

Document: EB 2012/105/R.45  
Agenda: 13(f)  
Date: 13 March 2012  
Distribution: Public  
Original: English

**E**



Enabling poor rural people  
to overcome poverty

## **Proposal for a trust fund for the Adaptation for Smallholder Agriculture Programme**

### **Note to Executive Board representatives**

#### Focal points:

#### Technical questions:

##### **Kevin Cleaver**

Associate Vice-President, Programmes  
Tel.: +39 06 5459 2419  
e-mail: [k.cleaver@ifad.org](mailto:k.cleaver@ifad.org)

##### **Rutzel Silvestre J. Martha**

General Counsel  
Tel.: +39 06 5459 2457  
e-mail: [r.martha@ifad.org](mailto:r.martha@ifad.org)

##### **Elwyn Grainger-Jones**

Director, Environment and Climate Division  
Tel.: +39 06 5459 2151  
e-mail: [e.grainger-jones@ifad.org](mailto:e.grainger-jones@ifad.org)

#### Dispatch of documentation:

##### **Kelly Feenan**

Head, Governing Bodies Office  
Tel.: +39 06 5459 2058  
e-mail: [gb\\_office@ifad.org](mailto:gb_office@ifad.org)

Executive Board — 105<sup>th</sup> Session  
Rome, 3-4 April 2012

---

**For: Approval**

## Contents

<b>Abbreviations and acronyms</b>	<b>2</b>
<b>Recommendation for approval</b>	<b>1</b>
<b>I. Summary</b>	<b>1</b>
<b>II. Proposed ASAP trust fund</b>	<b>1</b>
<b>III. Background</b>	<b>2</b>
<b>A. The challenge</b>	<b>2</b>
<b>B. Adaptation for Smallholder Agriculture Programme</b>	<b>3</b>
<b>Annex</b> Draft resolution	

## Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
ENRM	environment and natural resource management
GEF	Global Environment Facility
RCES	regional climate and environment specialist
RIDE	Report on IFAD's Development Effectiveness
RIMS	Results and Impact Management System

## Recommendation for approval

The Executive Board is invited to approve the resolution on the proposed trust fund for the Adaptation for Smallholder Agriculture Programme, as contained in the annex to this document.

## Proposal for a trust fund for the Adaptation for Smallholder Agriculture Programme

### I. Summary

1. Climate change is hitting smallholder farmers hard. It is changing the context for rural development, but currently available climate finance is not benefiting them nearly enough.
2. IFAD's new Adaptation for Smallholder Agriculture Programme (ASAP) is guided by a commitment to integrate climate change issues throughout IFAD's operations and programmes. This commitment has been driven by demands from the Fund's governing bodies. In concrete terms, the ASAP will be a new window through which IFAD may receive earmarked climate and environmental finance, which will use IFAD's systems and partnerships to support smallholder farmers in building their resilience to climate change. Implementation of the ASAP will make full use of existing IFAD systems, procedures and capacity.
3. A trust fund is now deemed advisable to manage contributions from interested donors and to make the ASAP operational. The proposed trust fund set out in the draft resolution (see annex) will receive, manage and disburse all contributions for the ASAP.

### II. Proposed ASAP trust fund

4. The thirty-fifth session of the IFAD Governing Council held in February 2012 considered the report on the Ninth Replenishment of IFAD's Resources (IFAD9), which included the following relevant key commitments on the ASAP for IFAD9:
 

"Assist smallholder producers in benefiting from climate finance and other adaptation and mitigation incentives, including through the IFAD-managed Adaptation for Smallholder Agriculture Programme.

Ensure that complementary contributions to support the implementation of the Adaptation for Smallholder Agriculture Programme are employed for that purpose."<sup>1</sup>
5. Further, in resolution 166/XXXV on the Ninth Replenishment of IFAD's Resources, approved by the Governing Council on 22 February 2012, it was decided that:
 

"... without prejudice to the authority to decide on the use of complementary contributions for other purposes, during the replenishment period, the Fund shall accept complementary contributions to support its Adaptation for Smallholder Agriculture Programme."<sup>2</sup>
6. IFAD Management considers that a trust fund is now desirable to implement this decision effectively. The proposed trust fund set out in the draft resolution will

<sup>1</sup> Report of the Consultation on the Ninth Replenishment of IFAD's Resources (GC 35/L.4), pp. v-vi.

<sup>2</sup> GC 35/Resolutions, section III(c)(iii).

receive, manage and disburse all contributions for the ASAP and thus make the programme operational. The ASAP trust fund will ensure that:

- Complementary contributions to support the implementation of the programme are employed for that purpose;
  - Other earmarked climate and environmental finance contributions from a number of donors can be efficiently received by IFAD in one clearly defined and transparent account under a common programme and with harmonized financial reporting;
  - Incremental administrative expenditures directly incurred by IFAD in administering the trust fund and the expenditures directly incurred by IFAD in preparing and appraising projects and programmes for presentation to the Executive Board and, subsequently, in administering them shall be paid to IFAD from the resources of the trust fund;
  - In addition to complementary contributions, Member States and non-Member States of IFAD can contribute directly to the trust fund;
  - Financial reporting is transparent;
  - A clear entry point is available for IFAD to receive both complementary and non-complementary ASAP funding;
  - ASAP funds are allocated in accordance with the ASAP Results Framework in order to maximize ASAP impact on IFAD's core portfolio of programmes.
7. The Executive Board has the authority to establish the proposed ASAP trust fund by virtue of Governing Council resolution 77/2, as amended by resolution 86/XVIII, which authorizes the Executive Board to exercise all the powers of the Governing Council, with the exception of the powers that cannot be delegated as determined by article 6, section 2(c) of the Agreement Establishing IFAD and certain other powers reserved in the said resolution. Moreover, Governing Council resolution 134/XXVII delegates authority to decide on the establishment of such a trust fund.
  8. Once the ASAP trust fund is established, IFAD will transfer any funds received for that purpose to the trust fund as soon as practicable.

### **III. Background**

#### **A. The challenge**

9. The climate challenge of the world's 500 million smallholder farms cannot be overlooked. Smallholders account for 60 per cent of global agriculture, manage vast areas of land and make up the largest share of the developing world's undernourished. As the most vulnerable and marginalized people in rural societies – many of them are women heads of household or indigenous peoples – smallholder farmers are especially exposed to climate change. They inhabit some of the most vulnerable and marginal landscapes, such as hillsides, deserts and floodplains. They often lack secure tenure and resource rights and rely directly on climate-affected natural resources for their livelihoods.
10. Responding to climate change requires major shifts in how rural development is practised. First, project and policy preparation needs to be based on deeper risk assessment and a better understanding of interconnections between people and the wider landscapes. Second, this can drive a major scaling up of "multiple-benefit" sustainable agricultural-intensification approaches – these can build climate resilience through managing competing land-use systems at the landscape level, while at the same time reducing poverty, enhancing biodiversity, increasing yields and reducing greenhouse gas emissions. Third, climate change is reshaping the architecture of public (and potentially private) international development finance,

requiring new efforts to enable agriculture, and smallholder farmers in particular, to become significant beneficiaries of climate finance.

## B. Adaptation for Smallholder Agriculture Programme<sup>3</sup>

11. The ASAP is tailored to have maximum impact on IFAD's new project commitments of approximately US\$1 billion per year by changing the incentive structure for investing in climate resilience. In concrete terms, the ASAP trust fund will be a new window through which IFAD may receive financing, which will then be deployed using IFAD's systems and partnerships to support smallholder farmers in building resilience to climate change. ASAP funds will be used to integrate and mainstream climate change across IFAD's programmes through financing the adaptation component of selected IFAD-supported projects to help them maximize their impact in building climate resilience, and then sharing lessons learned across the whole of the Fund's portfolio.
12. IFAD has extensive experience in building more-resilient rural livelihoods – but the capacity to do a lot more. The ASAP aims to enable IFAD to help 8 million people living in poor smallholder farming communities become more resilient to climate change; introduce climate-resilient land management to 1,000,000 hectares of poor smallholder farms; double the share of environment and natural resource management (ENRM) projects in IFAD's new lending; avoid or sequester 80 million tons of emissions; and increase human capacity on adaptation and weather-related disaster preparedness in 1,200 communities. These aims are summarized in the following table.<sup>4</sup>

### ASAP Results Framework – summary

Results hierarchy	10 key indicators	2020 target impact
<b>Goal:</b> Poor smallholder farmers are more resilient to climate change	1. Number of poor smallholder household members whose climate resilience has been increased because of the ASAP	8 million people
<b>Purpose:</b> Multiple-benefit adaptation approaches for poor smallholder farmers are scaled up	2. Percentage of new investments in ENRM in IFAD9 compared with IFAD8	Doubling share of ENRM investments in IFAD9 compared with IFAD8
	3. Leverage ratio of ASAP grants versus non-ASAP financing	1:4
	4. Percentage increase in number of on-farm plant species per smallholder farm supported	30 per cent increase
	5. Tons of emissions avoided and/or sequestered	80 million tons
	<b>Five ASAP outcomes</b>	
1. Improved land management and climate-resilient agricultural practices and technologies	6. Increase in hectares of land managed under best practices	1,000,000 hectares
2. Increased availability of water and efficiency of water use for smallholder agricultural production and processing	7. Percentage change in water-use efficiency	30 per cent average increase
3. Increased human capacity for adaptation and weather-related disaster risk reduction at the local level	8. Number of community groups involved in ENRM formed or strengthened	1,200 communities
4. Rural infrastructure made climate-resilient	9. \$ value of new or existing rural infrastructure made climate-resilient	US\$80 million
5. Knowledge on climate-smart smallholder agriculture documented and disseminated	10. Number of international and country dialogues to which IFAD or IFAD-supported partners make an active contribution	40 dialogues

13. The ASAP aims to ensure that IFAD remains a cutting-edge development organization. A commitment to integrate climate change issues throughout IFAD's operations and programmes – and to help smallholder farmers access dedicated

<sup>3</sup> A full ASAP concept note is available at [www.ifad.org/climate/asap/index.htm](http://www.ifad.org/climate/asap/index.htm).

<sup>4</sup> The ASAP Results Framework will be refined as knowledge on monitoring and evaluation of adaptation is developed through the ASAP and other programmes.

climate and environment finance – is driven by demand from both IFAD’s partner smallholder farming communities and its Governors and Executive Board Representatives:

- (a) The IFAD9 report highlighted the importance of climate change as an issue for smallholder farmers (paragraph 19), and called on IFAD to help smallholder producers benefit from climate finance and other adaptation and mitigation incentives, including through the ASAP.
  - (b) An outcome indicator for IFAD’s Environment and Natural Resource Management Policy (EB 2011/102/R.9) is “Untapped potential fully explored to leverage climate finance and fast-track funding commitments for ENRM for poor rural people”. Paragraph 55 of the policy states that “In addition to its core resources, IFAD will continue to leverage its traditional supplementary funding sources and seek new ones to bolster systematic integration of ENRM. ... IFAD faces a major opportunity to help poor rural people benefit from increasing international public and private finance earmarked for ... environmental objectives – in particular related to climate change. ... IFAD will continue to leverage resources from international funds, such as GEF [Global Environment Facility] and the Adaptation Fund. In addition, as requested by the Board of Directors during the Eighth Replenishment of IFAD’s Resources, while maintaining its focus on its mandate and comparative advantage, IFAD will seek to complement its core resources by being open to additional funding that would enable it to scale up its engagement in climate change issues and to meet the additional costs that climate-related challenges impose on investments in development.”
  - (c) One of the four main objectives of IFAD’s 2010 Climate Change Strategy (EB 2010/99/R.2) is that additional funding be secured to assist in the systematic integration of climate risks and opportunities in the overall IFAD portfolio.
  - (d) The IFAD8 report called for IFAD to “complement its core resources by being open to additional funding that would enable it to scale up its engagement in climate change issues...”<sup>5</sup>
  - (e) More generally, Governing Council resolutions on IFAD8<sup>6</sup> and IFAD9 encourage the Executive Board and the President to examine opportunities to supplement IFAD’s resources by using the Fund’s power to perform financial and technical services, including administration of resources and acting as trustee, that are consistent with the objective and functions of IFAD, and expressly provide that operations involved in the performance of such services shall not be paid from IFAD’s regular administrative resources.
14. Being an integral part of IFAD financing, the ASAP will make full use of existing IFAD systems, procedures and capacity, including approval by the Executive Board. The review process for ASAP-supported projects will use the Fund’s existing project review and approval systems. IFAD has most of the capacity it needs to implement this programme on a large scale. It set up a new Environment and Climate Division in 2010, creating regional climate and environment specialist staff positions for each regional division in 2011. The incremental administrative expenditures directly incurred by IFAD in administering the trust fund and the expenditures directly incurred by IFAD in preparing and appraising projects and programmes for presentation to the Executive Board and, subsequently, in administering them shall be paid to IFAD from the resources of the trust fund.
15. A range of quantitative criteria will be used to guide merit-based project selection, which will be done on a case-by-case basis to optimize the incentive impact of the

<sup>5</sup> Report of the Consultation on the Eighth Replenishment of IFAD’s Resources (GC 32/L.5), paragraph 69.

<sup>6</sup> GC32/Resolution-154-XXXII/Rev.1.

ASAP both within IFAD and among partner governments. Ex ante estimates of potential project contributions towards the 10 key indicators of the ASAP Results Framework (see table above) will be used to guide identification of potential cofinancing opportunities from the IFAD portfolio and pipeline.

16. An important element of the ASAP will be knowledge management, including through intensive monitoring and evaluation. This will involve: (i) more-intensive efforts to share emerging lessons on building climate-resilient smallholder agriculture at the project level and internationally; (ii) greater efforts to measure multiple-benefit adaptation impact, including through interim outcome surveys and some randomized control trials; and (iii) a five-year independent evaluation and review. Reporting on the ASAP will make full use of existing internal systems, such as the Results and Impact Management System (RIMS), the Report on IFAD's Development Effectiveness (RIDE) and annual portfolio reviews. The ASAP Results Framework will serve as an overall aggregation of the impact of the programme.

Draft resolution \_\_\_/\_\_\_

Establishment of a trust fund for the IFAD Adaptation for Smallholder Agriculture Programme

The Executive Board,

At its 105<sup>th</sup> session on 3-4 April 2012,

**Considering** section III(c)(iii) of Governing Council resolution 166/XXXV on the Ninth Replenishment of IFAD's Resources concerning the use of complementary contributions to support the Fund's Adaptation for Smallholder Agriculture Programme (ASAP), and

**Further considering** section X of the same resolution, which provides that "During the replenishment period, the Executive Board and the President are encouraged to take necessary measures to strengthen the Fund's catalytic role in raising the proportion of national and international funding directed at improving the well-being and self-reliance of rural poor people, and to supplement the resources of the Fund by using the Fund's power to perform financial and technical services, including the administration of resources and acting as trustee, that are consistent with the objective and functions of the Fund. Operations involved in the performance of such financial services shall not be on the account of the Fund,"

**Decides that:**

1. An IFAD ASAP trust fund ("Trust Fund") shall be established, constituted of the funds that shall from time to time be contributed in accordance with the provisions of this resolution, and any other assets and receipts of the Trust.
2. The Fund shall be the Administrator of the Trust Fund and in this capacity shall hold and administer in trust such funds, assets and receipts. Decisions and other actions taken by the Fund as Administrator shall be identified as taken in that capacity.
3. The operations and transactions of the Trust Fund shall be conducted through an operations sub-account and an administration sub-account. The resources of the Trust shall be held separately in each sub-account.
4. The unit of account of the Trust Fund shall be the special drawing right of the International Monetary Fund. The Trust may use as currency of payment any freely convertible currency.
5. The Trust Fund shall be authorized to receive, upon the approval of the President in his/her capacity as President of the Administrator, the following resources in the form of grants for the general purposes of the Trust Fund or for specific projects or programmes supported by the Trust Fund:
  - (a) Funds hereby transferred pursuant to section III(c)(iii) of Governing Council resolution 166/XXXV on the Ninth Replenishment of IFAD's Resources;
  - (b) Contributions made in a freely convertible currency directly by Member States of the Fund;
  - (c) Contributions made in a freely convertible currency by non-Member States of the Fund, other entities and private individuals; and
  - (d) Other resources.Except as otherwise decided in this resolution, all such resources shall be held in the Trust Fund.
6. The resources of the Trust Fund shall be used exclusively by the Administrator for the purpose of financing, in the form of grants, components of the IFAD-financed



- core portfolio of projects and programmes to increase the resilience of small farmers to climate change in the following five key ASAP outcome areas:
- (i) improved land management and climate-resilient agricultural practices and technologies; (ii) increased availability of water and efficiency of water use for smallholder agricultural production and processing; (iii) increased human capacity for adaptation and weather-related disaster risk reduction at local and national levels; (iv) rural infrastructure made climate-resilient; and (v) knowledge of climate-smart smallholder agriculture documented and disseminated.
7. Subject to the provisions of this resolution, in administering the Trust Fund, the Fund shall apply the same rules applicable to the operation of the resources of the Fund, in accordance with the Agreement Establishing IFAD.
  8. The Fund in its capacity as Administrator, acting through its President, is authorized:
    - (a) To make all arrangements, including establishment of accounts in the name of the Fund as trustee, with such depositories of the Fund as the trustee deems necessary; and
    - (b) To take all other administrative measures that the trustee deems necessary to implement the provisions of this resolution.
  9. In the light of the Agreement Establishing IFAD and the Lending Policies and Criteria of the Fund, ex ante estimates of potential project contributions towards the 10 key indicators from the ASAP Results Framework shall be taken into account when assessing potential ASAP contributions to Fund-financed projects and programmes: (i) number of poor smallholder household members whose climate resilience has been increased because of the ASAP; (ii) size of the overall resulting investment; (iii) project leverage ratio of ASAP versus non-ASAP financing; (iv) tons of emissions avoided and/or sequestered; (v) increase in number of on-farm plant species per smallholder farmer supported; (vi) increase in hectares of land managed under best practices; (vii) percentage change in water-use efficiency per ton/hectare in the project area; (viii) number of community groups involved in ENRM formed or strengthened; (ix) value of new or existing rural infrastructure made climate-resilient; and (x) number of international and country dialogues to which the project would make an active contribution.
  10. The privileges and immunities accorded to the Fund shall apply to the property, assets, archives, income, operations and transactions of the Trust. In this context, the Fund, through the President, may enter into such agreements and arrangements as may be required to ensure the said privileges and immunities and achievement of the purposes of the Trust Fund.
  11. The Fund shall maintain separate records and accounts to identify the resources of the Trust Fund, the commitments and the reimbursement of expenditures to be financed out of the Trust Fund, and the receipts and disbursements of funds in the Trust Fund.
  12. The President shall, as soon as practicable after the end of each financial year of the Fund, furnish to the Executive Board: (i) a report on projects and programmes financed from the Trust Fund; and (ii) as part of its annual financial statement, a financial statement for the Trust Fund.
  13. The incremental administrative expenditures directly incurred by the Fund in administering the Trust Fund and the expenditures directly incurred by the Fund in preparing and appraising projects and programmes for presentation to the Executive Board and, subsequently, in administering them shall be paid to the Fund from the resources of the Trust Fund. Resources for this purpose shall be held in the administration sub-account. They shall be used exclusively to cover the costs to IFAD of implementing the ASAP.

14. Upon liquidation of the Trust Fund, all amounts remaining shall be transferred to the Fund.
15. The Fund shall not be liable for acts or obligations of the Trust Fund, solely by reason of its capacity as Administrator.