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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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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 IFAD's efforts to advance inclusive and sustainable rural development.

1. The Executive Board is invited to note that IFAD is seeking supplementary funds from the Bill & Melinda Gates Foundation (BMGF) to co-fund activities under three strategic initiatives. To this end, the President seeks the Executive Board's approval to negotiate and finalize the supplementary funds agreement.
2. The proposed supplementary fund contribution of US\$2.5 million would have three distinct components that have been developed by IFAD programme and technical staff together with BMGF. The packaging of the components under one single supplementary fund contribution is designed for greater efficiency. The contribution will support activities under the following strategic initiatives at IFAD:
 - (i) Gender transformative partnership. A contribution of US\$500,000 for a planning grant over 12 months will support design of a mechanism that would accelerate gender transformative impacts in IFAD's programme of loans and grants (PoLG). The supplementary funds will be used to carry out studies and design options to develop a proposal for a potential larger, longer-term (5-year) mechanism in partnership with BMGF. The latter may fund a package of activities to help achieve greater gender transformation in IFAD's PoLG, as indicated under IFAD's gender marker system.
 - (ii) Specialized technical assistance in support of livestock development innovations for the IFAD-financed Lowlands Livelihood Resilience Project (LLRP) in Ethiopia. The contribution of US\$1.5 million over six years will provide complementary grant resources for LLRP to support research and extension groups, improved animal health practices, improved feed and forage production, human nutrition in pastoral and agro-pastoral systems, as well as piloting and scaling up lowlands incubators and livestock business hubs.
 - (iii) Staff exchange between BMGF and IFAD. A US\$500,000 contribution will support a two-year staff exchange designed to lead to a better understanding of each partners' respective operating models, and ultimately increase ways in which financing can be leveraged for greater impact at country level. BMGF seeks to host two technical experts from IFAD's Strategy and Knowledge Department and the Programme Management Department to learn from IFAD's expertise in these areas. In exchange, IFAD will be granted resources to hire a BMGF consultant for two years in support of its programme investments in PMD to leverage additional capacity and, importantly, embed an understanding of the way in which BMGF invests at country level.
3. BMGF is the largest private philanthropic foundation in the world. It was established in 2000 and is based in Seattle, United States. The primary aims of the Foundation are, globally, to enhance healthcare and reduce extreme poverty and to expand educational opportunities and access to information technology.
4. Through this supplementary funds agreement, IFAD would receive US\$2,500,000 from the BMGF to co-fund the design and development of the three strategic initiatives summarized above. Details about each initiative are provided in the appendix.
5. The agreement with BMGF has a proposed duration of six years (October 2019 – September 2025), with each component subject to time-bound deliverables.

6. The Executive Board is the competent organ to decide on acceptance to administer supplementary funds and on the related conditions and restrictions. 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 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 1986/28/R.47 and EB 1987/30/R.28 respectively. As the BMGF is not a Member State of IFAD, and the proposed supplementary funds contribution will not directly finance the implementation of IFAD's programme of loans and grants, the Executive Board is invited to authorize the President to negotiate and finalize this supplementary funds agreement.
7. A full cost-recovery principle (15 per cent plus interest retention) would apply, and indirect costs would be covered by these management fees.
8. The signed agreement would be submitted to the Board for information at a subsequent session.

Recommendation

9. The Executive Board is invited to authorize the President to negotiate and finalize the supplementary funds agreement with the Bill & Melinda Gates Foundation in support of IFAD's efforts to advance inclusive and sustainable rural development.

Strategic initiative 1: Planning Grant for a Gender Transformative Partnership

1. The outcome of the proposed planning grant is a validated 5-year investment plan for a partnership between the Bill and Melinda Gates Foundation, IFAD and IFAD Members States for gender transformative agricultural development. The proposed partnership will target select geographies, potentially including India, Ethiopia, Nigeria and Burkina Faso among the geographies during the scoping phase. IFAD may include 5-8 countries in this planning phase in order to identify the most promising opportunities going forward, with a focus on Sub-Saharan Africa and South Asia regions.
2. Within each select geography, IFAD will plan to landscape the IFAD programme of loans that could be leveraged for gender transformative results and how such results may help deliver on the governments' policies and programs for gender equality and women's empowerment. The activities of the planning grant will include how a partnership that combines IFAD loans and BMGF grants may help drive change at scale, and how IFAD's work through government would help build country ownership and capacity to bring about gender transformative results.
3. The planning phase activities will develop a set of proposed steps to incorporate gender transformative activities into specific IFAD loans, including timing, sequencing, partners, and costs. Further, the role that BMGF grant funds would play in the collaboration will be defined, and how use of IFAD's gender marker system will be used as a validate point.
4. The planning period will also review lessons learned from IFAD's partnership mechanisms and trust funds thus far, such as the Belgium Security Trust Fund and Smallholder Adaptation for Smallholder Agriculture Programme. A set of lessons learned drawn from these experiences shall help shape a gender transformative partnership.
5. The planning grant will also support development of a plan for the rigorous evaluation of the gender transformative approaches in the actual partnership, including the hypotheses to be tested, gender data gaps filled and a plan for quantitative and qualitative evaluation work. Overall, the planning grant will develop a path for how findings from the longer term collaboration will feed into IFAD's knowledge management and help influence the wider agricultural research development ecosystem more broadly.
6. The outcome from the planning grant will identify a clear business case for IFAD and BMGF to work together with IFAD Member States for gender transformative results. The planning phase will establish the key leverage points that the future partnership may deploy to incentivize systemic change toward women's empowerment in agriculture.

Strategic initiative 2: Specialized technical assistance in support of livestock development innovations for the IFAD-financed Lowlands Livelihood Resilience Project in Ethiopia

Background

7. Over the last 15 years, the World Bank and IFAD have invested US\$452 million in three phases of the Pastoral Community Development Project. Through a community-driven development approach, this foundational project strengthened the capacity of community institutions to devise inclusive community development plans and deliver basic social services at the kebele, woreda, and regional levels. Building on this partnership, the Government of Ethiopia, World Bank and IFAD are moving towards an integrated intervention and investments at scale to achieve drought-resilient, transformed, and sustainable Pastoral and Agro-pastoral (PAP) livelihoods, ecosystems, and institutions. The Lowlands Livelihood Resilience Project (LLRP) recognizes that an integrated, comprehensive approach is essential to address multiple livelihood challenges in a complex, fragile, and conflict-prone environment. The project relies on two studies for a better understanding of past and future dynamics in the Ethiopian lowlands. These studies (one conducted by the World Bank with IFAD and the other by the World Bank and the Department of the UK for International Development) identify four major binding constraints to livelihoods in the lowlands: (i) low productivity and limited market links; (ii) high vulnerability of prevailing livelihoods; (iii) limited capacity to benefit from opportunities to diversify livelihoods; and (iv) limited delivery of social and economic services.
 8. LLRP aims to enhance the resilience of communities in the PAP lowlands of Ethiopia to shocks (drought, conflict) and prevailing trends (land use pressure, natural resource degradation, climate change) through investments in their livelihoods and community-led provision of social services. The project will help to: (i) increase the land area under sustainable landscape management practices; (ii) increase the yield of selected crop and livestock commodities; (iii) improve access to economic and social services; and (iv) provide farmers with agricultural assets or services. The project is expected to reach about 2.5 million people as primary beneficiaries of the interventions, half of whom women. The geographical coverage includes PAP areas in six regions of Ethiopia: Afar Regional State, Benishangul-Gumuz Region, Gambella Region, Oromia Region, Southern Nations, Nationalities, and Peoples' Region, and Somali Regional State. Within these six regions, the project will intervene in approximately 100 woredas, adopting a woreda-clustering approach to spatially cover the rangelands. The project is envisaged as a flagship project of the Government of Ethiopia, and is aligned with its Livestock Master Plan and the Growth and Transformation Plan (GTP-II). The total cost of US\$451 million encompasses US\$350 million in the form of an International Development Association grant/credit, US\$90 million in the form of an IFAD grant/loan, and a US\$11 million contribution from beneficiary communities.
- Filling the Gap: A Need for Dedicated Technical Assistance
9. In order to enhance the resilience of PAP communities, LLRP will combine three complementary layers of investment under three project components. Component 1 will focus on improving the natural resource endowment and on financing Strategic Investments (SIs) in economic infrastructure. Component 2 will improve public service delivery, improve skill base, and support market access (to optimize the use of investments made in component 1 and diversification (to reduce pressure on natural resources). Component 3 will build capacity in the institutional environment and support the delivery of basic social services to ensure the long-term sustainability of PAP livelihoods.
 10. The support for livelihood improvement and diversification will focus on improving the productivity of PAP production systems (cattle, camels, small ruminants, and poultry, as well as crops including maize, sorghum, and vegetables), strengthen

market linkages and commercialization, and improve access to financial services. Regarding livestock development, the project will support the extension system to promote a number of technologies and pursue different types of training and demonstration activities, including: technologies that improve animal productivity; crop productivity technologies such as improved feed and forage technologies; community-based breed improvement for cattle, camels, and small ruminants; on-farm/pasture land demonstrations of good pastoral practices; and on-farm demonstrations of improved crop husbandry practices for dryland agriculture, irrigation, and water conservation schemes. LLRP will also strengthen the availability of animal health services in the selected communities, as well as outreach by the animal health system. The support provided to the extension system will help to promote gender equality by ensuring equal participation of women and men in extension activities and to improve production and the productivity of their activities.

11. The project design is built on key assumptions, such as the availability of specialized service providers and local level project implementing structures. However, the project is implementing new approaches in a fragile environment, with weak capacity in the public sector to deliver extension services and facilitate market and private sector linkages for PAP communities. The latter is of critical importance given that the project is focused on private sector engagement for proving more sustainable and longer-term solutions for delivery of goods and services.
12. In line with IFAD's and World Bank's business model of supporting local-led development, LLRP implementation will rely largely on public employees. Public staff however have had little to no exposure to managing value chains, business relationships, or risks inherent to livestock production and marketing. The advice PAP communities receive from public extension agents is typically not tailored to their specific opportunities and needs, planning support nor brokering with local financial institutions. In addition, there is scope to link implementation with innovative technical research related to livestock, forage and crop production. For example, international research centres such as ILRI, to develop viable technologies with good prospects for scaling up through concrete linkages with programme implementation and the extension system.
13. The project's financial resources are subject to national procurement procedures for use of public funds, and therefore does not allow for the procurement of the highly competitive, international technical assistance (TA) required. Therefore, there is a vital opportunity for the BMGF to partner with IFAD to help unlock the full potential of the LLRP investment through a grant to secure international competitive TA. Such TA will help ensure uptake in production and supply chains, enhanced livestock services through capacity building support and investing in research systems to upscale innovative technologies and to navigate the local business environment.
14. In this context, a proposed BMGF grant of approximately US\$1,500,000 earmarked for advanced TA would enable IFAD to support capacity building, including for: Pastoral and Agro-pastoral Field Schools (P/APFS) with research linkages, support to PAP Research and Extension Groups, improved animal health practices, improved feed and forage production, human nutrition in P&AP systems, as well as piloting and scaling up lowlands incubators and livestock business hubs. The collaboration between IFAD and BMGF would leverage the World Bank, IFAD, Government Of Ethiopia investment of US\$451 million to catalyze private investment, providing flexible TA to engender thousands of PAP communities with the skills and services to build thriving and sustainable livelihoods.

Projected activities and outcomes

15. The proposed BMGF grant would enhance IFAD investment through specialized TA, to increase impact on beneficiaries/clients' productivity, income, women's empowerment and nutrition. TA will be provided for a selected number of PAP producer groups and extension service providers, focusing on (i) livestock productivity and sustainability- including improved feed and forage production and breeding/herd management; (ii) animal health; and (iii) access to profitable markets. TA will be delivered in close association with local development agents, as well as staff of the regional and federal programme implementing units, to strengthen capacity within the public sector to deliver improved services long term.
16. IFAD aims to contract service providers to deliver the TA based on needs identified during programme start-up and through periodic joint supervision and implementation support missions. TA will be selected together with the National and Regional coordination units. LLRP will support knowledge transfer through exchange visits between woredas and regions, including among PAP communities and public agents of the programme and woreda/regional administrations, to ensure the advanced TA is extended throughout the programme.
17. The TA will focus on livestock development, including:
 - Assess technical and financial viability of selected livestock value chains through data collection and analysis;
 - Evaluate current production and marketing systems and identify opportunities for developing and/or enhancing businesses;
 - Train and coach development agents and project staff on managing production, accessing markets and services, and financial literacy, and provide financial analysis tools;
 - Facilitate the development of partnerships and market linkages between private companies and groups of producers;
 - Facilitate research linkages to introduce innovative technologies;
 - Piloting and scaling up lowlands incubators and livestock business hubs with potential for job creation and alternative livelihood for women and youth;
 - Piloting of innovative market arrangements such as livestock auctions;
 - Development of product standards, traceability, and certification systems;
 - Promote the use of mobile phones to aggregate demand and conduct other commercial transactions;
 - Support, establish, and/or strengthen networks of animal health services and/or public-private partnership arrangements to make animal drugs, vaccines, and treatments available; and train and equip Community Animal Health Workers;
 - Providing expertise on gender analysis and implementation of the household methodology;
 - Ensure learning by documenting progress, outcomes, challenges and lessons and assist project staff and agents to capture appropriate data and perform analysis at household and community level;
 - Support continuous knowledge exchange with all stakeholders involved in LLRP.
18. Impact of the international TA supported by BMGF would be measured by defined outputs and outcomes for the target groups, including PAPs' communities ability to:
 - Receive and apply relevant technical supervision and production support;
 - Develop and implement realistic and commercially viable business plans;
 - Access and repay credit;

- Access and apply appropriate inputs and services to enhance productivity;
 - Increase productivity and income.
19. Further, building local capacity will be key to ensuring sustainability of the programme; measurable outcomes will include:
- Local development agents' ability to engage in participatory planning and apply tools for financial viability analyses;
 - Application of the household methodology for gender transformation;
 - Regional project staff ability to transfer advanced livestock value chain development knowledge.

Timeframe

20. The implementation period is envisaged for the entire duration of the programme, i.e. 1 October 2019 to 31 December 2025. While most of the TA will be provided during the first three years of implementation, some resources may be retained beyond mid-term to address opportunities and challenges arising during implementation.

Strategic initiative 3: Proposal for a Staff Exchange between the Bill and Melinda Gates Foundation and IFAD

21. The BMGF and IFAD have, over the past seven years since signing a letter of intention, built a partnership based on a mutual interest in enhancing the productivity and well-being of smallholder farmers in developing countries, and achieving SDG 2 on zero hunger and its associated sub-goals. The partnership draws upon BMGF's crucial role in mobilizing interest and resources for promising solutions to intractable problems in smallholder agriculture, and IFAD's large and long-standing partnerships with governments, farmers organizations and other actors to support sustainable, inclusive rural transformation through focusing on increased productivity, market access and resilience for smallholder farmers.
22. Despite clear complementarities and mutual interest, however, operationalizing the partnership by drawing on each institution's unique operating models has found challenges. The perception of teams on both sides is that this is in part because there is a lack of in-depth understanding of how each of the two institutions does business. As an example, after years of discussion, the two institutions realized that their definition of pipelines of projects was very different.
23. The proposal here is envisaged as a win-win which would first and foremost, leverage the unique knowledge and approach that each partner organization brings, by embedding a professional within key operating divisions of the other. This exchange would allow for a genuine contribution of the distinct vantage points and experiences to the other partner to ultimately help both organizations better deliver on their mandates. For example, a professional from BMGF will bring the Foundation's experience in market approaches and private sector development, and gain by learning from IFAD's farmer-first approach, and lessons from a 40-year history of government as implementing partners for systems change and sustainability.
24. The proposal is to invite a BMGF staff member or consultant highly familiar with the BMGF project investment process to join the operational department within IFAD (the Programme Management Department) as a secondee for a fixed period, where she/he will contribute to cycle planning and programme design, while coming to better understand IFAD's operating model, strengths and project approach as a core part of the operations team. In turn, IFAD would second a staff member to BMGF who would contribute expertise based on IFAD's direct delivery of impact to smallholder farmers and rural communities, while also identifying where we may move forward concrete partnership opportunities on the ground in topics and countries of core interest to the Foundation.
25. Specifically, IFAD proposes that BMGF sends a staff member for 1 to 2 years to work at IFAD headquarters to support either:
 - (i) the Front Office team of the Programme Management Department, which has oversight of the total portfolio of IFAD lending (\$8bn dollars) for the five regional divisions, plays a coordinating role in policy engagement, and sets policies and strategies for IFAD as it relates to programme delivery;
 - (ii) Operational Policy and Results Division, which steers the implementation of the main procedural, policy and system changes to improve operational efficiency and programme impact including compliance functions; or
 - (iii) The headquarters teams of either the East and Southern Africa or West and Central Africa divisions, where teams of economists and portfolio analysts are located, which have overall oversight and responsibility for delivery of country strategic opportunities programme and project planning cycles in the countries under their respective regions.

26. In both roles, the BMGF staff member would play a crucial role in identifying new and innovative ways to work together in our lending portfolio in Africa, could help shape global / regional grants to enhance their impact and develop joint analysis for new country strategies of interest to both organizations.
27. In turn, two IFAD staff members would each spend 6-9 months working with BMGF in its Seattle headquarters, to share technical expertise with regard to monitoring and evaluation and impact evaluation, and to bring the perspective of an IFI to discussions around the achievement of SDG2 and climate resilience, two priority areas in which BMGF is strongly engaged.
28. The intention is to utilize the exchange to strengthen the partnership between the two institutions by developing better understanding of business models leading to concrete joint programming, and thus both partners agreed that the exchanged staff time will be well spent on important and strategic initiatives.
29. It is imagined that the appropriate level of staff for the exchange would be a mid-level professional with good operational and HQ experience.