

STRENGTHENING THE HIDDEN MIDDLE: INSTITUTIONAL ACTION, EFFECTIVENESS, AND WHAT TO DO NEXT¹

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EXECUTIVE SUMMARY

The midstream—the “hidden middle” between farm and fork—determines whether agrifood systems deliver reliable, affordable, and safe food at scale. It encompasses the physical flow of goods (aggregation, storage, cold chains, processing, packaging, transport), the market functions that assign value (price formation, quality assurance, certification, wholesale), and the services that keep it all moving (finance, logistics management, ICT, regulatory compliance). When midstream works, it creates value, reduces losses, broadens choice, and anchors livelihoods in rural towns and secondary cities. When it fails, upstream productivity gains leak away and downstream food-security goals become harder to achieve.

This brief reviews how actively and effectively 14 major institutions, with publicly available detailed information, address midstream constraints. Using portfolios (9,571 agrifood projects), current strategy documents, and 3,501 knowledge outputs (publications), we build a composite picture of emphasis, spending, and operational depth.



INCATA: Linked Farms and Enterprises for Inclusive Agricultural Transformation in Africa and Asia
Project funded by the Gates Foundation and implemented by Rimisp, MSU, IFPRI-Asia and Tegemeo Institute

Project objective

The INCATA initiative examines the relationship between commercial small-scale producers (cSSPs) and micro, small, and medium enterprises (MSMEs) in the hidden middle of agrifood value chains to explain how it underpins and contributes to an inclusive agricultural transformation.

Work streams

The project works around two work streams, (i) LSMS-ISA data analyses for six African countries, and (ii) Horticulture and aquaculture value chain analyses in Kenya (led by Tegemeo Institute) and in Odisha, India (led by IFPRI), and aims to answer four research questions:

Research questions

1. What are the prevailing patterns of commercialization among small-scale producers (SSPs) and the key policy- and non-policy-related factors that shape their engagement with "hidden-middle" MSMEs?
2. Which cSSPs and MSMEs succeed in raising incomes, investing, adopting new technologies, and accessing larger or higher-value markets during the transformation process—and why do others lag?
3. To what extent does a greater commercialization of SSPs and the expansion of MSMEs translate into poverty reduction and advances in women's economic empowerment (WEE)?
4. **Which investments and policies have the most significant potential to accelerate the symbiotic co-development of cSSPs and MSMEs?**

¹Policy brief based on the INCATA working document: Espinoza, Trivelli & Fuica (2025) “Institutional Approaches to the Hidden Middle: An Assessment (2020-2024)” 1

Three patterns stand out. First, most institutions recognize midstream in rhetoric but still fund upstream and enablers first; across the sample, only a minority of projects and budgets target midstream directly. Second, the outliers matter: AfDB and the World Bank move large midstream budgets through infrastructure-led programs; Agriterra centers SMEs and cooperatives with hands-on strengthening. Third, interventions that consistently work marry capital with services and markets, and are territorially anchored—zones, corridors, or hubs that guarantee SME linkages, coldchain reliability, and traceability.

Based on the reviewed evidence from these 14 institutions, the agenda that follows is practical: combine structural investments (processing, storage, logistics) with SME/cooperative on-ramps (advisory, working capital, offtake), digitize to de-risk finance and open markets, and hard-wire inclusion and performance measurement. This “braided” approach is the shortest path to making the hidden middle visible—and investable.

METHODOLOGY

Our assessment covers 2020–2024 and integrates three sources: (i) institutional portfolios of 9,571 agrifood projects, tagged by value-chain segment and theme; (ii) each institution’s most recent strategy or framework to locate midstream in their stated priorities; and (iii) 3,501 publications screened for midstream relevance. To synthesize these layers we use a simple composite: share of projects with midstream components; proportion of agrifood budgets targeting midstream; operational depth (e.g., cold chains, processing, logistics, market services); strategic emphasis; and attention in knowledge outputs. A structured qualitative read adds SME orientation, the balance between enabling reforms and execution, and the outcomes claimed. Limitations: uneven documentation and scarce counterfactuals.

1. WHY THE HIDDEN MIDDLE MATTERS—AND HOW WE USE THE EVIDENCE

The midstream is the decisive connector between agricultural supply and final demand. It transforms raw output into market-ready products, sets and signals quality, and provides the information, finance, and compliance capabilities that make transactions possible across distance and time. In many countries it is also the principal source of non-farm rural employment. Yet it is frequently the system’s bottleneck: infrastructure and logistics are under-powered, value chains are fragmented, and SMEs struggle to access working capital, technology, and skilled labor. Policies and programs still tend to privilege farm productivity or consumer outcomes, leaving distinctive midstream constraints under-specified and under-funded. From a systems perspective, this neglect erodes upstream gains and blunts downstream food-security ambitions.

Methods are summarized in the box. Institutions selected reflect a range of mandates and operational models, from large multilateral banks to specialized NGOs (Figure 1).



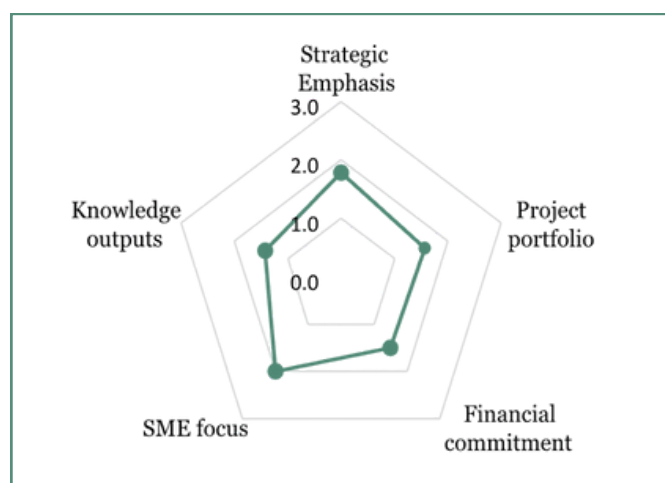
Figure 1. Assessed Institutions

Institution	Type
1. The World Bank (WB)	Multilateral Development Bank
2. Asian Development Bank (ADB)	Multilateral Development Bank
3. African Development Bank (AfDB)	Multilateral Development Bank
4. Banco de Desarrollo de América Latina y El Caribe (CAF)	Multilateral Development Bank
5. Inter-American Development Bank (IDB)	Multilateral Development Bank
6. Food and Agriculture Organization (FAO)	Agricultural R&D Institution
7. International Fund for Agricultural Development (IFAD)	Agricultural R&D Institution
8. Consortium of International Agricultural Research Centers (CGIAR)	Agricultural R&D Institution
9. United Nations Development Programme (UNDP)	UN Development Agency
10. United States Agency for International Development (USAID)	Bilateral Development Agency
11. Oxfam GB	International NGO
12. Practical Action	International NGO
13. Stichting Agritererra	International NGO
14. Gates Foundation	Philanthropic Foundation

2. WHAT WE FOUND: A CLEARER MAP OF WHO DOES WHAT

Figure 2 presents a comparative view of institutional performance across five indicators: strategic emphasis, project portfolio composition, financial commitment, SME focus, and knowledge outputs. Each indicator is scored on a scale from 0 (no evidence) to 3 (high evidence).³

Figure 2. Average scores across all institutions by indicator (0-3 scale)



Indicators: Strategic Emphasis – extent to which midstream is prioritized in strategy documents; Project portfolio – share of projects addressing midstream; Financial commitment – share of budget allocated to midstream projects; SME focus – degree of attention to SMEs in midstream activities; Knowledge outputs – volume and depth of publications on midstream.

² The final sample of 14 institutions was drawn from an initial long list of over 20 relevant organizations, selected to ensure diversity in mandate, geographic scope, and institutional type. The list was subsequently refined based on practical considerations—chiefly, the availability of sufficiently detailed and comparable project-level and publication-level data across entities. This allowed for consistent application of the study’s mixed-methods framework and ensured that cross-institutional comparisons would be meaningful.

Breaking down the composite scores reveals that leadership varies by indicator. In terms of strategic emphasis, AfDB and Agriterra are at the forefront, both placing the midstream as a central component of their institutional agendas. For project portfolio composition, Agriterra is the only organization where midstream-related projects make up the majority, reflecting a distinctive operational focus. In financial commitment, AfDB, Agriterra, and IFAD lead, showing a comparatively higher allocation of resources to midstream activities. Regarding SME focus, Agriterra, Practical Action, and USAID stand out for giving particular attention to the role of small and medium enterprises within the midstream. Finally, in knowledge outputs, AfDB, Agriterra, and UNDP perform best, having produced a relatively larger body of publications that address midstream issues. Together, these examples reveal a diversity of institutional strengths, suggesting opportunities for cross-learning and collaboration across agencies.

These results also point to different styles of engagement with the midstream:

- **Infrastructure-led integrators.** The African Development Bank allocates roughly half of agrifood budgets to midstream, leaning on Special Agro-Industrial Processing Zones and corridor investments that crowd in private capital. The World Bank deploys fewer midstream projects, but the ones it backs are budget-intensive—around a quarter of agrifood spending—bundling storage, logistics, processing, and policy/digital reforms. These programs change the “pipes” of the system, but their risk is inclusion: without explicit supplier-development and financing mechanisms, smaller actors can be left at the margins.
- **SME-centered builders.** Agriterra is distinctive: most of its agrifood projects and a large majority of budgets target midstream functions through cooperative and SME professionalization—governance upgrades, bankable business plans, advisory services, and buyer/finance linkages. Similar but smaller patterns appear in parts of IFAD and Practical Action, especially where inclusive value chains and community-scale processing are central.
- **Recognizers rather than prioritizers.** FAO, USAID, ADB, and UNDP reference midstream in strategies and do fund elements—cold chains, market infrastructure, standards, logistics services—but mainly as complements to upstream or enabling agendas. IDB and CGIAR touch midstream through digitalization, traceability, and applied research; CAF, Gates, and Oxfam show sporadic or thematic engagement rather than a consolidated operational push.

The implication is straightforward: where institutions treat midstream as the lever—either through structural corridors or SME-centric programs—resources and operational detail follow. Elsewhere, midstream remains an adjunct.



³ Indicators measure distinct dimensions of institutional engagement with the midstream segment of agrifood systems. Scores reflect relative evidence and do not imply a comprehensive assessment of institutional performance.

3. WHAT WORKS: THE INTERVENTIONS WITH THE STRONGEST OPERATIONAL LOGIC

Despite uneven evaluation quality, consistent design signals recur across portfolios and publications:

- **Territorially anchored hubs and corridors.** Processing zones, logistics clusters, and storage/cold hubs shorten distances, lower transaction costs, and concentrate services. They are most effective when access rules guarantee SME participation (capacity slots, fee schedules, shared services) and when public goods (power, roads, standards) are synchronized.
- **SME/cooperative professionalization—paired with capital and markets.** Governance coaching, cost accounting, quality control, and buyer development convert atomized producers into reliable suppliers. Without working capital and offtake arrangements, however, capability upgrades stall; the winning bundle is advisory + contract + finance.
- **Cold-chain and post-harvest reliability.** Modular cold rooms, packhouses, and last-mile logistics for perishables yield immediate loss reduction and quality gains—provided O&M and energy costs are anticipated, financed, and managed.
- **Digitalization and traceability as risk infrastructure.** Data trails cut transaction costs, unlock premium markets, and de-risk loans. Benefits concentrate unless onboarding is subsidized for SMEs and linked to clear commercial incentives.
- **Market-systems and regulatory fixes that align incentives.** From inclusive public procurement and sanitary/weights-and-measures reforms to collateral regimes and blended-finance instruments, rules decide whether midstream remains informal and high-friction or becomes investable at scale.

4. A BRAIDED AGENDA: WHERE THE NEXT DOLLARS—AND REFORMS—SHOULD GO

The most robust pathway combines structural investments with guaranteed SME on-ramps, underpinned by digital risk infrastructure and rules that reward reliability. Concretely:

- **Build hubs that include by design.** Finance processing/logistics hubs and corridors only with enforceable SME linkage packages: supplier-development services, bookable processing time, shared cold-chain and QA services, and results-linked working capital. Make inclusion a covenant, not an aspiration.
- **Make cold chains bankable.** Pair assets with multi-year O&M contracts, energy solutions, route optimization, and fee structures that reflect service reliability. Use blended finance to bridge the early-utilization curve; collect utilization and uptime data from day one.
- **De-risk finance with data.** Require basic digital traceability (intake logs, temperature monitoring, QA records) in hub operations; allow lenders to use these data to underwrite inventory and receivables. Where needed, subsidize SME onboarding and certification costs in exchange for performance data.
- **Tie upstream support to midstream use.** Producer programs should include commitments (or vouchers) to use storage, processing, or logistics services; this aligns incentives and ensures assets run at economic scale.
- **Make gender and youth structural.** Redesign roles in processing and trading niches—scheduling, asset access, fee policies, safety standards—so that women and young workers can capture high-value positions, not just more of the lowest-paid ones.

CONCLUSION

The midstream segment of agrifood systems is often perceived merely as a connector between production and consumption. In reality, it plays a critical systemic role: without an efficient, inclusive, and resilient midstream, the entire agrifood system falters, and the gains from upstream productivity or downstream interventions risk being lost. Moreover, the midstream is not just an intermediary— it is a major arena for development impact in its own right, encompassing vast flows of goods, services, and capital, and employing millions of people across rural and peri-urban areas. Strengthening this segment not only enhances the functioning of the entire system but also directly benefits a large share of the population engaged in these activities.

Development institutions will continue to fall short of system-wide results if the midstream remains an afterthought to upstream productivity gains and policy reforms. Evidence from 2020–2024 points to a practical synthesis: invest in territorially anchored processing and logistics infrastructure, ensure SMEs have access and targeted support as a condition of public funding, digitize transactions to reduce risk and expand market access, and track what truly matters—utilization, reliability, margins, and inclusion. Where this integrated approach is already in motion—whether through infrastructure-led strategies (AfDB, World Bank) or SME-centered models (Agriterra)—the path to scale lies in deepening linkages rather than prioritizing one side over the other.

Without a deliberate shift towards evidence-based midstream development, the “hidden middle” will remain underrepresented in policy focus, resource allocation, and transformation strategies. Yet the available evidence—limited though it may be—suggests that well-designed interventions here can yield substantial gains in efficiency, equity, and sustainability. Closing this gap is not merely about fixing a missing link; it is a strategic imperative that can unlock the potential of a segment that is both essential to the system’s functioning and a powerful driver of rural and peri-urban economic opportunity.

