

a

IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Eighty-Fifth Session

Rome, 6-8 September 2005

REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED

GRANT UNDER THE GLOBAL/REGIONAL GRANTS WINDOW

TO THE

**COMMISSION ON FAMILY FARMING
OF THE SOUTHERN CONE COMMON MARKET
(MERCOSUR)**

FOR THE

**STRENGTHENING OF THE PARTICIPATION OF SMALL FARMERS'
ORGANIZATIONS IN POLICY DIALOGUE WITHIN THE
COMMISSION ON FAMILY FARMING OF MERCOSUR**

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	iii
I. BACKGROUND	1
II. RATIONALE AND RELEVANCE TO IFAD	2
III. THE PROPOSED PROGRAMME	2
IV. EXPECTED OUTPUTS AND BENEFITS	3
V. IMPLEMENTATION ARRANGEMENTS	3
VI. INDICATIVE PROGRAMME COSTS AND FINANCING	4
VII. RECOMMENDATION	4
APPENDIX	
LOGICAL FRAMEWORK	1

ABBREVIATIONS AND ACRONYMS

MERCOSUR	Southern Cone Common Market
RCU	regional coordination unit
REAF	Commission on Family Farming

**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED GRANT UNDER THE
GLOBAL/REGIONAL GRANTS WINDOW
TO THE COMMISSION ON FAMILY FARMING
OF THE SOUTHERN CONE COMMON MARKET
(MERCOSUR)
FOR THE
STRENGTHENING OF THE PARTICIPATION OF SMALL FARMERS'
ORGANIZATIONS IN POLICY DIALOGUE WITHIN THE
COMMISSION ON FAMILY FARMING OF MERCOSUR**

I submit the following report and recommendation on a proposed grant to the Commission on Family Farming (REAF) of the Southern Cone Common Market (MERCOSUR) to support the Strengthening of the Participation of Small Farmers' Organizations in Policy Dialogue within the REAF, in the amount of USD 1.09 million for a three-year period.

I. BACKGROUND

1. Since 2000, the Institutional and Policy Support Programme to Alleviate Rural Poverty in the MERCOSUR Area (the IFAD/MERCOSUR programme) has been working to create and consolidate spaces for policy dialogue within MERCOSUR, with the aim of ensuring that the poorest segments of the rural population and the family farming sector are not excluded from the political, economic and social benefits resulting from the regional integration process.

2. This process gathered momentum under President da Silva in Brazil, highlighting issues relating to family farming,¹ and small farmers' organizations began to show increasing interest in the process. Since then, a strong partnership has been established between the Coordinating Body for Family Farming Organizations (COPROFAM) of MERCOSUR, which represents 5 million small rural poor producers in MERCOSUR's four member and two associate member countries, and the regional coordination unit (RCU) of the IFAD/MERCOSUR programme. The RCU seeks not only to meet public sector demand, but also to provide the concerned organizations with appropriate technical assistance to facilitate their participation in policy dialogue (e.g. through studies, workshops and seminars).

3. A milestone in this process was the Montevideo proposal (2003), in which COPROFAM requested MERCOSUR to create a specialized commission to address issues relating to family farming in the framework of regional integration. In 2004, the Government of Brazil submitted a formal proposal to its MERCOSUR partners for the setting up of a commission specifically to deal with topics relating to family farming in the region. In response, the ministers for agriculture of the four member countries of MERCOSUR approved the establishment of the Commission on Family Farming (REAF). In November 2004, during the second meeting of the REAF, the RCU of the IFAD/MERCOSUR programme was designated as REAF's Technical Committee.

¹ In the MERCOSUR context, family farming refers to small-scale peasant farming.

4. For REAF to work efficiently, small farmers' organizations need to be strengthened so that they can participate effectively in policy-making, and in planning regional rural development programmes. The activities under this grant proposal will build rural organizations' capacity to contribute to agricultural and rural development policy dialogue within the REAF.

II. RATIONALE AND RELEVANCE TO IFAD

5. The programme rationale and strategy for poverty reduction and rural development are in line with the Strategic Framework for IFAD 2002-2006; the programme addresses rural poverty reduction by improving the income-generating capacity of the target population, using a comprehensive and innovative approach. To achieve sustainable rural development and poverty reduction, the three strategic axes of policy dialogue, partnership-building and harmonization will be applied.

6. Recent government decisions have sought to affirm MERCOSUR's role in policy-making and expand commitments in the civil, social and economic spheres. In 2004, with a reordering in the priority of several political agenda items, the REAF was created and regional structural funds were established.

7. The support requested from IFAD is intended to ensure that the issues dealt with by the REAF will be useful for policy formulation, articulation and coordination in the region, and that the policy analysis process will be professional, participatory and transparent, and based on continuous participation by small farmers' organizations.

III. THE PROPOSED PROGRAMME

8. The programme's overall goal is to strengthen the participation of rural organizations in the REAF, consolidating it as a high-level forum for policy dialogue between organizations representing the rural poor and family farmers and the representatives of the governments of MERCOSUR countries.

9. Specific programme objectives are to: (i) achieve, through ongoing and institutionalized policy dialogue between rural organizations and MERCOSUR country authorities, effective prioritization of issues and enhanced design and application of public policy to support family farming and sustained rural poverty reduction in MERCOSUR member countries²; (ii) obtain explicit recognition by governments of the need to develop appropriate policies and instruments for family farming and rural poverty reduction in each member state and within MERCOSUR as a whole; and (iii) ensure appropriate distribution of structural funds already established within the MERCOSUR framework.

10. To achieve the proposed objectives, programme activities will be organized around the following three components: (i) consolidation of the small farmers' organizations involved in the REAF; (ii) institutional strengthening and the promotion of exchange of experiences among organizations of the rural poor; and (iii) promotion of technical cooperation with countries to implement activities that build convergent and relevant policies and instruments for the rural poor.

11. **Consolidation of the small farmers' organizations involved in the REAF.** This component will include the following activities: (i) technical support for the establishment and operation of national offices of the REAF in MERCOSUR member countries; (ii) organizational assistance for meetings and workshops (including the preparation of relevant documentation); (iii) assistance in the organization of REAF plenary sessions and in financing the participation of representatives of rural poor organizations in these sessions; (iv) establishment of national offices in new associate member

² In this document, "MERCOSUR member countries" refers to member and associate member countries of MERCOSUR.

countries (i.e. Colombia, Ecuador, Peru and the Bolivarian Republic of Venezuela); and (v) consolidation of the RCU as REAF's technical committee.

12. **Institutional strengthening and the promotion of exchange of experiences among organizations of the rural poor.** This component will include: (i) technical and organizational support for three meetings for the exchange of experiences exclusively among the rural organizations that participate in the REAF; (ii) document preparation; and (iii) financing for delegations' travel. This component is designed to build the capacity of leaders of rural organizations through training in direct international negotiation and through the exchange of experiences.

13. **Promotion of technical cooperation with countries to implement activities that build convergent and relevant policies and instruments for the rural poor.** This component will include: (i) consultancies: participation of specialists in the design and harmonization of public policies specifically for family farmers and the rural poor in an effort to increase capacity and knowledge among both rural leaders and government officials and technicians; and (ii) case and base studies: specific studies will be undertaken to assign structural funds among country members, and to align and harmonize MERCOSUR countries' policies and laws, with regard to family agriculture.

IV. EXPECTED OUTPUTS AND BENEFITS

14. The programme is expected to achieve the following: (i) improved policy dialogue between governments and organizations, thereby raising the status accorded to regional agreements; (ii) easier access for the rural poor, through their organizations, to regional structural funds, enabling them to take an active part in the processes of development and integration; and (iii) a more conducive environment for the execution of IFAD-funded projects, as a result of IFAD's increased presence and influence in MERCOSUR member countries and its social and political arena.

V. IMPLEMENTATION ARRANGEMENTS

15. In 2004, the RCU of the IFAD/MERCOSUR programme (located at MERCOSUR headquarters) was designated as Technical Committee for the REAF. Made up of a coordinator, a rural development specialist and two support staff, this Technical Committee will be responsible for the execution of programme activities, quality control of programme activities, and the analysis of their outcome. The Technical Committee will be supported by a management committee, composed of representatives of the secretariats or ministries of agriculture of MERCOSUR's six participating countries. The management committee will identify the activities to be financed each year, based on the needs of individual member countries and of the bloc as a whole, in this case within the context of the REAF.

16. The Technical Committee will prepare the annual work plan and budget each programme year, addressing the REAF policy agenda needs identified by the management committee. The annual work plan and budget will be submitted to IFAD for approval before a request is made for disbursement of funds at the start of each programme year.

17. A monitoring, evaluation and reporting system will be part of programme management. This system will record and report the changes and outcomes resulting from policy dialogue generated within the decision-making forums of MERCOSUR, governments and rural organizations at various levels. The system will consist of three interconnected subsystems: (i) a monitoring subsystem; (ii) an evaluation subsystem; and (iii) a reporting subsystem. The Programme for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty-Alleviation Projects in Latin America and the Caribbean (PREVAL) will support the proposed programme in implementing this system, through, for example, capacity-building among team members for the formulation of relevant questions, methodologies and formats.

18. The REAF will be the recipient of the grant and through the Technical Committee will be responsible for reporting on financial and other matters. Programme resources will be managed according to the provisions of the IFAD grant agreement. A managing agreement between IFAD and the United Nations Office for Project Services will be signed, covering the hiring of RCU professional staff, the opening of the Technical Committee account and the control of financial resources.

VI. INDICATIVE PROGRAMME COSTS AND FINANCING

19. The total cost of the programme will be USD 1.60 million; IFAD's contribution will account for USD 1.09 million (68% of programme costs) and MERCOSUR and member governments will contribute USD 510 000 (32% of programme costs).

Programme Costs and Financing (USD '000)

Component	IFAD	Counterpart ^a	Total
Consolidation of the small farmers' organizations involved in the REAF			
(a) Activities of national sections in current member countries			
Workshops	150	150	300
Documents	15	10	25
(b) Sessions of the REAF			
Technical Committee/RCU	360	90	450
Workshops	100	60	160
(c) Establishment of national offices in new member countries	25	5	30
Institutional strengthening and the promotion of exchange of experiences			
Documents	15	3	18
Exchange meetings	85	50	135
Travel	90	72	162
Promotion of technical cooperation with countries			
Consultancies	150	40	190
Case studies	100	30	130
Total budget	1 090	510	1 600
Percentage distribution of budget financing	68%	32%	

^a MERCOSUR and its member governments.

VII. RECOMMENDATION

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

RESOLVED: that the Fund, in order to finance, in part, the Strengthening of the Participation of Small Farmers' Organizations in Policy Dialogue within the Commission on Family Farming of the Southern Cone Common Market (MERCOSUR) for three years, commencing in October 2005, shall make a grant not exceeding one million and ninety thousand United States dollars (USD 1 090 000) to the Commission on Family Farming of MERCOSUR 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

LOGICAL FRAMEWORK

Summary	Verifiable Indicators ¹	Means of Verification	Assumptions
<p>Development objective</p> <p>MERCOSUR policies and conducive legal frameworks on smallholder agriculture for inclusive social and economic development processes for the rural poor are implemented at national and regional levels</p>	<ul style="list-style-type: none"> • Pro-poor policies strengthening smallholder agriculture among MERCOSUR member countries in place • Financial resources for the rural poor assigned by CMC² respecting proportional country quotas • Reduction of rural unemployment rates (regional and national) <p>Degree of managed migration between MERCOSUR member countries</p>	<ul style="list-style-type: none"> • MERCOSUR documentation (MERCOSUR) • CMC budget allocations in the Ministries of Finance/Parliaments of member countries (CMC) • MERCOSUR statistics (MERCOSUR) 	
<p>Programme objective</p> <p>Smallholder farmers' organizations participate proactively and constructively in an institutionalized and consolidated REAF at national and regional levels</p>	<ul style="list-style-type: none"> • Number of policy proposals presented by farmers' organizations to be accepted by REAF and forwarded to CMC • % of investments agreed within the common market of MERCOSUR based on proposals from farmers' organizations (FOs) • Degree of participation of farmers' organization representatives in policy forums of MERCOSUR countries 	<ul style="list-style-type: none"> • REAF documentation on proposals (REAF) • MERCOSUR statistics (MERCOSUR) • FO documentation (FOs) • Lists of participation by FOs in policy forums (REAF) • Minutes of meetings of policy forums (REAF) 	<p>Authorities and decision-making bodies of MERCOSUR continue with a common agreed political agenda</p>
<p>Outputs:</p> <p>Output 1: The capacity of national smallholder organizations to influence agricultural policies at the national level and in the MERCOSUR area is strengthened.</p> <p>Output 2: The REAF is consolidated as a recognized multistakeholder dialogue platform to set the smallholder farming agenda of MERCOSUR at national and regional levels</p>	<ul style="list-style-type: none"> • Number of smallholder organizations trained in agricultural policy and issues related to integration in MERCOSUR countries • Number of policy proposals presented to national governments • Number of proposals for harmonization and convergence for smallholder farming presented to the REAF • Number of references to the REAF in formal documents of MERCOSUR and member state bodies • Number of meetings of the REAF with equitable participation of rural and 	<ul style="list-style-type: none"> • Training protocols (REAF) • FO documentation of proposals (FOs) • Policy documents of MERCOSUR and member state bodies (REAF) • REAF meeting minutes (REAF) 	<p>MERCOSUR member countries have created the necessary national conditions for dialogue with the rural poor</p>

¹ Indicators for policy dialogue and institutional development are primarily qualitative

² CMC = Common Market Council (highest level of MERCOSUR)

Summary	Verifiable Indicators ¹	Means of Verification	Assumptions
<p>Output 3: REAF capacities improved to update trade and commerce regulations, and legal frameworks that address smallholder farming interests</p> <p>Output 4: Claim-settlement, conflict-resolution and mediation mechanisms acceptable to all stakeholders within the REAF are improved at national and regional levels.</p> <p>Output 5: MERCOSUR governments earmark regional structural funds for smallholder investment and business opportunities</p>	<p>smallholder organizations</p> <ul style="list-style-type: none"> • National and regional trade and commerce regulations and legal frameworks include updated smallholder farming issues • Institutions and their mechanisms for claim settlement, conflict resolution and mediation are being used incrementally • Incorporation of modifications (agreed upon by all concerned parties) into pertinent mechanisms • Volume and type of earmarked regional structural funds for smallholder investment and business opportunities 	<ul style="list-style-type: none"> • National and regional trade and commerce regulations and legal frameworks (REAF) • MERCOSUR ombudsmen documentation (national ombudsman centres) • Judiciary watchdog centres (NGOs) • Ministries of Finance (REAF) 	
Activities:			Budget: USD
Component 1: Consolidation of the small farmers' organizations involved in the REAF			
Output 1:			
<ul style="list-style-type: none"> • Provide technical support for the establishment and operation of national offices of the REAF in MERCOSUR member countries • Organizational support for meetings and workshops • Support the organization of REAF plenary sessions and finance the participation of representatives of organizations of the rural poor in these sessions • Establishment of national offices in new associate member countries (i.e. Colombia, Ecuador, Peru and Venezuela) • Consolidation of the RCU as REAF's Technical Committee 			315 000
Component 2: Institutional strengthening and the promotion of exchange of experiences among organizations of the rural poor			
Output 2 and 3:			
<ul style="list-style-type: none"> • Technical, methodological and organizational support for three meetings for the exchange of experiences exclusively among the rural organizations that participate in the REAF • Preparation of documents • Financing for delegations' travel 			965 000
Component 3: Promotion of technical cooperation with countries to implement activities that build convergent and relevant policies and instruments for the rural poor			
Output 4 and 5:			
<ul style="list-style-type: none"> • Consultancies: participation of specialists in the design and harmonization of specific public policies for family farmers and the rural poor • Case studies 			320 000

