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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED

TECHNICAL ASSISTANCE GRANT

FOR

AGRICULTURAL RESEARCH AND TRAINING

BY A

NON-CGIAR-SUPPORTED INTERNATIONAL CENTRE



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ABBREVIATIONS AND ACRONYMS

NGO	Non-Governmental Organization
NPs	Natural Products
R&D	Research and Development
SAFIRE	Southern Alliance for Indigenous Resources
SANProTA	Southern African Natural Products Trade Association
TA	Technical Assistance



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED TECHNICAL ASSISTANCE GRANT
FOR AGRICULTURAL RESEARCH AND TRAINING BY A
NON-CGIAR-SUPPORTED INTERNATIONAL CENTRE**

I submit the following Report and Recommendation on a proposed technical assistance (TA) grant for agricultural research and training to a non-CGIAR-supported international centre in the amount of USD 1 000 000.

PART I - INTRODUCTION

1. The present report recommends the provision of IFAD support to the research and training programme of a non-CGIAR-supported international centre: Southern Alliance for Indigenous Resources (SAFIRE).
2. The document on the TA grants for approval by the Executive Board is contained in the annex to this report:

Southern Alliance for Indigenous Resources (SAFIRE): Programme to Promote the Sustainable Use of and Trade in Natural Products Through the Southern African Natural Products Trade Association (SANProTA).

3. The objectives and content of this applied research programme are in line with the evolving strategic objective of IFAD and with the policy and criteria of its TA grant programme for agricultural research and training.
4. The strategic objective of IFAD's support for technology development relates to: (i) IFAD's target groups and their household food-security strategies, specifically in remote and marginalized agro-ecological areas; (ii) technologies that build on traditional knowledge systems, are gender-responsive, and enhance and diversify the productive potential of resource-poor farming systems by improving productivity and addressing production bottlenecks; (iii) access to productive assets (land and water, financial services, labour and technology, including indigenous technology) and sustainable and productive management of such resources; (iv) a policy framework that provides the rural poor with an incentive to reach higher levels of productivity, thereby reducing their dependence on transfers; and (v) an institutional framework within which formal and informal, public and private-sector, local and national institutions provide services to the economically vulnerable, according to their comparative advantage. Within this framework, IFAD also intends to develop commodity-based approaches to rural poverty alleviation, specifically targeting those items that are produced and consumed by the rural poor. Finally, the establishment of a consolidated network for knowledge gathering and dissemination will enhance the Fund's capacity to establish long-term strategic linkages with its development partners and to multiply the effect of its agricultural research and training programme.
5. The TA grant proposed in this document responds to the foregoing strategic objectives inasmuch as (i) SANProTA has been established as a means of addressing the plight of marginal farmers in dry areas and the imperative to build up multi-source rural livelihoods to reduce vulnerability to rain failure. With its focus on identifying and ensuring the effective exploitation of



international markets for natural products, SANProTA will assist the most resource-poor households, who are the most dependent on the harvesting of such products, to increase their incomes; (ii) it will promote the sustainable and productive management of natural resources. In this connection, SANProTA will collaborate with community groups that are able to build up and maintain a business enterprise and have a strong interest in conserving the resource base upon which their trade depends. In many cases, these groups will be assisted by non-governmental organizations (NGOs) to establish or strengthen sustainable management regimes; and (iii) SANProTA is intended to be a permanent and effective regional institution, both owned and managed by its membership, with the capacity to invest directly for the benefit of rural producers. Its location within the private sector distinguishes it from other NGO/donor-supported initiatives of an earlier era. This departure from familiar modes of engagement for development interventions provides IFAD with an opportunity to support an important and timely experiment.

PART II - RECOMMENDATION

6. I recommend that the Executive Board approve the proposed TA grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Programme to Promote the Sustainable Use of and Trade in Natural Products Through the Southern African Natural Products Trade Association (SANProTA) shall make a grant not exceeding one million United States dollars (USD 1 000 000) to the Southern Alliance for Indigenous Resources (SAFIRE) upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President



**SOUTHERN ALLIANCE FOR INDIGENOUS RESOURCES (SAFIRE):
PROGRAMME TO PROMOTE THE SUSTAINABLE USE OF AND TRADE IN
NATURAL PRODUCTS THROUGH THE SOUTHERN AFRICAN NATURAL
PRODUCTS TRADE ASSOCIATION (SANPROTA)**

I. BACKGROUND

1. For the majority of families living in the marginal rural areas of southern Africa, the main sources of income are rainfed arable and livestock production. However, in areas of low and erratic rainfall, the natural resource base has a limited capacity, and rapid population growth, coupled with adverse climate changes, has overloaded the ability of the agricultural sector to sustain rural livelihoods. The effect of Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome on the labour force has added to the difficulties facing families. The consequences are serious, as an increasing number of rural families are unable to generate sufficient income to ensure a decent standard of living; and the destruction of fragile ecosystems has led to accelerating environmental degradation. An urgent search is under way for sources of income to supplement the inadequate earnings from farming. In this search, natural products (NPs - defined here solely as the tangible products and derivatives of flora) derived from communal resources offer one of the few realistic opportunities for poor remote rural households. At the local level, many NGOs in the region have, with donor support, recognized and investigated the potential of NPs in order to promote both income generation for rural communities and non-destructive use of the environment.

2. In 2000, a broad range of NGOs in southern Africa, led by SAFIRE, collaborated in a concentrated effort to develop trade in NPs that would be accessible to impoverished communities across the region, initially Botswana, Malawi, Namibia, Zambia and Zimbabwe. Through the consultative process, which was supported by IFAD through an NGO Extended Cooperation Programme grant, it was recognized both that world demand for NPs is large and growing and that there are considerable sunk investments in the sector, which could be leveraged. It was concluded that what is needed is a dedicated institution in the private sector both to promote NP development and trade and to press for necessary action at the macro level. In creating SANProTA, the stakeholders committed themselves to supporting community-based trade in NPs. An interim steering group was entrusted with launching the new entity by August 2001.

II. RATIONALE / RELEVANCE TO IFAD

3. The establishment of an effective regional trade association focused on NPs harvested by poor communities will contribute to poverty reduction in dry areas of southern Africa.

4. SANProTA will function as a conventional trade association with a substantial set of further responsibilities as a development institution. It will be a regional not-profit-making service provider, applying a businesslike approach to the generation of supplementary incomes for poor rural communities, through increased efficiency in NP development and marketing within the region and beyond. Emphasis will be placed on the application of high-quality technical and professional skills to open up trade in a succession of products, based on the natural, financial and other resources accessible to communities. At the same time, SANProTA may serve as an instrument in promoting linkages with policy makers, commercial operators, research institutions and other important actors, while providing an operational focus for development interventions on behalf of the subsector.

5. The creation of SANProTA is directly in line with IFAD's intervention history in the region, which has focused consistently on the plight of marginal farmers in dry areas and increasingly on the



imperative to build up multi-source rural livelihoods to reduce vulnerability to rain failure. At the same time, and in line with IFAD's overall strategy in the southern Africa region, the initiative is a bold attempt to bridge the gap between marginal communities with deteriorating prospects and the emergence of the private sector as the engine of development, by assisting those communities to establish commercial linkages with private-sector markets.

6. The location of the institution within the private sector distinguishes SANProTA from both the commonality of NGOs and donor-supported projects of an earlier era. This departure from familiar modes of engagement for development interventions provides IFAD with an opportunity to support an important and timely experiment.

III. THE PROPOSED PROGRAMME

7. The overall objective of SANProTA is to enable poor rural communities in the region to generate supplementary incomes through the sustainable exploitation of, and trade in, NPs. To that end, SANProTA will pursue three main institutional purposes: (i) provide a platform for regional professional exchanges in NP trade development; (ii) research and develop existing and new NPs; and (iii) create and engage in markets for NPs from rural communities, leading to a sustained increase in community-based domestic and export NP trade.

8. These aims will be achieved through three focused and interrelated areas of activity. Under **networking**, SANPROTA will:

- conduct topic-based and action-oriented fact-finding visits and meetings for members;
- handle and exchange technical and commercial information;
- conduct policy analysis and effective advocacy work on NP development and fair trade practices;
- establish and maintain formal and informal linkages with development partners, including IFAD-financed projects in the region; and
- convene the business meetings of SANProTA.

9. Under **natural product research and development**, SANProTA will:

- establish and periodically update its research and development (R&D) policy for NPs;
- establish and maintain an R&D database;
- expedite the rationalization of the NP/R&D activities of individual members; and
- sponsor and commission selected NP/R&D, and disseminate the results.

10. Under **natural product marketing**, SANProTA will:

- develop and maintain an NP market information system;
- identify and develop existing and new market opportunities for regional NPs;
- develop selected NPs on a commercial basis;
- provide members with advice on NP market-related issues; and
- operate agency services in strategic markets.

11. Since the resources available to SANProTA are limited, ensuring that they are deployed in the most cost-effective manner possible will require that the products it supports be prioritized according to clear and focused criteria. This will be one of its first tasks. At the broadest level, a limited number



of products will be selected, based on product availability, markets, technology and their benefit to poor people. This will build on the *Market Analysis and Development Planning Tools* developed by the Food and Agriculture Organization of the United Nations (FAO). SAFIRE staff linked to SANProTA have been trained in this methodology by FAO, and SANProTA members are already involved in an initiative with the Biotrade Programme of the United Nations Conference on Trade and Development in order to develop standardized criteria for product selection based on the market analysis and development process.

IV. EXPECTED OUTPUTS / EXPECTED BENEFITS

12. The primary beneficiaries of SANProTA will be the community-based NP producers and traders belonging to groups that are members of the association, i.e. an increasing proportion of the marginalized and impoverished communities in the dry areas of the five countries designated. It is estimated that about 225 000 individual operators may become involved. Benefits will also accrue to NGOs and others supporting the initiative and to non-poor operators in the NP market.

13. The main benefits generated by SANProTA will take the form of cash returns to poor communities engaged in NP trade. A realistic estimate of the potential sustainable income to producers in the region is USD 11.0 million a year, whereas for annual exports of processed NP from the region the figure is estimated at USD 30.0 million.

14. The environmental impact of generating sustainable NP trade will be positive. SANProTA will engage with groups able to build up and maintain a business enterprise. Such producers will have a strong interest in conserving the natural resource base upon which their trade depends.

V. IMPLEMENTATION ARRANGEMENTS

15. SANProTA will be a membership organization operating under a legal constitution. Over and above the founding group of NGOs, members will come increasingly from producer organizations and sectoral stakeholders, and from other countries in the region. It will be run by a board of directors made up of six elected representatives of members. The main operating mechanisms will be:

- the functioning of a permanent executive office to carry out service activities directly and manage contracts to deliver other services;
- funding for action-oriented and topic-based meetings and visits to promote exchanges of NP information;
- the commissioning of qualified institutions to undertake high-priority R&D on NPs; and
- the engagement of specialists to provide short-term TA to members.

16. An executive office set up to carry out the programme of work approved by the membership will be based initially within SAFIRE, a Zimbabwean NGO. SAFIRE is a well-established NGO sponsored by, among others, IFAD, Danish International Development Assistance (DANIDA), The Netherlands, the United States Agency for International Development, the Canadian International Development Agency, and the European Commission. It has proven capacity to manage and account for financial resources and for community-led resource management, and is committed to R&D in appropriate technologies. It is oriented towards networking, and is already engaged in focal point activities.

17. The executive office will be the management and implementation 'arm' for SANProTA activities, under the direction of the board of directors and the entire membership. It will be staffed full-time by five professionals (business manager, information officer, information technology officer, finance officer and trade development officer) plus support staff, with office and travel facilities. Should SANProTA's agency services develop as expected over the first two years, an agent will be

engaged and outposted in Europe. The proper management of contracts will form part of SANProTA's businesslike approach and the association will have an institutional culture that is more like that of a private sector enterprise than of an NGO.

18. Central to the effective attainment of SANProTA's objectives will be its ability to develop close collaborative ties with other national, regional and global initiatives of relevance to its mission. IFAD-assisted projects in the region will be particularly targeted: as associate members of SANProTA, such projects will benefit from information on NP products and market opportunities, and may contract SANProTA to identify market for NPs of relevance to their target groups on their behalf. Such collaboration may be formalized through strategic memoranda of agreement aimed at resource sharing/leveraging on marketing effort, research and development and networking.

VI. INDICATIVE PROGRAMME COSTS AND FINANCING

19. SANProTA is to be launched in August 2001. Its budget for the remainder of the year is covered by contributions from both NGOs and the Community Empowerment Facility (CEF) of the Popular Coalition to Eliminate Hunger and Poverty. The total cost of establishing and operating SANProTA for the four-year period 2002-2005 amounts to USD 3.0 million, excluding physical and price contingencies of USD 307 500 million (10%). The budget profile reflects SANProTA's role as a service delivery institution: less than 5% is projected for capital costs, and a large proportion is to be deployed for research, advice, management and support services. The following table gives projected expenditure by main cost category over the four-year period, as well as the proposed IFAD financing plan.

Cost category	Expenditure (USD '000)	% of total	IFAD financing (USD '000)	Cost category
Capital costs	135.2	4		
Vehicles and equipment	85.2	3	50.0	Vehicles and equipment
Recurrent costs	2 892.8	96		
Meetings, visits & courses	475.8	16	110.0	Meetings, visits & courses
Database & publications	113.6	4		
External contract services	870.0	29	180.0	External contract services
Staff costs (salaries, transport and subsistence)	1266.7	42	320.0	Staff costs (salaries, transport and subsistence))
Administration	166.7	6	90.0	Administration
Total base cost	3 028.0	100		
Contingencies	307.5	10	250.0	Unallocated
Total cost	3 335.5	110	1 000.0	Total

20. During 2002-2005, SANProTA is expected to generate an income of some USD 0.6 million from within the region. This includes membership subscriptions, fees and charges for services (e.g. sale of information), publications and locally generated contributions. There remains, however, a budget gap of USD 2.7 million for the first four years of operation. It is proposed that IFAD make available a TA grant of USD 1.0 million to SAFIRE to partly finance the establishment and operations of SANProTA. This amount will not, however, meet the entire financing requirements over the first four years and additional funds – currently estimated at USD 1.7 million – will need to be mobilized from other donors. Although initial contacts have been made with a number of potential donors – DANIDA, the Department for International Development of the United Kingdom and the German Agency for International Cooperation for example, which are considered likely cofinanciers – the lack of full-time staff working on SANProTA to date has meant that SAFIRE has not yet been able to actively pursue the required cofinancing. The early provision of the IFAD TA grant will be critical both to ensuring continuity in financing the salaries of staff recruited under the CEF funding and to



allow SANProTA staff to approach donor community with a view to mobilizing the additional resources required. The IFAD contribution will play an important catalytic role in this regard.

21. The following grant disbursement arrangement is proposed. The total TA grant of USD 1.0 million will be disbursed over the three-year period 2002-2004. A first disbursement of USD 250 000 will be made upon grant effectiveness, and no further disbursement will be made until SAFIRE has confirmed to IFAD that it has received adequate cofinancing commitments from other donors. The proposed financing plan reflects the catalytic role that IFAD will play and, with 25% of the funds remaining unallocated, it aims to ensure flexibility. Those unallocated funds will be reallocated during the course of programme implementation, with the prior authorization of IFAD, according both to the priorities defined in the annual work plans and budgets and to the availability and financing priorities of complementary donor support.