



IFAD's Engagement with the Private Sector in pro-poor agricultural value chain development

2nd Mekong Knowledge and Learning Fair
Bangkok, 11 July 2019

Outline

Background and relevant corporate-level strategies and policies

Instruments for supporting pro-poor VC development

Corporate organizational aspects

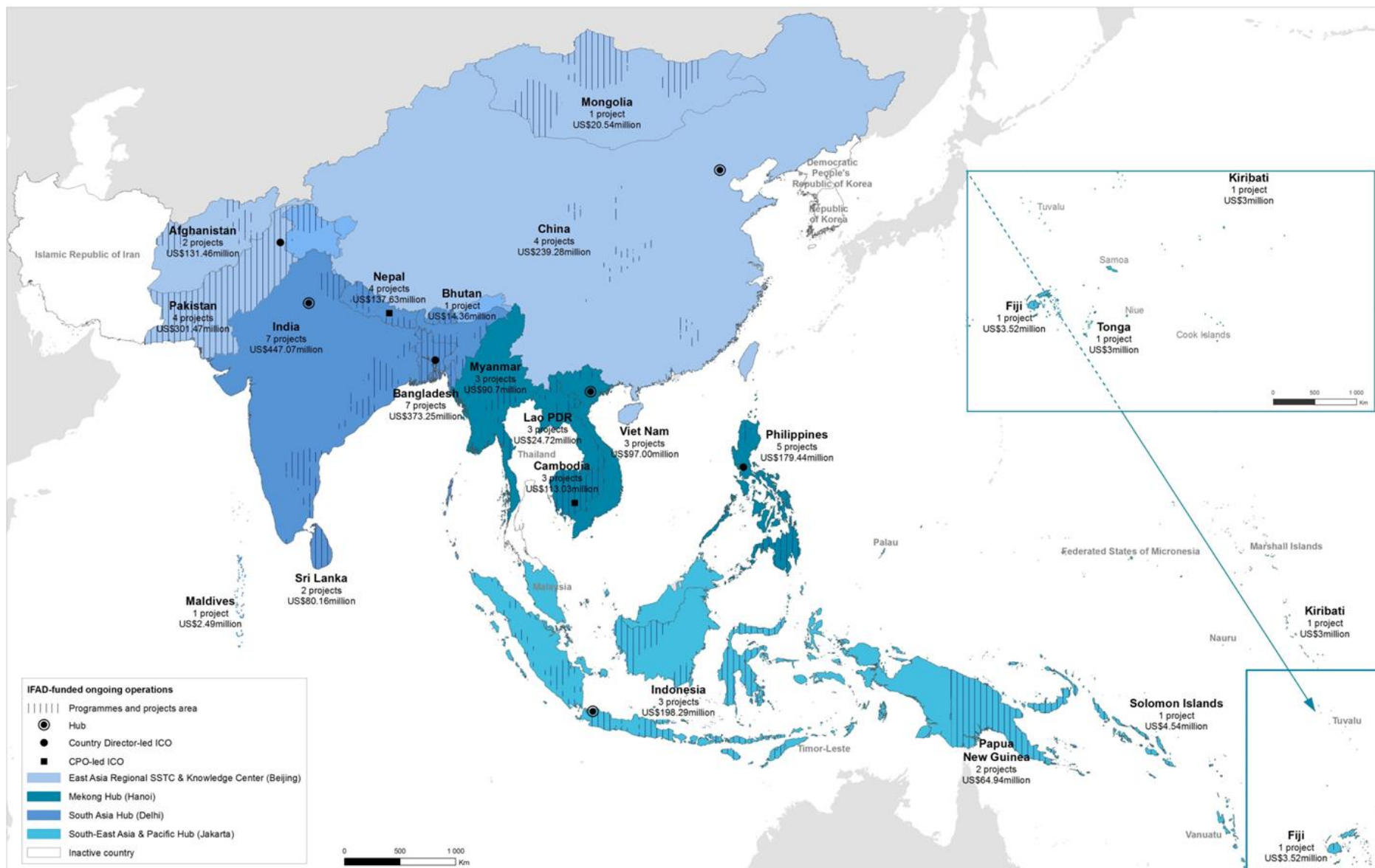
Specific corporate initiatives

Results and moving forward

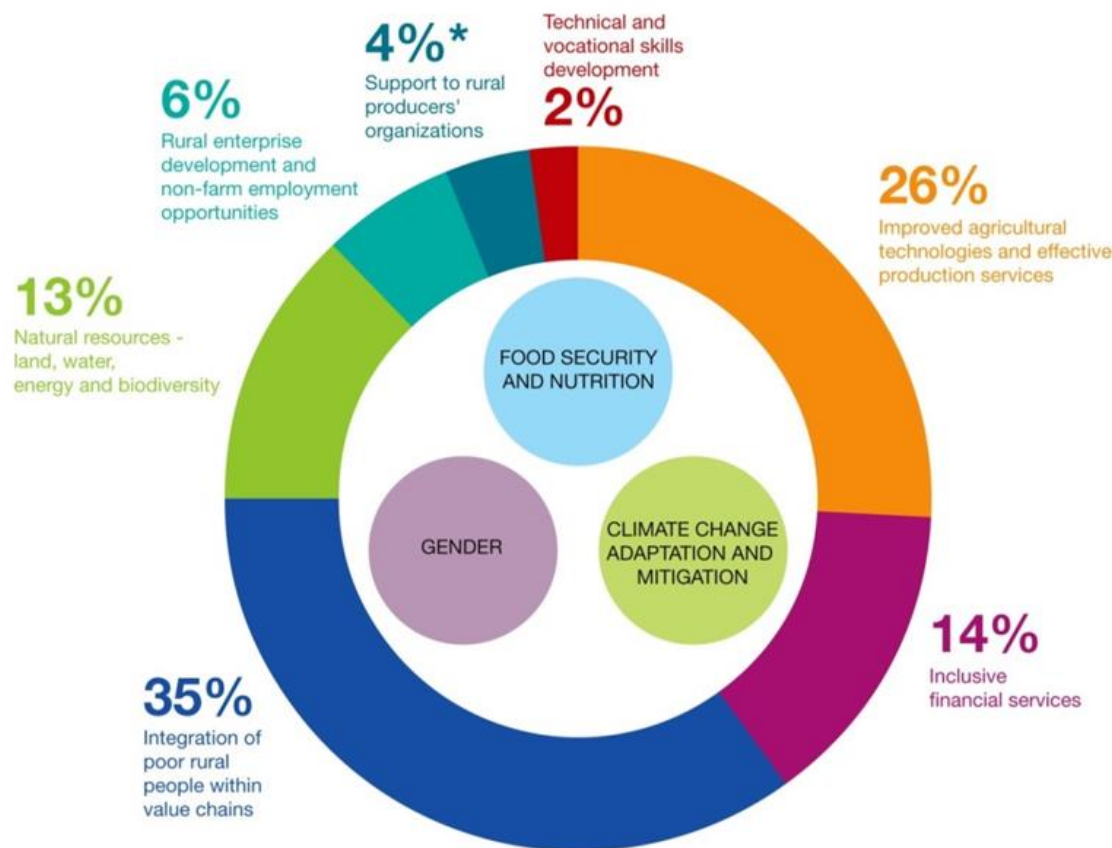
A woman wearing a green headscarf and a white protective suit is working in a field of tall green plants. She is looking down at the plants, possibly inspecting them. The background is a dense field of similar plants.

Background & corporate strategies & policies

Background: APR investment portfolio as of 31 March 2019



Background: IFAD investments by thematic area

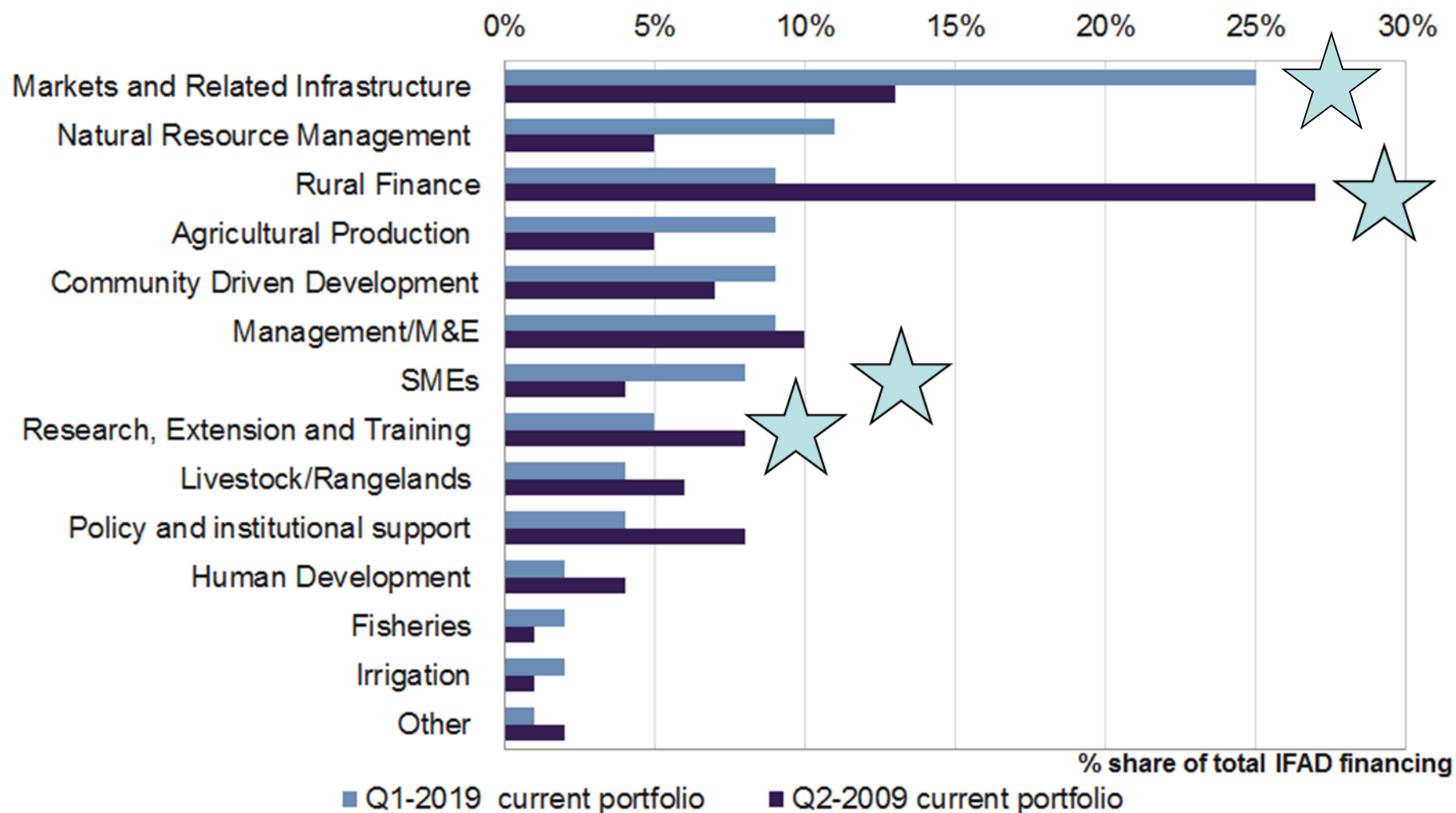


Since 1977, IFAD has financed US\$18.5 billion in grants and low-interest loans to farm and non-farm projects which benefited 464 million people

IFAD currently is working on **212 projects** in **96 countries** globally

In APR, **59 projects** in **21 countries**, US\$2.5 billion outstanding, average project size US\$43 million as of March 2019

Background: APR trends in financing by sectors



Background: How IFAD is achieving its mandate



Corporate strategies and policies: relevance, vision, gaps

- Corporate strategic documents (IFAD Strategic Framework 2016-2025, IFAD 11 replenishment)
- **(new!) Private-Sector Strategy** and **IFAD 2.0 Vision** incl. Private Sector Window to crowd-in financing
- On **15 February 2019**, IFAD Governing Council approved an amendment of IFAD article of agreement to authorize direct funding to the private sector
- Corporate commitments (**gender, nutrition, youth, climate change**) incorporated into VC development

Current vision

- **VCs** are seen as one way to increase poor people's benefits from market participation
- **Focus on people** not only on commodities to minimise dichotomy VC/targeting
- Multiple entry points - not only at primary production - & **private sector partnerships**
- Approach **tailored** to the specific context
- **Win-win opportunities** to cover corporate commitments

Challenges

- Sovereign lending for public-sector financing
- Diverse views on what is a VC approach
- Need to avoid elite capture in VCD
- IFAD11 emphasis on poorest and most vulnerable people may imply some further adjustments
- Trade-offs between corporate commitments and market potential



Instruments for supporting pro-poor VC development

IFAD investments in projects as instrument for supporting pro-poor VC development

Strengths

- Active **participation of the government** in the selection of VCs and the type of interventions
- Potential room to **influence policies** that can benefit pro-poor VC development
- Financial resources to cover **soft investments**
- Good set-up to develop **PPPs**
- Opportunities to **leverage public sector capacities and investments** (research centres, extension services, and public infrastructure)
- Different inclusive VC business models:
 - **Formal or informal contractual arrangements** (outgrower schemes, contract farming, informal supply schemes)
 - **Cooperative-led model** of partnerships with the private sector
 - **joint ventures** between private sector and SHs

Weaknesses

- The decision making process can be **politically biased**
- Limited **implementation capacity** and experience of the gov't in VC development
- Reluctance of governments to **borrow money for TA**
- Reluctance of governments to engage private sector with borrowed money
- **Sustainability** could be a challenge with government-owned initiatives
- Higher risk of **suboptimal use of financial resources** (inefficiencies are higher in government vs. private sector projects)
- **Less innovation**

Financial instruments for supporting pro-poor VC development

The past and the present

Missing financial instruments

- I. Direct lending mechanism for private sector
- II. Equity investment mechanism in private sector SME agribusinesses
- III. Co-financing facility
- IV. Blended finance facility

Consequences

- I. Limited or no financing (few grants only) to key private sector actors
- II. Limited financial resources per country (performance-based allocation system only)
- III. Higher interest rates and transaction costs for funds targeting private sector companies

IFAD has enhanced its business model and financial instruments

- I. Set-up of the YIELD Fund Uganda, Agri-Business Capital (ABC) Fund for equity and debt investments directly into private sector actors, incl. FOs and FSPs
- II. Changed IFAD articles of agreement to allow use of IFAD core resources for private sector funding; principles: **relevance, additionality, development impact, risk/sustainability**

Technical support for pro-poor VC development

The past and the present

What IFAD currently supports

- Increase in **productivity** & surplus **production**
- Improvements in **quality & standards**
- **Technology** adoption
- **Aggregation** & support to Farmers' Organizations
- Small-scale **infrastructure** (e.g. warehouses, storage facilities, rural roads, markets, etc.)
- Improved **financial and non-financial services**
- Other public goods – e.g. **research, extension**

The gaps in technical support

- Limited ability to do **brokerage** and PPPs
- Limited ability to influence **pro-poor market policies**
- Limited ability to **train other VC partners**
- Limited stand-alone **TA to support VC actors**

IFAD – future for technical assistance and expertise

- I. Set-up of the ABC **Technical Assistance Facility** to provide direct support to ABC investees
- II. Establish a more **general TA facility** to support IFAD VC project stakeholders
- III. Digital **Global Platform** For Improved Access to Markets and Services



Corporate organizational aspects

Advisory role and thematic guidance

From centralized to decentralized regional operations

- **6 Lead/Senior Technical Specialists in HQ**
 - ✓ supporting whole project cycle (COSOP, design, supervision, implementation support, MTRs, etc.)
 - ✓ generating knowledge products (toolkits, guidelines, lessons learned, thematic publications)
 - ✓ developing IFAD strategies, VC financing mechanisms (4P), contribution to design new instruments
 - ✓ designing and managing grants and partnerships
 - ✓ collecting & analyzing database of VC projects
- **7 Lead/Senior Technical Specialists in Hubs (plus anchor at HQ)**

Strengths

- Regional out reach – covering all projects with VC in the region
- Knowledge-based on real regional and country experiences
- More team input, interaction and cross-learning in inter-disciplinary hub teams
- More frequent exposure

Weaknesses

- Never enough – demand > supply
- Knowledge generation time squeezed by operational support and travel
- Limited global / corporate perspective

Adaptability during project implementation

The present

- Depends on project design and **capacity of project implementing institution**
- **Multi-stakeholder platforms** allow actors to interact and make decisions according to VC dynamics
- Direct supervision and **implementation support** mostly adequate
- **Mid-term reviews** are key to adjust project design
- **Additional corporate commitments** reduce flexibility

Possible improvements

- Make project **designs more flexible** – e.g. choice of VCs based on rigor VC diagnostic
- Decentralized technical staff to spend more time on supervision/implementation support
- Build capacity and use **local knowledge** and centres of excellence in VCs
- Understand better the **trade-offs between flexibility and corporate requirements**
- Tracking of Business Plan indicators and private sector co-financing and leveraging
- Provide **more evidence** on link between VC development and poverty reduction
- Direct support **enabling policy environment** through national policy engagement

Knowledge tools

Toolkit

Sustainable inclusion of smallholders in agricultural value chains



How to do Public-Private-Producer Partnerships (4Ps) in Agricultural Value Chains



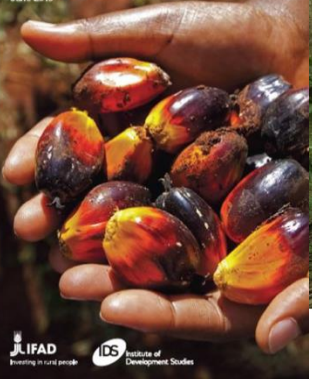
Sustainable inclusion of smallholders in agricultural value chains



Brokering Development

Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains

Jude Thorpe and Mar Maestre
June 2010



Partnering for Value

Lessons from
Public-Private-Producer
Partnerships (4Ps)
in practice



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Overview

- Climate and environment
- Food and nutrition security
- Free prior and informed consent
- Household Methodologies
- Land
- Livestock and rangeland
- Reducing rural women's domestic workload
- Rural finance
- Rural institutions
- Scaling up
- Value chain**
- Young people
- Resources

Value chains toolkits

The toolkit on sustainable inclusion of smallholders in agricultural value chains aims to support the design of IFAD-supported Value Chain (VC) projects.



The tools developed offer valuable guidelines to help practitioners address the analysis and design of VCs during the design of country strategies and the design and implementation of projects/programmes.

These include:

- **Teaser:** provides an overview of the issues and the challenges, benefits and opportunities in VC projects
English | French | Spanish
- **How to design commodity value chain in development projects**
English | French | Spanish
- **How to do note on Public-Private-Producer Partnerships (4Ps) in Agricultural Value Chains**
English
- **How to do climate change risk assessments in value chain projects,** provides general guidance on the types of issues that project design teams might consider in order to manage climate risks in value chain projects
English
- **How to do livestock value chain analysis and project development**
English
- **How to monitor progress in value chain projects**
English
- **Lessons learned in designing commodity value chain development projects**
English | French | Spanish
- **Scaling up note:** A value chain in development approach to scale up results in agriculture
English | French | Spanish

Browse IFAD publications

Document type
Thematic publications

Country
Any

Topic
Any

Search

Read more

Access to markets: Making value chains work for poor rural people

Read more

Household methodologies toolkit

A photograph of two workers in a food processing facility. The worker on the left is wearing a white lab coat, a white hairnet, a white face mask, and green gloves. They are using a manual dispenser to fill small yellow and blue boxes labeled 'Cheese'. The worker on the right is wearing a white lab coat, a blue hairnet, a blue face mask, and a pink apron. They are also packaging the cheese boxes. In the background, there is a large stainless steel pot, a blue bucket, and a blue container. The text 'Specific corporate initiatives' is overlaid in white on a dark blue background.

Specific corporate initiatives

Corporate partnerships on VC Development

A few partnerships at corporate-level:

- UN **VCD network** (RBAs, ILO, ITC, UNIDO)
- MoUs with **multinationals** (e.g. Unilever, Mars)
- Through **grants**: IDS, SNV, TechnoServe, Oxfam
- At regional level, also through grants (Helvetas, Hivos)
- Ad-hoc **learning events** (WB, IFC, GIZ, BMZ, etc.)

Some results:

- **Knowledge exchange and learning**
- **Joint research work and publications**
- **Piloting new approaches (e.g. brokering 4P, blended finance)**

KM and SSTC on pro-poor VCD

The present

- **Global Knowledge Management events on 4P** in agricultural VCs together with technical partners (IDS-Sussex, SNV, NL)
- **South-South and Triangular Cooperation events on**
 - ✓ 4Ps organised jointly with Government of Sri Lanka and APR
 - ✓ environment and climate change in VCs in Pakistan
 - ✓ Mekong Knowledge and Learning Fairs

Gaps and possible improvements

Empirical evidence re impact of private-sector led agricultural VC approaches on smallholder producer inclusiveness, climate resilience and sustainability

A photograph of two women in a rice field. The woman in the foreground is wearing a plaid shirt and a wide-brimmed straw hat, crouching and working with rice seedlings in the water. The woman in the background is wearing a green shirt and a similar hat, standing and looking towards the camera. Other workers are visible in the distance. The text "Results and moving forward" is overlaid in white on a semi-transparent dark blue band.

Results and moving forward

Results – what has worked and where are the gaps?

Results

- VC development – a major and relevant focus area for IFAD-supported projects
- No in-depth results or impact analysis done so far

What has worked?

- Approaches that are context specific
- **VC diagnostics at design are helpful**
- **Flexible projects** (e.g. choice of VCs)
- **Strong PMUs & local service providers**
- Involving private sector is key for **sustainability**
- Working with **existing FOs**
- **Multi-stakeholder platforms** – good but room for greater effectiveness

Where are the gaps?

- Limited VC finance tools & instruments
- **Innovative ICT for development** applications in private sector VCs
- IFAD's **influence on market policies**, rules and regulations
- IFAD's capacity to gather and **disseminate knowledge** from project and private sector partnership M&Es
- **Impact analysis and diagnostics**

A woman in a bright green t-shirt is standing in a greenhouse, surrounded by lush green plants. She is looking down at something in her hands. The greenhouse structure is made of metal frames and white plastic covering. Numerous white strings hang from the top, supporting the plants. In the background, another person is partially visible, working among the plants.

Thank you for your attention !