



## **AGRA Management Response to KfW Phase 1 Mid-Term Review**

November 24, 2022

## **Content**

<b>1. Introduction</b>	<b>3</b>
<b>2. Management Response On Evaluation Recommendations</b>	<b>4</b>
<b>3. Management Response On Recommendations</b>	<b>7</b>
<b>4. Actions For Kfw Phase 2 In Burkina Faso And Nigeria</b>	<b>15</b>

## 1. Introduction

AGRA's ambition is to support the development of smallholder farming into a productive, efficient, and sustainable system that is essential to ensure food security and driving equitable growth across the continent. No country has successfully developed from a poor country to an upper-middle or high-income country without an inclusive agricultural transformation. AGRA's mission, therefore, is to catalyze and sustain an agricultural transformation in Africa through innovation-driven productivity increases and access to markets and finance that improve livelihoods of smallholder farmers. We achieve this mission working within Government mandates and through public and private sector partners.

Since 2018 KfW support to AGRA's operations in Ghana and Burkina Faso has contributed to improving food security, incomes, and livelihoods of 296,000 farmers involved in the rice and cassava value chains.

In 2022, KfW contracted MDF to conduct a Mid-Term review of Phase 1 in Ghana and Burkina Faso.

The following objectives were the focus of the MTR:

1. Assess AGRA's compliance with the Financing Agreement signed between KfW and AGRA, analyse implementation procedures and AGRA's monitoring and safeguard system.
2. Review the effectiveness of the programme in terms of achieving intended outcomes and goals
3. Review projects' conformity with environmental and social risks as well as possible human rights aspects.
4. Identify lessons learned and recommendations to improve programme implementation, for phase two.

The Mid Term Review provides good basis to reflect on the key findings and recommendations and a learning opportunity to improve on our operating models beyond the scope of the KfW investment.

The remaining pages of the document present AGRA's responses to the key findings, learnings and recommendations of the Review as build out to phase 2 in Burkina Faso and Nigeria.

## 2. Management response on evaluation recommendations

This section presents the findings on the key evaluation objectives and AGRA's comments on the issues highlighted in blue.

### i. Relevance

The MTR found that the individual projects funded under KfW agreement "fit into national policies for agriculture development, and indeed government was associated with all of them, while these projects were clearly matching the needs as expressed by farmers through the mini-surveys and focus group discussions".

This finding aligns with AGRA's position on supporting Governments efforts to an Inclusive Agriculture Transformation.

### ii. Coherence

The AGRA operations are coherent with each other and the governments' work, ensuring considerable synergies and avoiding duplication.

This finding confirms AGRA position in taking systems approaches as the basis for its work. and to leverage government and other development partner investments.

### iii. Effectiveness

All four [KfW-funded] projects were effective in raising farmers' production standards while connecting them to input suppliers, seeds in particular. This helped raise their yields by 50-100%, increased product quality, and incomes. Post-harvest losses were also reduced. In spite of this, the connection of farmers to structured markets (rice and cassava) was insufficient as buyers hesitated to commit themselves to an offtake contract and fix a price in advance, while in cassava (semi-)industrial processing capacity was insufficient.

The findings on increased productivity and incomes as the key project objectives are encouraging. The challenges with enforcing offtaker contracts remain a supply and demand challenge, and a learning question that we all seek to solve for in the new strategy.

Access to credit, foreseen through value chain finance mechanisms, was insufficient. This finding is reflective of international experience showing that value chain structuring is often possible when there is a clear and unique offtaker identified, e.g., in tea, cocoa and cotton, but much more difficult in local food crops where farmers have many (local) buyers to choose from, hence are easily induced to disrespect their forward-sales contracts.

The KfW-AGRA projects were too short in duration (2-3 years) to allow for a fully sufficient or sustainable development of trust and relations in the value chain, e.g., from input suppliers, to farmers, to aggregators and processors. A project to establish sound value

chain connections and build mutual trust, including reliable contracting and thereby leveraging other services such as credit and input supply, would take at least double this time.

While a good start has been made, AGRA acknowledges the challenges identified by the evaluation team and agrees that strong value chain relations requires more time and predictability with all actors concerned. Finance to smallholders farmers and agribusinesses remains a high risk business for commercial players. AGRA is working with private and government actors to build risk sharing mechanisms. Specific planning with partners will be undertaken to better deal with the reality of short project timelines with individual resource partners.

#### **iv. Efficiency**

Relating to efficiency, the various project-implementing consortia generally performed the tasks they were supposed to. Coordination within the consortia, however, was weak as partners did their work on an individual basis with insufficient consultation and mutual trust – this except for the Burkina Faso extension project. This was in large part due to the project structure whereby AGRA contracted consortium partners individually, each having their own work plan, budget and reporting requirements, not installing the consortium “leader” in a real leadership role. The various grant proposals were well prepared, although the budgets were structured in such manner that consortium members may have interpreted these as entitlements. The management and support by AGRA was generally appreciated, although some found it bureaucratic and inflexible.

This recommendation is noted and remains an area of learning and development for AGRA. It is clear that coordination arrangements in consortia developed need to be further developed, to enable consultation, efficient management structures to be built, and therefore trust to be nurtured. Some variability must be applied due to the specifics of geography and quality of available grantees.

#### **v. Impact**

The projects were impactful in terms of raising farmer incomes, food security, access to health and education, although the cassava project trailed the others. The (rice) seed production sector was durably improved, and general awareness of the benefits of using good seeds (and fertilisers) was raised. Some unintended positive impacts were seen on neighbouring farmers, not involved in the project, taking on the good practices from the project farmers. Women processing cassava in communities benefited from increased supply of raw material, even though they were not directly targeted by the project. The same was seen in the rice projects. The MTR also revealed that some project farmers used their increased incomes to invest in other income generating activities, such as a small village grocery.

AGRA takes note that the overall objectives of the KfW-funded projects to improve food security, incomes and livelihoods were achieved. This validates the approach taken in solving for constraints facing smallholder farmers. The next step will be to scale up food security and increase smallholder farmers' incomes.

#### **vi. Sustainability**

The **sustainability** of the newly learned agricultural practices adopted by farmers is generally high, as they recognise the benefits of new ways of working. However, links with input suppliers are not sufficiently solid in all cases, and access to structured markets weak hence likely unsustainable. The sustainability of the extension model in Burkina Faso is fragile, as village advisors are essentially volunteers who were expected to develop into sales agents for input suppliers or aggregators as their key revenue model. Many do not have this inclination or capacity, and neither have local input dealers, hence the village advisors' role in farm advisory and input intermediation is under pressure. The MTR found that the extension model needs more time to be refined, finding an attractive value proposition to village advisors and farmers alike, and selecting, training and capacitating the right individuals to play this role. The government of Burkina Faso has now taken the responsibility to develop and upscale the VBA model.

AGRA recognizes the challenges of building a functional extension system through a private-led VBA model. AGRA has already commissioned socio-economic research work on the VBA business models and sustainability as part of the bridge year and looks forward to embedding this in the new strategy.

### 3. Management Response on Recommendations

Problem Statement (MDF)	Recommendation (MDF)	AGRA management Response
<p>The core strategy of the rice and cassava projects was to link farmers to structured markets, so that farmers would benefit from quality input supply, input credit, processing support, branding and assured sales markets (although rice farmers have no difficulty selling locally), which is thought to raise their long-term sustainability as agricultural operators. The KfW-AGRA projects, however, were too short in duration to allow for sustainable development of value chain relations, e.g., from input suppliers, to farmers, to aggregators and processors. All projects were just 2-3 years, and some parts shorter still, just enough to get to know each other and overcome the first feelings of distrust. A project to establish sound value chain connections including reliable contracting and thereby leveraging other services such as credit would take at least double this time. This is especially true where major public and private investment in processing capacity is foreseen.</p>	<p><b>Recommendation 1:</b> AGRA should allow much more time to consortium partners to implement projects, hence build trustful value chain connections and bring about change.</p>	<p><b>ACCEPTED</b></p> <p><b>Action:</b> This recommendation resonates with AGRA’s ambitions of having projects with longer duration. However, project duration is constrained by funding cycles.</p> <p>AGRA has over the last years built stronger capacities with grantees and believes that with improved access to markets, partners ambition to grow will fast-track sustainable relationships supported by predictable policies and digital solutions that increase visibility across the actors.</p> <p>AGRA will endeavour to structure medium term development objectives into consortium arrangements, even if this requires coordination between different funding partners.</p> <p><b>Action Owner:</b> Vice President Program Innovation and Delivery (PID)</p> <p><b>Deadline:</b> Immediate</p>

<b>Problem Statement (MDF)</b>	<b>Recommendation (MDF)</b>	<b>AGRA management Response</b>
<p>It is the same for the VBA model, which in principle holds great potential to reach farmers in hard to reach (insurgent) areas, and may involve youth, but needs to be developed into an attractive business proposition of advisory, input supply, aggregation, even machine services, that VBAs can sustainably implement. This requires careful preparation, trying out, and time.</p>	<p><b>Recommendation 2:</b> Likewise, the VBA model needs more time to be refined, finding an attractive value proposition to VBAs and farmers alike, and selecting, training, and capacitating the right individuals to play this role</p>	<p><b>ACCEPTED</b></p> <p><b>Action:</b> AGRA recognizes the challenges of developing VBAs as a core service delivery model. The current ongoing studies assessing VBA business models that would ensure financial sustainability will inform how we go forward with VBA's.</p> <p><b>Action owner:</b> Head of Extension  <b>Deadline:</b> March 2023</p>

Problem Statement (MDF)	Recommendation (MDF)	AGRA management Response
<p>It was found that the project consortia were much lacking in internal cohesion. This was partly due to AGRA contracting them individually, insufficiently analysing their individual (technical and administrative) capacities, and insufficiently ensuring their cultural and professional match.</p>	<p><b>Recommendation 3:</b> It is generally a good idea to appoint one value chain partner as the business champion, which will take a leadership role in uniting all partners and stakeholders along the value chain. This would normally be a (large) off taker or (major) farmer cooperative or union.</p>	<p><b>ACCEPTED</b>  <b>Action:</b> AGRA agrees that having one entity serving as lead partner promotes internal cohesion and well-structured consortium coordination. It will continue to look for opportunities to identify such partners.</p> <p>AGRA applies a flexible approach based on existing capacities per geography with private and public actors. In some cases, non-profit actors may play an important role in facilitating the upgrading of value-chains and reporting when their roles are carefully designed with an accompanying exit strategy.  <b>Action Owner:</b> COO + VP PID + Legal  <b>Deadline:</b> December 2022</p>
	<p><b>Recommendation 4:</b> Sign grant contracts with the leader, which could be the above-mentioned business champion albeit assisted by a consultant or an NGO for project management, <u>co-signed</u> by the consortium partners as members. In this recommendation the leader does <u>not</u> sub-contract the consortium partners, because all sign the same and single contract, but the leader is the sole (official) contact point for AGRA on contractual and reporting matters. In principle, all partners are responsible for the entire project, although in practice they will be given specific tasks. All funding flows will go through the leader. There will be one single narrative and financial report including audit.</p>	<p><b>Partially Accepted:</b></p> <p>The proposed model is the preferred approach where capacities exist – but this is not always the case. An appropriate model will be carefully chosen based on the available institutional capacities of the partners and proposed interventions. In most cases, AGRA will target a single consortium lead. In situations where capacity is lacking, a more flexible approach may be required to maximize efficiency and accountability.</p> <p><b>Action owner:</b> Chief Operating Officer + VP PID + Legal Counsel  <b>Deadline:</b> Immediate</p>

Problem Statement (MDF)	Recommendation (MDF)	AGRA management Response
	<p><b>Recommendation 5:</b> There ought to be a prior capacity assessment of all consortium partners to see their technical and managerial adequacy for the roles assigned, as well as their suitability to work together</p>	<p><b>ACCEPTED</b>  <b>Action:</b>  The Organization Capacity Assessment (OCA) are carried out for all partners, but we will ensure that once capacity gaps are identified from OCAs, appropriate corrective measures are followed up and effectively addressed.  <b>Action Owner:</b> Head of Grants + Country Managers + Compliance Officer.  <b>Starting Point:</b> Each time a concept note is accepted</p>

Problem Statement (MDF)	Recommendation (MDF)	AGRA management Response
<p>It was found that the project consortia were lacking in internal cohesion. This was partly due to AGRA contracting them individually, insufficiently analysing their individual (technical and administrative) capacities, and insufficiently ensuring their cultural and professional match.</p>	<p><b>Recommendation 6:</b> AGRA should <u>not</u> intervene in the constitution of the grant consortium, nor in the drafting of the proposal (hence accept or reject), apart from some post-award negotiations and fine-tuning. Alternatively, AGRA could intervene, but then it should not sign grant contracts but partnership contracts whereby AGRA has a specific role at the strategic level.</p>	<p><b>Partially Accepted.</b></p> <p>AGRA will not normally engage directly in the constitution of a grant consortium and will maintain a separation of roles on proposal drafting.</p> <p>However, where capacity is lacking, and once a lead partner has been identified, AGRA may offer technical assistance on strategic alignment, results framework, KPIs selection and target setting.</p> <p>When AGRA chooses to support specific private partners and participate from design to implementation (outside the grant process), a partnership agreement will be used.</p>

Problem Statement (MDF)	Recommendation (MDF)	AGRA management Response
		<p>Furthermore, when cooperating with governments, AGRA does not apply competitive processes.</p>
<p>While the field work did not reveal major constraints or incidents of a social or environmental nature, it was also not found that consortium partners were much and sufficiently sensitive and proactive in this respect. It is concluded that the current E&amp;S risk management is only a first step toward raising awareness. Having an ESMS policy is not enough to draw attention on a continuous basis – avoiding and mitigating E&amp;S risks has not yet been integrated by consortium partners and not been inculcated in their methodologies. Furthermore, AGRA does not at present have indicators or tools in its M&amp;E to monitor (over)indebtedness, incidences of child labour, and some of the other KfW concerns, and this is also not in the results matrix, nor was it covered in the outcome surveys. This is logical, however, as none of the afore mentioned are in the project’s ToC.</p>	<p><b>Recommendation 7:</b> AGRA is advised to give key E&amp;S risks a more prominent place in its ToC, at which point appropriate result indicators can be defined (e.g., ha of land under ecologically sustainable management). This would then be included in the methodology for outcome surveys as well as regular monitoring by AGRA.</p>	<p><b>ACCEPTED</b></p> <p><b>Action:</b> Besides institutionalizing ESMS at AGRA and training AGRA staff on E&amp;S, we are integrating Environmental and Social M&amp;E indicators in all upcoming projects. The current design of AGRA’s new TOC and Results Framework at business line level will take into account E&amp;S considerations.</p> <p>AGRA is aware that further work can be done to apply the spirit and letter of ESMS further in careful work with partners, where cultural aspects have been flagged.</p> <p><b>Action Owner:</b> Head M&amp;E + Resilience Officer. <b>Deadline:</b> December 2022.</p>
<p><b>Problem Statement (MDF)</b></p>	<p><b>Recommendation (MDF)</b></p>	<p><b>AGRA management Response</b></p>
<p>Women face many inequalities in agriculture in Ghana and Burkina Faso, most importantly poor access to land and cultural expectations of their</p>	<p><b>Recommendation 8:</b> AGRA projects to develop explicit and generous women and</p>	<p><b>ACCEPTED</b></p>

Problem Statement (MDF)	Recommendation (MDF)	AGRA management Response
<p>roles in society. Youths face unemployment, and may be tempted to migrate, attracted to illegal economic activities, or joining armed groups. None of the projects had major and convincing strategies to reach out to women and youths, in fact confirming women in their current roles. None were transformational.</p>	<p>youth inclusion strategies and assign ample budget for that.</p>	<p><b>Action:</b> We agree with the MTR that the involvement of women and youth in the projects was not always as desired, with a few exceptions in rice projects which supported some women groups in seed production, processing and parboiling and the women seed producers' potential transformative impact. We however acknowledge the indirect benefits drawn by women entrepreneurs who were not project participants.</p> <p>It is of particular note that women are game changers around seed production, and that more attention is needed to land.</p> <p>AGRA recognizes the need for intentional and robust gender integration and women and youth empowerment approaches in the projects, acknowledging the criticality of addressing the gender barriers such as unequal access to inputs and land, and the cultural norms and gender roles to achieve transformative impact.</p> <p>Recognizing that these changes must be planned and supported, AGRA recently revised its gender and inclusion strategy to be more intentional in reaching, benefiting, and empowering women and youth. The strategy and implementation plan has come in with the relevant gender</p>

Problem Statement (MDF)	Recommendation (MDF)	AGRA management Response
		<p>analysis tools, approaches that benefit and empower women and youth and indicators that go beyond participation to empowerment and gender transformation.</p> <p><b>Action Owner: Head of gender and inclusivity.</b> <b>Deadline: Immediate</b></p>
<p>The MTR noted that there is some confusion whether KfW co-finances the overall PIATA in Ghana and Burkina Faso, or whether specific projects are being funded. In all reports to KfW, AGRA has presented results on its overall operations to the target group, not just those financed from German funds.</p>	<p><b>Recommendation 9:</b> To ease AGRA's reporting load, and to reflect reality, it would be better if KfW-AGRA collaboration were structured as a joint co-financing of PIATA, not a parallel co-financing of parts of it. Therefore, no specific KfW-funded projects should be identified, just KfW's share in the total programme.</p>	<p><b>ACCEPTED</b></p> <p><b>Action:</b> In principle, this is desirable as KfW funds leverage other investments by PIATA partners. Separating reporting will reduce the desired efficiency of the projects.</p> <p>It is contingent on agreement from other PIATA partners and will be considered as part of the new PIATA MOU, currently under development.</p> <p><b>Action Owner:</b> Head Development Cooperation (DC). <b>Deadline:</b> April 2023</p>

Problem Statement (MDF)	Recommendation (MDF)	AGRA management Response
<p>The budgeting and by consequence financial reporting by grantees leaves to be improved, in particular a more analytical reporting showing a</p>	<p><b>Recommendation 10:</b> All (future) projects need to include an analytical budget for the <u>whole</u> project, clearly showing the cost per</p>	<p><b>ACCEPTED – WITH CLARIFICATION</b></p>

Problem Statement (MDF)	Recommendation (MDF)	AGRA management Response
<p>causal link between activities and costs. Furthermore, because of the way of budget presentation by partner, some consortium partners may have understood that a grant equals a gift, not a contribution for which pre-agreed work has to be done.</p>	<p>activity and output, based on transparent unit costing. Hence, no budget must be assigned to partners, but to activities and outputs (or deliverables) instead.</p>	<p>AGRA already takes this approach, through an Activity-Based-Costing budget model. The project activities are linked to individual partners and tracked by cost center. AGRA has shared copies of the Excel-based detailed budget with the Evaluator, MDF.</p>
	<p><b>Recommendation 11:</b> Budgets must be an active tool of management and monitoring. Narrative and financial reports must be integrated so that it is immediately visible to what extent activity progress and budget absorption match, and that the remaining budget will suffice to complete the project as planned. Hence, there must be one single report explaining the work done and what it has cost, and how this compares to the project proposal, notably its result measurement framework and budget.</p>	<p><b>ACCEPTED</b></p> <p><b>Action:</b> The narrative and financial reports are already integrated and are read together as one (1) quarterly performance report. Indeed, the approval of the reports is informed collectively by the review of the financial, technical, and M&amp;E performance. We shall explore the possibility of enhancing the report in AGRA’s AMIS-Automated AGRA Management Information System- to facilitate rapid analysis of quarterly performance of each grant.</p> <p><b>Action owner:</b> Head of Grant and Head of M&amp;E</p> <p><b>Deadline:</b> April 2023.</p>

#### 4. Actions for KfW Phase 2 in Burkina Faso and Nigeria

Key Areas	Actions	Responsibilities	Timeline
OCA	OCA (Organization Capacity Assessment) to be conducted for all partners and appropriate corrective measures to be followed up and effectively addressed.	Grant Unit and Head Extension & Capacity development	Dec 2022
ESMS	<ul style="list-style-type: none"> <li>- Integrate Environmental and Social M&amp;E indicators in all AGRA projects.</li> <li>- Include ESMS in the Theory of Change in Country Operational Plans.</li> <li>- Strengthen ESMS among grantees and farmers, develop indicators to track it, it should reflect in the reporting. Appoint one ESMS champion.</li> </ul>	ESMS Officer, Program Officers & Regional M&E officers	March 2023
Gender & Youth inclusion	Strengthen the involvement of women and youth and devise sustainable means to engage them.	Program Officers	June 2023
M&E, Results reporting,	-Generate activity reports that speak to KfW investments alone – especially in Nigeria	Program Officers & Regional M&E officers Finance	June 2023
Project monitoring	- Strengthen project monitoring by regular reporting on KfW investments.	Country Manger DC/ Program Officers & Regional M&E officers.	June 2023
Grantee coordination, Budget utilization	<ul style="list-style-type: none"> <li>• -AGRA to review the Joint Results Review Committees (JRRCs) reporting template to ensure an integrated format on capacity, performance and financial reports</li> </ul>	Country Managers, Program Officers & Grants Officer	June 2023