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Investing in rural people

Proposed amendments to the instrument establishing the trust fund for the IFAD Adaptation for Smallholder Agriculture Programme

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the amendments to the instrument establishing the trust fund for the IFAD Adaptation for Smallholder Agriculture Programme in the form presented in the annex, for application to the receipt, administration and use of all resources to be committed by donors to the trust fund as of the adoption of such amendments.

Proposed amendments to the instrument establishing the trust fund for the IFAD Adaptation for Smallholder Agriculture Programme

I. Summary

1. The Adaptation for Smallholder Agriculture Programme (ASAP) is IFAD's flagship programme for channelling earmarked climate and environmental finance to smallholder farmers and mainstreaming climate-resilience actions into IFAD investment projects. In its external review of the ASAP in 2015, the Overseas Development Institute (ODI 2015)¹ confirms it as the largest dedicated adaptation programme for smallholder farmers, and the gold standard for mainstreaming effective responses to climate change impacts in agriculture. To date, thanks to the joint efforts and generous support of 11 donors, the ASAP has received US\$366 million in contributions that will support 8 million vulnerable smallholders in 44 countries in coping with the impacts of climate change and in building more resilient livelihoods.
2. With the adoption of the amendments proposed in the annex – and the related financial commitments – the current ASAP mechanism will continue to promote climate-sensitive approaches and policies through technical assistance and additional investments in the form of grants as a top-up to IFAD's regular projects. Contributions to the ASAP received during its first phase and until the date of approval of the proposed amendments will continue to be governed by the provisions of the original instrument establishing the ASAP Trust Fund as approved by the Executive Board at its 105th session.²
3. Consistent with the Tenth Replenishment of IFAD's Resources (IFAD10) commitment towards full climate mainstreaming by 2018, and in response to recommendations made by the above-mentioned ODI review, IFAD will continue operation of the ASAP Trust Fund beyond its initial five-year lifetime. Integrating a number of adjustments based on knowledge and learning from the first phase of the programme, IFAD will amend the current instrument establishing the trust fund to govern the use of new contributions made to the second phase (ASAP2). The ASAP2 will mobilize supplementary funding from interested donors to be programmed as grants. These will continue financing technical assistance, innovation support, capacity-building, policy dialogue and advocacy, and regional or national public goods to create enabling environments for climate-sensitive investment operations.
4. Amendments to the Trust Fund are now deemed advisable to reflect these changes. The proposed amended trust fund instrument set out in the draft resolution in the annex will continue to receive, manage and disburse all contributions to the ASAP.

¹ www.ifad.org/documents/10180/a13a8847-b871-4e9e-b18e-aab84de48606.

² Document EB 2012/105/R.45.

II. Background

A. The challenge

5. Smallholder farmers are on the frontlines of climate change. They inhabit some of the most vulnerable and marginal landscapes, such as hillsides, rangelands, semi-arid and arid lands, deltas and floodplains, and rely on climate-sensitive natural resources to make a living. As a result, they are highly vulnerable to increasing day and night temperatures, erratic rainfall, pest infestations, sea level rise and extreme events such as floods, droughts, landslides, typhoons and heat waves. Smallholders often lack secure land tenure and resource rights, access to markets and finance, and are often overlooked in global and national policy debates on climate change issues. This is despite the fact that poor rural communities are facing the brunt of negative climate change impacts and are a key part of the solution.
6. Smallholder farmers are good clients for climate finance. Through the first phase of the ASAP, IFAD has demonstrated that investing in poor smallholder farmers makes strong business sense, especially if these farmers are informed and empowered to adopt climate-resilient farming systems and become active participants in markets. This enables climate-resilience benefits not only to reach individual households, but also to extend to value chains and ecosystems. Many farmers, with IFAD support, are now making the transition from subsistence farming to viable small enterprises, establishing low-carbon livelihoods in rehabilitated landscapes. IFAD's work on climate change adaptation under the first phase of the ASAP has demonstrated that climate finance channelled to smallholder farmers can empower them with access to knowledge, finance, social networks, technologies and the enabling policies needed to increase agricultural productivity while restoring and maintaining a resilient natural resource base and reducing agriculture's carbon footprint.

B. Adaptation for Smallholder Agriculture Programme

7. The ASAP is IFAD's flagship programme for channelling bilateral climate finance to smallholder farmers. It is currently the largest adaptation programme for these farmers globally and works within the broader IFAD mandate to enable poor rural people to improve their food security and nutrition, raise their incomes and strengthen their resilience.
8. The ASAP was launched in September 2012 with the goal of improving the climate resilience of 8 million farmers by 2020, by mainstreaming climate change in IFAD's existing work on rural development with poor smallholders.
9. It was established as a multi-donor trust fund that has mobilized US\$366 million in pledges and commitments from 11 donors (Belgium, Canada, Finland, Flanders, France, Norway, Netherlands, Republic of Korea, Sweden, Switzerland and the United Kingdom). The ASAP Trust Fund was approved by the Executive Board at its 105th session in April 2012.
10. The first phase of the ASAP spans a period of five years, from September 2012 to September 2017. To date, IFAD has established a number of internal processes and operational protocols to enable effective climate mainstreaming in its investment programmes. Donor contributions to the ASAP were deposited in the dedicated ASAP Trust Fund and programmed as grant cofinancing to support smallholder adaptation to climate change in vulnerable member countries. These ASAP grants enable the integration of better climate risk analysis, innovative risk management approaches and the scaling up of sustainable natural resource management approaches in IFAD investment programmes. They are integrated into IFAD's regular investment programme and approved by IFAD's Executive Board.
11. Since inception of the programme in September 2012, 36 ASAP-supported projects have been approved by the Board, committing US\$285 million from the ASAP Trust

Fund to concrete actions that help smallholder farmers adapt to the impacts of climate change. Of these, 17 ASAP-supported projects have begun disbursing ASAP grant financing. One ASAP-supported project (Yemen) had to be suspended due to the prevailing security situation on the ground.

12. The ASAP has received excellent international visibility and has developed into a successful climate change adaptation programme with high global recognition value. At its inception, it received financial support from four bilateral donors. Only three years later, the group of climate donors in IFAD has almost tripled, illustrating the high international recognition and visibility of the programme. In 2013, the ASAP received the "Momentum for Change" Lighthouse award for innovative financing of the United Nations Framework Convention on Climate Change (UNFCCC) – awarded by the United Nations Secretary-General at the UN Climate Change Conference in Warsaw. External reviews by the ODI 2015 and the United Kingdom's Department for International Development (DFID) in 2013, 2014, and 2015 have confirmed that the ASAP model is "fit for purpose" and ready to evolve in terms of its ambition, range of countries and financial instruments.
13. As part of IFAD's management response to the external review of ASAP by ODI, IFAD established an internal working group to provide options for ASAP's future. This working group concluded that due to its successful operational model, and its high internal and external visibility as the gold standard of climate mainstreaming in agricultural investment programmes, the ASAP Trust Fund should remain operational throughout the duration of the new IFAD Strategic Framework 2016-2025, with the ability to accept new contributions in the form of grants for the delivery of a new results framework from 2016 on.
14. In its second phase, the ASAP will provide financial incentives and technical support to facilitate and encourage IFAD's commitment – under the IFAD10 – to scale up these outcomes and achieve 100 per cent climate mainstreaming by 2018, with climate change explicitly factored into all country strategic opportunities programmes (COSOPs) and project design reports. The ASAP Trust Fund will operate in support of IFAD's climate mainstreaming agenda, which will be implemented largely through replenishment core contributions, reinforced by unrestricted complementary contributions for climate issues.
15. To this end, it is proposed to amend the current instrument establishing the ASAP trust fund to govern the use of new contributions for the ASAP2 multi-donor trust fund. ASAP2 funds will be programmed as grants to a broad range of governmental and non-governmental institutions to continue financing technical assistance, innovation support, capacity-building, policy dialogue and advocacy, and regional or national public goods to create enabling environments for climate-sensitive operations. These activities will continue to leverage investments from IFAD's programme of loans and grants, as well as cofinancing from government, the private sector, and bilateral and multilateral sources.
16. Based on experience gained under the first phase of the ASAP, Management aims to mobilize at least US\$100 million for the ASAP2 during IFAD10.

Proposed amendments³ to the instrument establishing the ASAP Trust Fund

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

The Executive Board,

At its 105th 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 Fund.
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 Fund shall be held separately in each sub-account.~~ The resources of the Trust Fund shall be held separately from IFAD's resources.
4. ~~The unit of account of the Trust Fund shall be the special drawing right of the International Monetary Fund.~~ The Trust Fund's reporting currency shall be the United States dollar. Grants should be denominated in a currency in accordance with IFAD's policies and procedures. The Trust Fund 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

³ For ease of reference, insertions to the original instrument are shown in bold and deletions in strikethrough. All other provisions will remain unchanged.

(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~~ technical assistance, innovation support, capacity-building, policy dialogue and advocacy, and regional or national public goods to create enabling environments for climate-sensitive operations. ~~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.~~ These activities shall be focused on the following thematic areas: (i) policy engagement – to engage agriculture institutions in IFAD Member States in the realization of international climate change commitments and national adaptation priorities; (ii) climate risk assessment – to facilitate a more systematic use of climate risk information for resilient investment planning; (iii) women’s empowerment – to increase the participation of women in, and their benefits from, climate-change adaptation activities; (iv) private-sector engagement – to strengthen participation of private-sector entities and farmer groups in concrete climate change adaptation and mitigation activities; (v) climate services – to enhance the use of climate information for resilient investment planning; (vi) natural resource management and governance – to improve participation and ownership of smallholder farmers in decision processes and technologies which relate to the governance and management of climate-sensitive natural resources; and (vii) knowledge management – to enhance the documentation and dissemination of knowledge on approaches to climate-resilient agriculture.
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 Administrator, with such depositories of the Fund as the Administrator deems necessary; and
 - (b) To take all other administrative measures that the Administrator 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~~ Policies and Criteria for IFAD Financing, ex ante estimates of potential project contributions towards the ~~40 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~~ (i) number of countries realizing national adaptation priorities with support by IFAD investment projects; (ii) number of investment projects informed by climate risk and vulnerability analysis; (iii) number of women enabled to access assets and resources for climate risk management; (iv) number of businesses (including farmer-based cooperatives) engaged in the promotion and adoption of adaptation technologies and approaches; (v) number of individuals receiving climate information services; (vi) number of individuals who participate in local land, water and fishing governance and decision-making; and (vii) number of IFAD investment projects and programmes developing and disseminating knowledge products and know-how on climate adaptation.
10. The privileges and immunities accorded to the Fund shall apply to the property, assets, archives, income, operations and transactions of the Trust Fund. 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.