnamese coconut processing) or sizeable effects on demand for unskilled or semiskilled labour (e.g. in El Salvador, Honduras and Rwanda). In many cases, assumptions regarding trickle-down effects had not been appraised ex ante and did not materialize.

In terms of gender equality, better results were achieved in projects that selected value chains involving large numbers of women as producers or processors (e.g. food crops, small ruminants, artisanal products, agro-processing). A crucial factor was how structural causes of gender inequalities, including social norms and distribution of economic resources at all levels of the value chain, were addressed.

AfDB IDEV (2018) devised strategies to enhance inclusiveness in value chain development. The portfolio review found that 63 per cent of interventions assessed had design elements to address inclusiveness in terms of gender, youth or other vulnerable groups. The review found that more-recent designs using a value chain development approach linked clearly vulnerable groups to markets, as in the Malawi Agricultural Infrastructure and Youth Agribusiness Project. This project supported 'youth entrepreneurship, storage agro-processing and value addition through market linkages and trade facilitation, linking farmers with agro-processors, building bulk commodity network, eliminating middlemen, and exerting group effects on processors for better prices' (AfDB IDEV 2018, 37).

AfDB IDEV (2018) concluded that its processes lacked a systemic approach to inclusiveness, examining not only the position of vulnerable populations all along the value chain, but also their capacity to access productive assets (water, capital, knowledge, land), low literacy levels, lack of formal representation and the social norms they encounter within their communities

and households. More specifically, in Mozambique, quotas have ensured that vulnerable populations attend capacity-building sessions, but no additional measures were developed to ensure anything beyond participation. Similarly, in Liberia, quotas have ensured that vulnerable populations receive training and cassava cuttings, but the benefits do not seem to extend much further.

Evaluative evidence of value chain development at AfDB confirmed the importance of gender-sensitive analysis at design and throughout implementation, as well as of preparing and implementing gender action plans to ensure that intended impacts reach women and adverse consequences are avoided. Evidence from case studies shows that some projects have developed gender plans (e.g. Zambia and Liberia). In Zambia cashew value chains, gender has been considered during the planning process, mainly through allocation of quotas (50 per cent of training session participants to be women), but it was not clear whether participation would be sufficient to include equal benefits for participating women according to poverty level or vulnerability. Inclusiveness was not sufficiently budgeted for or integrated into implementation and monitoring and evaluation mechanisms. It was not clear from the portfolio review how the analysis of gender and youth issues included in the design were managed during implementation of projects and programmes.

AfDB country case studies have shown that ensuring participation of more-vulnerable segments of the population in project activities (by assigning quotas) is necessary but insufficient to ensure that they benefit proportionally. In large infrastructure projects in Mozambique, Morocco and DRC, gender and other inclusiveness-related factors were not tracked, making it difficult to ascertain whether benefits had reached vulnerable target groups.

Pathways Towards Transformative Changes for Poverty Reduction

Despite significant variations between countries and projects, there were many examples of considerable increases in productivity, combined with better access to markets and timing of marketing, higher farm-gate prices and greater diversification of marketed products with good sustainability prospects with little external support (IFAD IOE 2019).

The mechanisms through which value chain participation could be transformative for the poor included:

- improvements in product characteristics (e.g. larger, better-looking fruit in Morocco) or a shift to higher-value products (e.g. vegetable crops or fruits in China);

- price mechanisms, such as ex ante agreement on a fixed price to reduce risks of price fluctuation for producers and price premia linked to product characteristics (e.g. organically grown coconuts in Vietnam);
- improvements in producers' capacity to negotiate output prices and greater economies of scale for producers, thanks to horizontal linkages (e.g. in Honduras and El Salvador);
- capturing value added through functional upgrading (e.g. through processing and reducing the role of middlemen); and
- employment generation – for which evidence was incomplete, although in some value chains, such as coffee, horticulture and dairy (e.g. Bosnia and Herzegovina, El Salvador, Honduras, Rwanda), the evaluation observed greater use of waged labour in producer organizations and agribusinesses stemming from project interventions.

Mapping the Emerging Findings

IFAD IOE (2019) mapped a number of value chains supported by projects, along with two main indicators: level of development of value chains (incipient, intermediate, advanced)[5] and degree to which value chains were generating pro-poor outcomes (low, medium, high)[6]. With regard to

[5] *Incipient* value chains were defined as those that involve the primary steps of mobilizing small-scale producers, providing training on productivity and quality, increasing access to inputs and production credit and building feeder roads and simple market infrastructure for greater market access. For *intermediate* value chains, priorities were organizational strengthening and functional upgrading for producer organizations, early development of vertical linkages, financial resources for value chain infrastructure and technology (e.g. warehouses, cold stores, processing machinery) and organized marketing of products. *Advanced* value chains involved a higher level of product; process and functional upgrading (e.g. through certification or branding); more-specialized technical assistance and capacity building (including on financial literacy and business management); finance for investment and working capital; development of purchase agreements with buyers; some form of risk management and market information systems; and structured dialogue among value chain stakeholders, including government bodies, for example, through multi-stakeholder platforms.

[6] Four criteria were used to categorize the degree of pro-poor outcomes: inclusiveness (degree of actual poverty outreach), empowerment of people and groups, size of benefits for the poor (e.g. income, food security) and perspectives for sustainability of benefits for the poor. Value chains considered strong on all of these criteria were categorized as *high* in terms of pro-poor outcomes, those that were strong on only two criteria or for which performance was reasonably good on all four criteria were rated as *medium*, and those with poor performance on most criteria were categorized as *low*.

value chain development, 35 per cent of cases were incipient, 41 per cent intermediate and 23 per cent advanced. In terms of pro-poor outcomes, 33 per cent were low, 44 per cent medium and 22 per cent high (table 13.2), an overall favourable finding.

Table 13.2 Mapping of Projects and Value Chains According to Level of Development and Pro-Poor Outcomes (Percentage of Observations)

Value chain development level	Pro-poor outcomes		
	Low	Medium	High
Advanced	3	10	10
Intermediate	10	19	12
Incipient	20	15	0

Source: IFAD IOE (2019).

In the 20 per cent of projects that did not have clearly articulated value chain designs and whose implementation did not go beyond supporting production, value chains were found to be incipient and not achieve pro-poor outcomes (table 13.2). At the other end of the spectrum, 10 per cent of the value chains reviewed reached an advanced development stage and achieved pro-poor outcomes, making a powerful case for the value of the projects. It can be argued that, in such cases, interventions had been transformative for value chains and for poor, small-scale producers. A common trait of these transformative interventions was that IFAD had long experience in the project area and had supported multi-stakeholder platforms and interprofessional associations (value chain governance) and had benefited from specialized technical assistance to support the project management team.

Key Conclusions and Policy Implications

The AfDB and IFAD evaluations both concluded that it is worth investing in support for inclusive value chains, which can have transformative effects on poverty reduction and development in rural areas, although such support is conceptually complex and requires a systemic perspective and transformation in the capacity, skills and organization of the supporting agencies.

The AfDB evaluation identified five fundamentals to be applied in all value chain interventions (table 13.3): careful context-specific value chain analysis to ensure addition of value along the chain; inclusion of poor farmers, women, youth and other vulnerable groups in participation and benefit sharing; flexibility and responsiveness to changing contexts and market needs; a primary focus on the profitability and efficiency of the value chain; and application of strategies to ensure sustainability of outcomes.

It also recognized five enabling factors (table 13.3) that are more context specific than the five fundamentals and are good predictors of positive outcomes in developing pro-poor value chains: appropriate infrastructure and technology, policy and regulatory environment favourable to the targeted value chain, appropriate business support services to improve the skills of value chain actors, access to finance for value chain actors to make necessary investments to increase profitability, and private sector engagement and working relationships between value chain actors.

Table 13.3 Fundamental Factors and Key Enablers for Value Chain Development Interventions

Factor	Key component from a systemic perspective
Fundamentals	
Value chain analysis	▪ Constraints of the value chain ▪ Understanding the socioeconomic factors of the target group ▪ Stakeholder mapping and power relationship in the value chain ▪ Value added distribution ▪ Potential market ▪ Risk assessment and mitigations
Profitability with value addition	Financial and economic viability of added values in the value chain
Responsiveness to market	▪ Ability to respond and adapt to market requirements to secure business in the face of competition ▪ Monitoring and evaluation system linked to value chain
Inclusiveness	▪ Involvement of women, youth and the poor in value chain ▪ Attention given to women, youth and the poor in planning and implementation of interventions ▪ Evidence of benefits to women, youth and the poor

(continued)

Table 13.3 Fundamental Factors and Key Enablers for Value Chain Development Interventions *(continued)*

Factor	Key component from a systemic perspective
Sustained impact	▪ Technical ▪ Financial, economic ▪ Institutional ▪ Political, sociocultural
Key enablers	
Infrastructure and technology	▪ Irrigation, access roads, market sheds, storage houses, processing units ▪ Improved inputs (seeds, fertilizers, agricultural tools) ▪ Information and communication technology
Policy and regulatory (business) environment	▪ Rules and regulation to improve business environment ▪ Policy dialogue to improve value chain structure and governance ▪ Activities to improve quality standards
Access to finance	▪ Credit facility (in cash or kind) ▪ Contract farming ▪ Risk-sharing facilities ▪ Cascade financing schemes from distributors to processors and producers
Business support	▪ Organizational capacity ▪ Market access support ▪ Entrepreneurial skills such as financial analysis and management, process monitoring and management, and human resource management ▪ Technical skills
Private sector participation and linkages among value chain actors	▪ Private sector engagement ▪ Collaboration among value chain actors ▪ Trust building in value chain ▪ Information management

Source: AfDB IDEV (2018).

The two evaluations provided recommendations on how international development organizations could better support value chain development. Some common elements were the following.

First, organizations need conceptual clarity on what a value chain is and what the critical requirements are to make them viable, sustainable and inclusive. A systemic perspective on value chains, such as the one

presented in this chapter, can help provide clarity. Organizations need to ensure that they have the internal capacity and resources to design, supervise and support the execution of programmes promoting value chain development. They need to ensure that key partners in the countries have adequate skills and experience in value chain support. Government entities, non-governmental organizations and even private entrepreneurs may need special support, for example through targeted technical assistance initiatives. In many organizations, a strategy or an action plan would help provide a more coherent, ideally system-based, approach.

Second, value chain development requires long-term engagement. In many financial institutions, this often entails providing support throughout several project phases. At the design stage, projects cannot assume that value chain support is what is needed. Instead, they should systematically assess the degree of preparedness for value chain support, taking into account the local context and previous experience of the government and the funding organization. If value chain support is not the right starting point, a more conventional approach, such as supporting production or transportation infrastructure, may be the first step to take. A value chain approach may be adopted later, for example in the next project-financing phase.

Third, projects need to actively promote gender equality and outreach to poor and very poor groups rather than assuming that trickle-down mechanisms will be operating, like an 'invisible hand'. Project designs should provide a theory of change explaining how benefits reach very poor groups (e.g. through wage employment generation or higher demand and higher farm-gate prices) and identify major barriers and how to overcome them. These assumptions must be corroborated by evidence.

Fourth, projects need to promote inclusive value chain governance and an inclusive policy and regulatory environment by establishing or strengthening multi-stakeholder platforms and interprofessional associations that provide small-scale producers and other value chain stakeholders with information on prices and markets, a venue for dispute resolution and a voice in discussing the policy and regulatory system.

Fifth, in addition to conventional approaches to rural finance (e.g. linkage of banks with village-level groups, credit lines and matching grants for individual borrowers), there is a need to devise ways to provide financing along the value chain, including producers, buyers, processors and retailers. Typically, small and medium-sized enterprises, cooperatives and companies active in aggregation of produce, transformation and distribution had limited access to finance at an affordable interest rate. This generated

cash-flow problems and constrained their capacity to procure from small producers. Whole value chain financing schemes (cascade financing from distributors to processors to producers) are used in industrialized countries and are emerging in developing countries.

Sixth, no single organization can manage complex endeavours alone. Development agencies need to strengthen partnerships with other organizations, including private sector organizations that have value chain expertise, to ensure that projects are based on a thorough analysis of commodity market structure, demand and supply, price level and volatility, and barriers that small-scale producers face.

Implications for Evaluations of Value Chain Support for Poverty Reduction

What are the lessons from these evaluations for future evaluative work on value chains? The two evaluations discussed in this chapter were conducted at the corporate level but also tracked the results that AfDB and IFAD achieved through project-funded operations.

Having been conducted at the corporate level, the evaluations assessed to what extent the organizational structure, such as preparation of specific strategies, recruitment of specialized staff, adoption of technical guidelines, training of staff and capacity building of government implementation units, had changed to accompany the increase in focus on value chain development. The analysis concluded that the pace of organizational change had not matched the shift in attention being paid to value chains in the lending portfolio. Future evaluations of this type with a thematic or corporate scope should review institutional capacity to support value chain development. As argued in this chapter, for an institution to be transformative requires that it transform itself.

Tools for conducting the institutional analysis may include reviews of an organization's documentation (corporate strategies, country strategies, project report, organizational charts, specific budget and human resources allocated to quality assurance, technical support to value chains); review of operational and organizational experience of peer organizations; interviews with executive board members, organization managers, and staff and development counterparts in the country where projects are supported; and an electronic survey of the organization's staff and project managers to determine their knowledge, views and experience.

An opportunity that AfDB and IFAD did not pursue, but that deserves consideration, is that of conducting joint evaluations, particularly when

there are cofunded or cosponsored initiatives and projects. Joint evaluations can be challenging to manage as the numbers of decision makers and stakeholders increase. At the same time, they allow for organizational cross-learning and may deliver a stronger message to senior management and governing bodies.

The AfDB and IFAD evaluations also attempted to assess the effects of value chain development projects on household and community welfare. The two evaluations identified pathways and conditions through which engagement in value chains could become transformative for the lives of small rural producers. They found uneven evidence as to whether projects had been transformative. Part of the problem was that value chain projects belonged to more recent project cohorts, many of which were ongoing, so the full range of effects was not yet discernible. Another problem was the absence of well-established data (e.g. from surveys). Many future evaluations, even if conducted at the project level, are likely to encounter the same constraints. It might be sensible for many of them to manage their ambitions, concentrate on identifying the pathways through which a value chain project could produce transformative results and assess whether the project has developed those pathways. When the budget and time to conduct an evaluation are limited, this could be more effective than designing complex, time-consuming surveys.

Is a systemic conceptual framework useful for conducting an evaluation on a value chain–related topic? The conceptualization of value chains as systems underpinned the evaluations reviewed in this chapter. This is useful for understanding the complexity of developing an intervention for inclusive value chain development and the interconnectedness of a value chain system. The systemic approach can be a good conceptual reference even for project-level evaluations. Although a project supporting value chain development may concentrate on only one subsystem or a node within that subsystem (e.g. market infrastructure, processing of raw products), the evaluator would still benefit from awareness of the bigger picture that a systemic approach provides. This would help explain the importance of other subsystems or nodes of subsystems (e.g. governance of the value chain, the policy, the regulatory system). In general, a good approach should be system aware, even if not system centred.

Note

The opinions expressed here are those of the authors only and do not represent the official position of the organizations with which they are affiliated.

References

AfDB IDEV (African Development Bank Independent Development Evaluation). 2018. *The African Development Bank's support for agricultural value chains development: Lessons for the Feed Africa Strategy.* Abidjan, Côte d'Ivoire: AfDB.

Arias, Pedro, David Hallam, Ekaterina Krivonos et al. 2013. *Smallholder integration in changing food markets.* Rome: Food and Agriculture Organization of the United Nations.

FAO (Food and Agriculture Organization of the United Nations). 2014. *Developing sustainable value food value chains – guiding principles.* Rome: FAO.

IFAD IOE (International Fund for Agricultural Development Independent Office of Evaluation). 2019. *Corporate-level evaluation on IFAD's support to pro-poor value chain development.* Rome: IFAD.

Kaplinsky, Raphael, and Mike Morris. 2002. *A handbook for value chain research.* Brighton, UK: Institute of Development Studies.

M4P (Making Markets Work for the Poor) and DFID (UK Department for International Development). 2008. *Making value chains work better for the poor. A toolkit for practitioners of value chain analysis.* Phnom Penh, Cambodia: Agricultural Development International.

Porter, Michael E. 1985. *The competitive advantage: Creating and sustaining superior performance.* New York: Free Press.

USAID (United States Agency for International Development). 2014. *A framework for inclusive market system development.* Washington, DC: USAID.

The COVID-19 pandemic has demonstrated the enormous challenges humanity is facing. It has been facilitated by other crises as climate change, biodiversity loss, economic exploitation, and increased inequity and inequality. The UN Agenda 2030 and the Paris Agreement on climate change call for transformational change of our societies, our economies and our interaction with the environment. Evaluation is tasked to bring rigorous evidence to support transformation at all levels, from local to global. This book explores how the future of the evaluation profession can take shape in 18 chapters from authors from all over the world, from North and South, East and West, and from Indigenous and Decolonized voices to integrative perspectives for a truly sustainable future. It builds on what was discussed at the IDEAS Global Assembly in October 2019 in Prague and follows through by opening trajectories towards supporting transformation aimed at solving the global crises of our times.

By combining practical experiences with perspectives drawn from new initiatives, this book offers invaluable insights into how evaluation can be transformed to support transformational change on the global stage.

Indran A. Naidoo, Director of the Office of Independent Evaluation of IFAD

Across continents, educational systems, and historical complexities, this book builds up the language we all should speak about our field. A mandatory read for all young evaluators.

Weronika Felcis, Board member of EES and Secretary of IOCE

After reading these chapters you will have a sharper look at what is relevant when managing or doing an evaluation, and you will notice that 'business as usual' will no longer be an option.

Janett Salvador, Co-founder of ACEVAL, Former Treasurer of ReLAC

This book offers original, visionary discourse and critical perspectives on the challenges evaluation is facing in the post COVID-19 pandemic era.

Doha Abdelhamid, Member of the Egyptian Academy of Scientific Research and Technology

Published by: IDEAS, 2021
ISBN (paper): 978-1-9168982-0-2
ISBN (electronic): 978-1-9999329-9-2

INTERNATIONAL DEVELOPMENT EVALUATION ASSOCIATION
IDEAS
KNOWLEDGE CAPACITY DEVELOPMENT NETWORKING