



Comments from the Federal Ministry for Economic Cooperation and Development on the DEval Evaluation Report "Agricultural Value Chains"

The Federal Ministry for Economic Cooperation and Development (BMZ) welcomes the report on agricultural value chains submitted by the German Institute for Development Evaluation (DEval). The report confirms that the development policy approach of fostering agricultural value chains offers great potential both with a view to poverty reduction and with a view to food security. The report recommends that this field of work continue to play a strong role in the portfolio of German development cooperation.

The purpose of the evaluation was to find out whether, how and in what circumstances efforts to foster agricultural value chains within the portfolio of Germany's bilateral development cooperation contribute to poverty reduction and food security. The evaluation looked at activities carried out between 2003 and 2013. It focused on analyzing projects that address value chains at multiple stages through a systemic approach.

The findings of the evaluation show that fostering agricultural value chains is an appropriate strategy in German development cooperation for integrating small farms in particular in national or international production and trade processes, thus improving the living conditions of their household members. Value chain development, in the form of modernizing agricultural production and processing and improving market integration, increases people's incomes and the availability of paid jobs, ultimately contributing to poverty reduction and food security. The value chain approach is also flexible and able to address many different aspects.

However, "chronically poor" population groups can only be reached indirectly through this approach, as they do not have the resources (or the access to resources) needed to benefit from the approach directly. Moreover, the value chain projects often do not yet give sufficient attention to important matters such as nutrition knowledge and awareness and environmental aspects. There are also shortcomings with regard to the em-

powerment of women, who often have less access to land and other resources and to decision-making processes.

The evaluation shows that one critical factor for the success and sustainability of the value chain approach is ownership on the part of local partners with responsibility for organizational structures for the coordination of value chain development.

The extent and reach of project impacts varies depending on whether the value chain in question involves high-value export products or staple foods for the local market. There are general risks from extreme weather events and changing political and social environments, and also from changing world market trends and prices.

The evaluation also found that insufficient use has been made so far of potential for synergies arising from combined Technical and Financial Cooperation programs and from cooperation with other donors that are active in the agricultural sector.

The BMZ has drawn the following key conclusions from the evaluation and its recommendations:

1. The evaluation has found agricultural value chain development to offer great potential for poverty reduction and food security. The BMZ will therefore continue to give this approach a strong role in the portfolio of Germany's development cooperation, and it will further refine the approach based on the recommendations made in the evaluation.
2. The value chain approach has a positive development impact, especially for small farms that are nearly ready for market integration, whereas "chronically poor" groups can only be reached through *specific* projects, for example food security and social protection programs.

3. In 2014, the BMZ launched its special initiative *ONE WORLD – No Hunger*. Based on discussions among experts and on international debates, this initiative has already brought a number of strategic adjustments and new focal areas to the BMZ's work in the area of agriculture, rural development and food security. The evaluation has confirmed this course. The same goes for the BMZ's multi-country program for the inclusive development of agricultural value chains in Africa.
4. Working in consultation with partner governments and other donors, the BMZ will increasingly focus its support programs in rural regions on assisting the *diverse* target groups in line with their respective development potential and needs. For instance, the BMZ's special initiative *ONE WORLD – No Hunger* has been giving targeted support to "chronically poor" people. The program "Food and nutrition security, enhanced resilience" (which is part of the initiative) expressly focuses on fighting malnutrition and targets women and young children in particular. The programs "Soil protection and rehabilitation for food security" and "Responsible land policy" focus on the needs of food-insecure smallholders on marginal lands and specifically address the disadvantages that women face with regard to access to land and other resources.
5. When the BMZ chooses new agricultural value chains to address, it will give increased attention and consideration to criteria such as access barriers, inclusiveness, risks, food security, market opportunities, etc. The program "Green innovation centers for the agriculture and food sector" (which is also part of the special initiative) focuses on the production of staple foods. At the same time, the multi-country program for the inclusive development of agricultural value chains in Africa, which initially concentrated on export products, has begun to focus on product diversification in order to increase food production, and to address the rice value chain. One indicator to measure impact is improved diversity and quality of nutrition.
6. A more in-depth analysis of value chains is a key factor for successful program planning and for successful coordination with partner governments, local project partners and other donors. The BMZ has found that bringing local players on board and conducting some initial pilot activities within a given project phase is a success factor in this regard, as most projects build on earlier experience gained by German development institutions or other partners. If analysis or implementation show that a given methodology is no longer useful because the environment has changed, that methodology can be adapted at any time while a project phase is under way. The BMZ wants to retain this high level of flexibility in project planning and implementation.
7. Over the past few years, improving the nutritional quality of food has gained increasing attention both internationally and within our special initiative *ONE WORLD – No Hunger*. For instance, the program to develop the nutrition-sensitive potato value chain in East Africa gives attention to nutrition, hygiene and health aspects. As part of its special initiative, the BMZ has been launching new projects that focus on malnutrition. The Ministry will also make this important topic a stronger focus of its regular bilateral development cooperation.
8. Environmental aspects such as resource conservation and adaptation to climate change are crucial for project sustainability and for the food security of future generations. This is taken into account through environmental and climate impact assessments whenever a project for agricultural value chain development is commissioned.
9. Gender analyses are key to ensuring that women's needs are taken into consideration. The BMZ therefore requires all its Technical and Financial Cooperation projects to carry out a gender analysis at the beginning. The Ministry will also give increased attention to value chain-specific reporting and value chain-specific monitoring and evaluation systems.
10. In order to ensure sustainable value chain development, the BMZ supports existing institutions in its partner countries – including in particular in the private sector – with a view to providing attractive services for their members. The idea is to encourage strong local ownership and, in the long term, to enable value chain-related institutions to become independent from external funding.
11. Infrastructure and innovative financing instruments play a key role for value chain development. This requires good coordination between Technical and Financial Cooperation projects in order to use synergies and ensure integrated rural development. The development of innovative, needs-based, sustainable financial services for the agricultural sector is already a focus of the special initiative *ONE WORLD –*

No Hunger. The BMZ will further strengthen such programs and reinforce the link between training and consultancy on the one hand and financial services on the other, for instance within the framework of its Green Innovation Center projects. The special initiative is the subject of research work carried out by the German Development Insti-

tute / Deutsches Institut für Entwicklungspolitik (DIE). As part of these efforts, the DIE is exploring the topic of agricultural finance. Experience from these pilot efforts will be used to further enhance Financial Cooperation projects in the field of agricultural development.

Published by the Federal Ministry for Economic Cooperation and Development (BMZ)

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As at 19 September 2016

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