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Investing in rural people

Proposal to accept supplementary funds from the Bill & Melinda Gates Foundation

Note to Executive Board representatives

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Executive Board – 114th Session
Rome, 22–23 April 2015

For: Approval

Recommendation for approval

The Executive Board is invited to authorize the President to negotiate and finalize a supplementary funds agreement with the Bill & Melinda Gates Foundation in support of the Goat Enterprise and Market Development Initiative in India, substantially as contained in paragraph 8.

Proposal to accept supplementary funds from the Bill & Melinda Gates Foundation

1. The Executive Board is invited to note that IFAD is seeking supplementary funds from the Bill & Melinda Gates Foundation, a non-profit philanthropic organization located in Seattle, Washington, United States of America. To this end, the President is seeking the Executive Board's approval to negotiate and finalize a supplementary funds agreement, substantially in accordance with the terms presented in the annex to this document.
2. Further to the statement of intent signed with the Bill & Melinda Gates Foundation and presented to the Executive Board for information at its 105th session, IFAD sought supplementary funds from the Gates Foundation in the amount of US\$463,716 to support a scoping project on small ruminant value chain development in India.
3. The project aims to identify bottlenecks and explore options for sustainable goat enterprise and market development in three states in India – Bihar, Odisha and Uttar Pradesh – and to facilitate preparation of investment plans.
4. The overall goal of this scoping project is to demonstrate that the goat subsector offers important opportunities for poverty reduction, with solutions that: (i) are feasible and will deliver tangible and sustainable benefits to the selected target groups; (ii) will contribute to improving the livelihoods of resource-poor people (women and men) in the identified areas of intervention; and (iii) are financially viable and will have a positive economic return, also on a large scale. Potential bottlenecks in policies will also be identified and discussed.
5. The specific objective is to build a solid understanding among goat industry stakeholders (private and public) of the profitability, competitiveness and importance of investing in the goat sector as a means to enhance livelihoods and business opportunities in rural areas. The main outcome would be development of an inclusive and participatory business model that would be characterized by sector investments according to a public-private-producer partnership approach (the '4Ps' business model).
6. The Executive Board is the competent organ to decide on acceptance to administer supplementary funds and on the related conditions and restrictions. However, the Board resolved to delegate a part of that authority to the President, that is, to receive and administer grants from any source for the financing of ongoing IFAD projects, and grants from Member States for the financing of studies and short-term technical assistance activities related to IFAD operations, on similar conditions as specified in EB 86/28/R.47 and EB 87/30/R.28 respectively. However, as the Gates Foundation is not a Member State of IFAD, nor is the proposed supplementary fund contribution in support of an ongoing IFAD project, the Executive Board is invited to authorize the President to negotiate and finalize a supplementary funds agreement with the Foundation.

7. The signed agreement would be submitted to the Board for information at a subsequent session.

Recommendation

8. The Executive Board is invited to authorize the President to negotiate and finalize a supplementary funds agreement with the Bill & Melinda Gates Foundation in support of a project for the Goat Enterprise and Market Development Initiative in India, substantially in accordance with the terms presented in the annex to this document.

Annotated project proposal

Goat Enterprise and Market Development Initiative in India

Scoping project

Background and rationale

Among the core objectives of the International Fund for Agriculture Development (IFAD) are the objectives to reduce poverty, improve the livelihoods of poor rural people, and assist small producers and farmers in maximizing agricultural production and productivity, while strengthening linkages with profitable markets. With these objectives in mind, IFAD has recognized the importance of investing in small livestock development as a tool for poverty alleviation. Goat-rearing, in particular, presents a high return in financial and non-financial terms owing to the low capital investment and the diversity of production (meat, milk, fibre, hides and manure).

The International Food Policy Research Institute (IFPRI) has estimated that the calorie supply from animal products will increase by 89 per cent from 2000 to 2025. Currently, goat production represents 12 per cent of the livestock market in India and is expected to grow at 5 per cent per annum due to rising incomes, urbanization and population growth. Poultry, goats and sheep are likely to play a major role in this growth, given the cultural and social restrictions on consumption of cattle and pork. Globally, India is the second-largest producer of goat meat (over 500,000 tons), second only to China, but due to trade restrictions and high local demand, 99 per cent is consumed internally. Although there is a significant demand for goat products, their production has remained flat, increasing at the rate of only 1 per cent since 2002, as compared with China with a growth rate of 4 per cent.

Goat-rearing is a common activity of families in almost all castes, including vulnerable groups, although over 90 per cent of goats are owned by resource-poor households belonging to scheduled tribes, scheduled castes and other vulnerable classes. More than 50 per cent of these farmers live below the poverty line. Women play a pivotal role in the decision-making process for both the sale and the care of goats. Income generated by this activity is key to reducing women's economic vulnerability and helping them cope with shocks and crises.

India has the lowest yield in the world: 10 kg per animal. Endemic diseases (foot and mouth, peste des petits ruminants (PPR) or goat plague, and goat pox) and a high incidence of endo-parasites, coupled with poor access to preventive and curative health care, result in a high mortality rate (35-45 per cent). The low productivity of goats is also due to a lack of awareness of superior quality breeds, inadequate feeding caused by complete dependence on free grazing, lack of preventive health care and poor connectivity to markets. Moreover, goat husbandry is considered a traditional practice, and in the absence of a suitable business approach, the industry is unable to significantly contribute to the income of small farmers. Thus adoption of good goat management practices, along with value chain development, can transform small goat keepers, including women, into microentrepreneurs and pave the way to development for weaker layers of society.

In this context, the Bill & Melinda Gates Foundation (BMGF), in collaboration with two of the Rome-based United Nations agencies – IFAD and the Food and Agriculture Organization of the United Nations (FAO) – plans to launch a global initiative to develop the small ruminant sector and raise its profile in the policy and investment development agenda of targeted countries (Burkina Faso, Ethiopia and selected states of India). IFAD

proposes to lead the process in India, while FAO will implement similar activities in Burkina Faso and Ethiopia.

Project area and target group

The main target group consists of resource-poor farmers and rural households raising goats (meat and dairy types), who will be supported in upgrading productivity, marketing or processing, and hence income, while applying adequate livestock management practices such as better feeding and health care. Special attention will be given to women (including vulnerable woman-headed households), youth, and members of scheduled tribes and castes. However, the proposed initiative will also involve medium-sized and large goat producers, input suppliers, traders, processors and exporters in the context of activities aiming to upgrade and enhance goat value chains.

In addition to the priorities set by the Government of India and the strategies/plans of the BMGF, the intervention area will focus on selected districts of Bihar, Odisha and Uttar Pradesh and will be based on social, demographic and economic criteria: goat population density; existence of emerging processing facilities; geographical location; access to financial services; entrepreneurial potential among the target groups to participate in and benefit from value-added production of goats and related products; and opportunities to support pro-poor value chains to enhance the nutritional status of target communities. The selected districts are located in the poorest states of India, with a high percentage of people living below the poverty line and belonging to scheduled tribes and castes. In these states, although poor people, particularly women, principally rear goats, this is rarely done optimally without external support – most often through NGOs. Thus, there is great potential to enhance goat development for sustainable and economically viable rural poverty reduction.

This scoping project will ensure that: key stakeholders and target groups are clearly identified; different expectations and concerns are addressed; gender-disaggregated data is provided on the socio-economic status of target groups; and equity issues are explicitly assessed with respect to other vulnerable groups (including the nature and incidence of poverty) – ensuring the relevance and feasibility of an eventual larger programme.

Goal and objectives

The proposed project will identify bottlenecks and explore options for sustainable goat enterprise and market development in Bihar, Odisha and Uttar Pradesh – and will facilitate preparation of investment plans.

The overall goal of the scoping intervention is to demonstrate that the goat subsector offers important opportunities for poverty reduction, with solutions that: (i) are feasible and will deliver tangible and sustainable benefits to the selected target groups; (ii) will contribute to improving the livelihoods of resource-poor people (women and men) in the identified areas of intervention; and (iii) are financially viable and will have a positive economic return, also on a large scale. Potential bottlenecks in policies will also be identified and discussed.

The specific objective is to build a solid understanding among goat industry stakeholders (private and public) of the profitability, competitiveness and importance of investing in the goat sector as a means to enhance livelihoods and business opportunities in rural areas. The main outcome would be development of an inclusive and participatory business model that would be characterized by sector investments according to a private-public-producer partnership approach (the "4Ps" business model).

Project components

The project's activities and outputs will be achieved through a three-step approach characterized by the following components:

- Component 1: Goat value chain analysis (diagnostic phase – three months)

- Component 2: Innovation platforms and policy analysis (analysis phase – three months)
- Component 3: Goat enterprise and market development planning (design phase – three months)

Component 1: Goat value chain analysis

The objective of this component is to undertake an in-depth assessment of the goat industry and related value chains in the intervention area in order to identify strengths, weaknesses, opportunities and threats for socio-economic investments and business development (from input supply, production, processing, marketing and consumption). In the same context, a socio-economic baseline assessment will be undertaken to gather existing data and collect data specific to the goat sector. These data will be instrumental for gender, targeting and social inclusion purposes, and for development of an effective monitoring and evaluation system under an eventual larger programme, ensuring that it will contribute to a long-term development outcome.

Component 2: Innovation platform and policy analysis

The objective of this component is to establish a process in which all relevant stakeholders engaged in the goat sector (private and public) in the targeted area will have the opportunity to participate in: (i) assessing and addressing constraints identified during the diagnostic phase; (ii) identifying priorities and building on opportunities for investment; (iii) developing a business and investment strategy; (iv) assessing national policy and legal frameworks; (v) identifying entry points for policy dialogue and engagement; and (vi) becoming conversant with the "4Ps" business model.

The project will replicate the successful approach of working through innovation platforms – developed by the IFAD/European Commission-funded grant for Small Ruminant Value Chains as Platforms for Reducing Poverty and Increasing Food Security in Dryland Areas of India and Mozambique (IMGoats) – which was implemented from January 2011 to June 2013. The activities were carried out in close coordination with the state or provincial livestock services and linked to an IFAD-funded project in India – the Mitigating Poverty in Western Rajasthan Project (MPower).

Component 3: Goat enterprise and market development planning

The objective of this component is to design a portfolio of innovative, scalable and sustainable goat enterprise and market development initiatives in India that operationalize the outputs of component 2. Some of the initiatives may become jointly funded programmes by BMGF and IFAD; others may be taken forward by BMGF, IFAD or other donors and investors independently. The business cases for the initiatives will delineate the following in detail: (i) objectives and strategy; (ii) activities, human and institutional resources and cost parameters; (iii) project management, coordination and financing arrangements; (iv) impact and benefits; (v) economic and financial viability (particularly from a scalability and sustainability perspective); and (vi) environmental, technical and social sustainability. The business cases for the various programmes will be shortlisted by public and private investors (including BMGF and IFAD), and validated and endorsed by innovation platform stakeholders during specific workshops.

Project management and implementation arrangements

The project will be implemented through a national consultant who will act as permanent project coordinator. S/he will be supported by an international consultant and selected partners at the country level, both international (e.g. the International Livestock Research Institute [ILRI]) and national institutions (e.g. the BAIF Development Research Foundation). A qualified agency will be contracted to undertake goat value chain analysis in the intervention area. BMGF/IFAD offices in New Delhi will provide logistical support to the national and international consultants. Supervision and monitoring of project activities will be undertaken by a joint BMGF/IFAD mission during the project period.

Timeline and budget

The project will be implemented over a nine-month period, with a supplementary funds request of approximately US\$463,716 to BMGF to support the project. The contribution shall be administered in accordance with IFAD's Financial and Administrative Regulations and Rules applicable to supplementary funds.