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Enabling poor rural people  
to overcome poverty

**President's report on proposed grants  
under the global/regional grants  
window to CGIAR-supported  
international centres**

Executive Board — Ninety-third Session  
Rome, 24-25 April 2008

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For: **Approval**

## **Note to Executive Board Directors**

This document is submitted for approval by the Executive Board.

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## Abbreviations and acronyms

|          |   |
|----------|---|
| CIAT     | International Center for Tropical Agriculture   |
| ICRAF    | World Agroforestry Centre   |
| ISC      | International Steering Committee (of RUPES)   |
| M&E      | monitoring and evaluation   |
| NARS     | national agricultural research system   |
| RES      | rewards for environmental services  |
| RUPES-I  | Programme for Developing Mechanisms to Reward Upland Poor of Asia for the Environment Services They Provide |
| RUPES-II | Programme on Rewards for, Use of and Shared Investment in Pro-poor Environmental Services                   |

## **Recommendation for approval**

The Executive Board is invited to approve the recommendations for grants under the global/regional grants window to CGIAR-supported international centres as contained in paragraph 8.



## President's report on proposed grants under the global/regional grants window to CGIAR-supported international centres

I submit the following report and recommendation on two proposed grants for agricultural research and training to Consultative Group on International Agricultural Research (CGIAR)-supported international centres in the amount of US\$3.0 million.

### Part I – Introduction

1. This report recommends the provision of IFAD support to the research and training programmes of the following CGIAR-supported international centres: International Center for Tropical Agriculture (CIAT) and World Agroforestry Centre (ICRAF).
2. The documents of the grants for approval by the Executive Board are contained in the annexes to this report:
  - (i) International Center for Tropical Agriculture (CIAT): Programme for Linking Livelihoods of Poor Smallholder Farmers to Emerging Environmentally Progressive Agro-industrial Markets);
  - (ii) World Agroforestry Centre (ICRAF): Programme on Rewards for, Use of and Shared Investment in Pro-poor Environmental Services (RUPES-II)
3. The objectives and content of these applied research programmes are in line with the evolving strategic objectives of IFAD and the policy and criteria of IFAD's grant programme.
4. The overarching strategic objectives that drive the IFAD Policy for Grant Financing, which was approved by the Executive Board in December 2003, are:
  - (a) promoting pro-poor research on innovative approaches and technological options to enhance field-level impact; and/or
  - (b) building pro-poor capacities of partner institutions, including community-based organizations and NGOs.
5. Deriving from these objectives and those of the IFAD Strategic Framework 2007-2010, the specific aims of IFAD's grant support relate to: (a) the Fund's target groups and their household food-security strategies, with particular reference to groups in remote and marginalized agroecological areas; (b) technologies that build on traditional local/indigenous knowledge systems, are gender-responsive, and enhance and diversify the productive potential of resource-poor farming systems by improving on- and off-farm productivity and by addressing production bottlenecks; (c) access to productive assets (land and water, a broad range of rural financial services, labour and technology); (d) the sustainable and productive management of natural resources, including sustainable utilization and conservation of such resources; (e) a policy framework at both the local and the national level that provides the rural poor with a conducive incentive structure to improve their productivity and reduce their dependence on transfers; (f) access to transparent and competitive input/product markets and making these work for the poor primary producers involved in remunerative small and medium-sized enterprises and value chains; and (g) an institutional framework within which institutions – formal and informal, public- and private-sector, local and national alike – can provide services to the economically vulnerable, according to their comparative advantage. Within this framework, IFAD's grant financing supports commodity-based approaches for self-targeting among the rural poor. Finally, IFAD's grant programme fosters the establishment and strengthening of networks for pro-poor knowledge generation and exchange, which in turn enhances the Fund's own capacity to establish long-

term strategic linkages with its development partners and to multiply the effect of its grant-financed research and capacity-building programmes.

6. The Programme for Linking Livelihoods of Poor Smallholder Farmers to Emerging Environmentally Progressive Agro-industrial Markets responds to the foregoing strategic objectives, in particular objectives (a) to (f) as it will: (i) improve livelihoods of resource-poor upland smallholder farmers, especially ethnic minorities and women, through integrated crop/livestock systems and sustainable production and utilization of food, feed, fibre and energy crops, with facilitative market linkages to agro-industrial processors in Cambodia, the Lao People's Democratic Republic and Viet Nam; (ii) empower stakeholders to capitalize on emerging economic opportunities, achieve higher incomes and improve their food security; (iii) provide access to smallholder farmers to improved agricultural technologies for more efficient sustainable production systems, improved natural resource management and conservation practices; and (iv) offer more diverse livelihoods by developing market linkages to increase the value of production through enterprises that help to protect the environment.
7. The Programme on Rewards for, Use of and Shared Investment in Pro-poor Environmental Services (RUPES-II) responds to the foregoing strategic objectives, in particular to objectives (a) to (f) as it promotes: (i) pro-poor research on innovative approaches and technological options to enhance field-level impact; and (ii) access to productive assets and the sustainable and productive management of such resources.

## Part II – Recommendation

8. I recommend that the Executive Board approve the proposed grants in terms of the following resolutions:

RESOLVED: that the Fund, in order to finance, in part, the Programme for Linking Livelihoods of Poor Smallholder Farmers to Emerging Environmentally Progressive Agro-industrial Markets, shall make a grant not exceeding one million five hundred thousand United States dollars (US\$1,500,000) to the International Center for Tropical Agriculture (CIAT) for a four-year programme upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

FURTHER RESOLVED: that the Fund, in order to finance, in part, the Programme on Rewards for, Use of and Shared Investment in Pro-poor Environmental Services (RUPES-II), shall make a grant not exceeding one million five hundred thousand United States dollars (US\$1,500,000) to the World Agroforestry Centre (ICRAF) for a four-year programme upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Lennart Båge  
President



# **International Center for Tropical Agriculture (CIAT): Programme for Linking Livelihoods of Poor Smallholder Farmers to Emerging Environmentally Progressive Agro-industrial Markets**

## **I. Background**

1. In the Greater Mekong Subregion, concerns for environmental protection and energy security present new opportunities for poor upland smallholder farmers to produce renewable agricultural resources for food, feed, fibre and fuel, and to engage in markets for processing these resources. Such developments are important for food security and sustainable economic development at the village and national scales, and have local and global environmental implications. Sustainable agricultural production and forest management, more efficient energy use and renewable energy sources are all considerations in controlling anthropogenic carbon emissions which are a major contributor to climate change.
2. Under the proposed programme the International Center for Tropical Agriculture (CIAT) and the International Potato Center (CIP) will work directly with IFAD-funded projects in Cambodia, the Lao People's Democratic Republic and Viet Nam, and with research partners and industries to link smallholder farmers to emerging markets for selected "green" agro-industrial crops. Increased production of these crops and improved market access for products and by-products are expected to increase smallholder incomes. The programme will help diversify and increase household productivity and income, and improve food security by promoting integrated crop/livestock production systems. In addition, improved utilization of factory by-products will alleviate local pollution problems. The combination of "green" industrial crops and sustainable and environmentally positive production and processing systems will have a wide range of economic and environmental impacts at the household, local, national and global levels. Adopting a phased approach, the programme will focus on a number of "green" industrial crops and on crop-livestock interactions.

### **Starch and bioethanol production from cassava**

3. The price of cassava has increased significantly in recent years because of competing demands from starch processors, livestock feed industries and, more recently, bioethanol producers. Cassava is especially attractive to resource-poor smallholders and to biofuel producers for several reasons. Cassava exhibits superior water-use efficiency and tolerance to drought and poor soils, producing reasonable yields even on marginal lands. It is a flexible crop within farmers' cropping and livelihood systems, with a range of possible intercropping practices, rotations and planting/harvesting dates, providing steady supplies of feedstock to factories. Because of lower resource demands of cassava, compared with maize or sugar cane, for example, there is reduced competition with food production and less threat to food supplies and prices.

### **Pulp, paper and fibre products**

4. Rapid growth, industrialization and urbanization in Southeast Asia and China have led to greatly increased demand for paper products. Most countries in the Greater Mekong Subregion are importers of pulp and paper products. Kenaf, roselle and paper mulberry are fast-growing fibre and pulp crops that can be grown by smallholders and processed locally into pulp or paper. Kenaf and roselle, which are harvested annually, are more productive per unit land area than fast-growing trees that may require from five to seven years before harvest. Paper mulberry is currently harvested from bush fallows or domesticated plantings in the northern part of the Lao People's Democratic Republic. Value can be added locally through

production of high-quality papers, fibres and handicrafts, which can provide off-farm and off-season employment opportunities, particularly for women.

#### **Crop-livestock interactions**

5. If producer-processor linkages are negotiated properly, production of industrial crops will provide a stable source of cash income to smallholder households. Further, the by-products from cassava processing (mill wastes) and unused leaves retained on-farm from cassava, kenaf, roselle and paper mulberry are valuable feed resources for livestock (cattle, buffalo, goats, pigs, poultry) and fish. Smallholders are often limited in their attempts to increase livestock production because they lack capital to buy commercial feed. With improved knowledge of feed crop production, and the formulation and management of feeds, smallholders can significantly increase livestock production by using only locally grown feeds and industrial by-products.
6. With intensified livestock production, increased quantities of animal manure are produced. Manure can be used to maintain or improve soil fertility and crop production, and for producing biogas, providing a plentiful supply of clean energy for household cooking or small processing enterprises.
7. Increased livestock production and more efficient, integrated crop/livestock systems will result in greater diversity of production, increased income, decreased market risks, improved nutrition and improved access to locally produced renewable energy – all leading to improved smallholder livelihoods.

## **II. Rationale and relevance to IFAD**

8. This programme will work with regional research and private-sector partners to empower resource-poor rural women and men, including ethnic minorities, to capitalize on emerging economic opportunities to achieve higher incomes and improve their food security. The programme will provide smallholders with access to improved agricultural technologies for more efficient, sustainable production systems and promote improved natural resource management and conservation practices. It will promote diversification of livelihoods and development of market linkages through enterprises that help to protect the environment.
9. This programme will involve the rural poor in the mitigation of climate change, while increasing their living standards. Diversified smallholder farming, based on low inputs and improved cycling of energy and materials, is a better way to produce raw materials for “green” agro-industries, improving environmental quality both locally and globally.
10. Innovations piloted by this programme will be proven or adapted, and will be useful for the development of future investment projects. A learning alliance approach will highlight methods and lessons learned to benefit active and “indirect alliance” investment project partners and demonstrate viability of these innovations and approaches to policymakers.

## **III. The proposed programme**

11. The overall goal of the programme is to improve livelihoods of resource-poor upland smallholder farmers, especially ethnic minorities and women, through integrated crop/livestock systems and sustainable production and utilization of food, feed, fibre and energy crops, facilitating market linkages to agro-industrial processors in Cambodia, the Lao People’s Democratic Republic and Viet Nam.
12. The four-year programme will work directly with from three to five IFAD-funded investment projects, their implementing partners in local government extension services and agro-industries to integrate three major components:
  - Diversified farming systems for increased income and food security;

- Producer-processor linkages for agro-industrial market and enterprise development;
  - Knowledge sharing to accelerate innovation.
13. A phased implementation of activities will focus first on the cassava value chain and the integration of cropping and waste-cycling systems with smallholder livestock production. If market and investment conditions surrounding investment projects are conducive, this programme will help facilitate value shifts from starch to biofuel production or assist investors in locating new biofuel production facilities close to investment project beneficiaries. Activities linking smallholders to the pulp/paper sector will be implemented later in the programme, after opportunities have been identified, partnerships developed, and production and marketing capacities strengthened.
  14. Direct engagement with IFAD-funded investment projects will ensure that technical innovations and market linkages will benefit poor rural smallholders. At pilot implementation sites, extensionists will be trained in participatory diagnosis and planning methods. Livelihoods analysis, with separate gender and wealth-ranking groups, will be used to understand household economies and labour sharing, target interventions appropriate to specific users, and engage villagers in a participatory technology development and monitoring process.
  15. The overall programme strategy will involve a research and development cycle that includes the following phases: (i) targeting resources, markets and livelihoods; (ii) discovering opportunities for improvement; (iii) strengthening capacities and testing innovations; and (iv) sharing and dissemination.

#### **IV. Expected outputs and benefits**

16. These are the following:
  - Resource-poor upland smallholder farmers at focus sites will have increased incomes and better food security through improved production of selected cash and fodder/feed crops, better access to agro-industrial markets, and improved utilization of wastes and by-products for livestock feed and energy resources. Agro-industrial processors will benefit from improved access to industrial crops and better waste/by-product management.
  - This programme will demonstrate to policy-makers and private industry/investors that linking smallholder farmers to emerging, environmentally progressive agro-industrial markets is a viable model for poverty reduction and rural development, and that improved producer-processor linkages can result in mutual benefits that ensure a steady supply of feedstock for the sustainable production of food, feed, fibre and energy products for local and national economies.

#### **V. Implementation arrangements**

17. CIAT will be the executing organization responsible for managing the budget and reporting progress. It will implement the programme in partnership with the International Potato Center (CIP). CIAT and CIP will sign a letter of understanding to implement the partnership.
18. A programme coordinator, based at CIAT's Regional Office for Asia in Vientiane, will manage the programme and provide support in upland agronomy, farming systems and participatory methods for technology development, while coordinating inputs of international, regional and national research partners and private-sector consultants who support the programme. As the farming systems component is the key link to the programme's target beneficiaries, coordination will be organically linked to implementation and monitoring of intermediate outcomes and impacts.

The coordinator will report on quantitative and qualitative progress made in implementing the programme and achieving objectives in annual progress reports. Programme staff will work with research partners through national coordinators from national agricultural research system (NARS) partner institutions.

19. A steering committee representing the programme's key implementing partners (CIAT, CIP, the NARS, private industry and IFAD) will meet annually to review and guide the programme through implementation, and ensure that programme needs are mainstreamed in the annual workplans. Annual review/planning and steering committee meetings will provide opportunities for stakeholder consultation and IFAD supervision. Supervision of this programme will also be linked to supervision of each of the IFAD-funded projects that the programme supports directly.
20. The monitoring and evaluation (M&E) system established at the beginning of programme implementation will include output-level indicators (see appendix to this annex) disaggregated by gender and ethnicity. The programme will work with the M&E teams of investment projects to assess overall impact of programme interventions. Baseline data on relevant aspects of smallholder livelihood systems and industrial production will be collected at focus sites during the initial diagnosis and engagement, with follow-up mid-term and end-of-programme data collection for monitoring and impact assessment. It is expected that agro-industries will have their own monitoring and impact assessment systems, as reflected in input-output records and their financial statements. Access to accurate information will be sought from them.

## VI. Indicative programme costs and financing

21. The total cost of the programme is US\$ 2.25 million, of which US\$1.5 million will be financed by an IFAD grant. Approximately US\$0.75 million will be contributed by CIAT, CIP and the NARS partner institutions through in-kind contributions. Buy-in from private industry is expected to add significantly to cofinancing of the programme after benefits to agro-industrial partners have been demonstrated, and should leverage further implementation and scaling-out.
22. The following table shows the total budget to support implementation of the programme.

**Summary of budget and financing plan**  
(In thousands of United States dollars)

| <i>Type of expenditure</i>               | <i>IFAD</i>  | <i>Cofinancing<sup>a</sup></i> |
|--|--------------|--------------------------------|
| Staff costs                              | 450          | 300                            |
| Technical assistance support             | 180          | 250                            |
| Action research, market extension – NARS | 350          | 150                            |
| Training and workshops                   | 325          | 50                             |
| Overhead                                 | 195          | -                              |
| <b>Total</b>                             | <b>1 500</b> | <b>750</b>                     |

<sup>a</sup> Where applicable.

## Results-based logical framework

| Objective Hierarchy   | Objectively Verifiable Indicators   | Means of Verification   | Assumptions / Risks  |
|---|---|---|--|
| <p><b>Goal</b><br/>Marginalized poor in the uplands of the Greater Mekong Subregion benefit from improved livelihoods through sustainable farming systems, enhanced by engagement with environmentally progressive agro-industries.</p>   | <ul style="list-style-type: none"> <li>• % reduction in Households considered food insecure in target areas</li> <li>• Reduction in % of population below poverty line in target areas</li> <li>• Increased share of production in target area from agro-industries with improved environmental practices</li> <li>• % increase in percapita income through participation in markets linked to environmentally progressive agro-industries</li> </ul>   | National and provincial government income, food security, and industrial production statistics, environmental impact assessments  | <p>Agro-industries willing to link with smallholders</p> <p>Policies continue to support rural development</p>   |
| <p><b>Purpose</b><br/>Livelihoods of resource-poor upland smallholder farmers, especially ethnic minorities and women, are improved through integrated crop/livestock systems and sustainable production and utilisation of food, feed, fibre, and energy crops, with facilitative market linkages to agro-industrial processors in Cambodia, the Lao PDR and Viet Nam.</p> | <ul style="list-style-type: none"> <li>• % HHHs in target area linked to agro-industrial markets</li> <li>• HH income from sales to agro-industrial markets</li> <li>• Food security of target households</li> <li>• % of women and minorities benefiting from project proportional to population</li> </ul>  | HH surveys, census reports and local statistics, IFAD M&E, project, impact assessment report  |  |
| <p><b>Component 1: Diversified Farming Systems for Increased Income and Food Security</b><br/><b>Output 1</b><br/>Incomes and food security of targeted beneficiaries are improved through increased production of selected cash and food/feed crops and the utilization of agro-industrial by-products for intensified livestock production.</p>                           | <ul style="list-style-type: none"> <li>• Increased capacity of extension services to catalyse and support innovations for diversifying livelihoods</li> <li>• % of women and minorities reached by extensionists and participating in on-farm trials, demonstrations, trainings, and participatory dissemination activities is proportional to population, or better.</li> <li>• Increased HH income from sales of selected crops</li> <li>• Increased HH income from sales of livestock</li> <li>• % of HHHs adopting new cropping technologies/varieties</li> <li>• % of HHHs adopting new livestock feeding technologies</li> <li>• % of HHHs adopting technologies for utilising production and processing by-products</li> </ul> | Extensionists' self assessments, HH surveys, census reports and local statistics, IFAD investment projects' M&E, project reports, impact assessment report, (data disaggregated by gender and ethnicity)                                    | <p>Continued high oil prices favour production of renewable alternatives</p> <p>Continued or increasing demand for livestock products</p> <p>Concern about environmental problems from agro-industrial production stimulates innovation and supports creation of cycling enterprises</p> |
| <p><b>Component 2: Producer-Processor Linkages for Agro-Industrial Market and Agro-Enterprise Development</b><br/><b>Output 2</b><br/>Smallholder producers and village-based processors gain from increased market opportunities through mutually beneficial linkages with agro-industrial processors.</p>   | <ul style="list-style-type: none"> <li>• Diversification of HHHs livelihoods portfolios</li> <li>• Increased linkage with agro-industrial markets benefits women and ethnic minorities</li> <li>• Women and ethnic minorities have active role in deciding producer/processor linkages and benefits</li> <li>• Model contractual producer/processor relationships developed and available to smallholder producers</li> <li>• Number of waste cycling enterprises operating</li> <li>• Women and ethnic minorities have equal access to information and opportunities for participation in scaling-out and enterprise development activities</li> </ul>   | Household surveys, impact surveys and focus group discussions specifically targeting women and minorities, records of meeting participants, model contracts, business records, project reports (data disaggregated by gender and ethnicity) | <p>Policy environment conducive to local business development</p> <p>Sustained or increasing demand for agro-industrial products</p>   |
| <p><b>Component 3: Knowledge Sharing to Accelerate Innovation</b><br/><b>Output 3</b><br/>Local and regional platforms facilitate knowledge management and sharing among producers, processors, researchers, policy makers, and investors to promote enterprises that increase the value of agro-industrial value chains and support equitable rural development.</p>       | <ul style="list-style-type: none"> <li>• Extension materials on crop and livestock production technologies developed and disseminated</li> <li>• Numbers of individuals, groups, and institutions reached by extension materials on crop and livestock production technologies</li> <li>• Learning alliances established and operating at each project site</li> <li>• Number of activities scaled-out to new communities/enterprises</li> <li>• Women and ethnic minorities have equal access to information and opportunities for participation in scaling-out and enterprise development activities</li> </ul>   | Manuals, posters, brochures, internet links, reports, meeting minutes, programme/ project, or enterprise development plans (data disaggregated by gender and ethnicity)   | Sustained stakeholder interest and active leadership support   |

## **World Agroforestry Centre (ICRAF): Programme on Rewards for, Use of and Shared Investment in Pro-poor Environmental Services (RUPES-II)**

### **I. Background**

1. Despite being the main engine of global economic growth, Asia is still home to two thirds of the world's poor. Large and rapidly growing populations are placing pressure on fragile ecosystems. Attempts to protect the environmental value of these ecosystems, besides often being unsuccessful, tend to exclude poor and disadvantaged people from access to the very resources (land, water, forests) that are essential for their livelihoods.
2. Given that its mission is to enable poor rural people to overcome poverty, IFAD is particularly concerned about climate change and its relationship to agriculture, the main source of livelihood for most of the rural poor.<sup>1</sup> It recognizes climate change as one of the most serious threats the world faces, with a disproportionate impact on millions of poor rural people. The effects of climate change make it more difficult to achieve the first Millennium Development Goal – halving the proportion of people living in extreme poverty by 2015. IFAD must not only help poor rural people cope with climate change, but also enable them to be part of the solution.
3. From January 2002 to June 2007, the Programme for Developing Mechanisms to Reward the Upland Poor of Asia for the Environmental Services They Provide (RUPES-I) was financed by an IFAD grant of US\$1.4 million and implemented by the World Agroforestry Centre (ICRAF) along with a number of international and national partners.
4. The purpose of payment or other rewards for environmental services (RES) is to provide incentives and benefits for people who traditionally use environmentally valuable ecosystems in return for their agreeing to use them in ways that protect or enhance the environment. By so doing, they are providing environmental services that will benefit the wider population and are rewarded for this on the basis of negotiated contracts.
5. RUPES-I made good progress in identifying environmental services that contributed to reduced erosion, clean water, biodiversity and carbon sequestration. The programme attracted the attention of policymakers and the broader public because of its innovative approach and the opportunities it offered, but also because it highlighted the risks of exclusion faced by the rural poor. The achievements of RUPES-I in pilot schemes involving rewards for watershed-related environmental services were notable. The most successful cases involved resolving conflicts over land tenure in forest margins, and providing a more efficient and fairer basis for funds generated by hydropower schemes that depend on maintenance of watershed functions in the uplands. RUPES was also successful in developing tools for the rapid assessment of the links between land use and the state of the environment. Use of these tools can greatly reduce transaction costs and enhance the credibility of agreements between environmental service buyers and sellers. In addition, the programme supported the development of national technical committees in Indonesia, the Philippines and Sri Lanka, which served as advocates for policy change. For example, the national committee played a key role in Indonesia's ratification of the Kyoto Protocol under the United Nations Framework Convention on Climate Change. The RUPES-I International Steering Committee (ISC) brought to the programme the perspectives and guidance of various international organizations.

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<sup>1</sup> <http://www.ifad.org/climate>.

6. RUPES-I was conceived in the early days of the Kyoto Protocol, a time when there were high hopes for substantial payments for people living in tropical forests for their carbon sequestration services. In December 2007, the United Nations Climate Change Conference in Bali, Indonesia, resolved that research and demonstration activities were needed to allow testing of different ways of achieving reduced emissions from deforestation in developing countries. This represents an opportunity for engaging with local communities to reduce both poverty and greenhouse gas emissions, while providing them with access to the multibillion dollar carbon market. Specific attention to “pro-poor” mechanisms is urgently needed to prevent negative effects and enhance positive opportunities for IFAD’s target groups.
7. The IFAD evaluation of RUPES-I recommended a second-phase programme that would build on the first phase’s successes, consolidate its gains and extend its outreach.

## **II. Rationale and relevance to IFAD**

8. The Programme on Rewards for, Use of and Shared Investment in Pro-poor Environmental Services (RUPES-II) will give IFAD an opportunity to focus on poverty aspects of climate change and extract lessons that can be mainstreamed into IFAD rural development initiatives. Climate change is relevant to all the environmental services that will be targeted by the programme and influences the various ways RES can reduce poverty, as identified by RUPES-I.
9. The design of second-phase programme is consistent with the Asia and the Pacific Division’s strategic focus on tackling land degradation issues and empowering the poor in upland areas. RUPES-II is well positioned to find new ways to reduce poverty in Asia and will provide opportunities for introducing sustainable RES approaches, especially in IFAD’s rural development projects. Interesting new options exist that will allow local governments to derive income from international markets, including their involvement in newly designed carbon markets that secure local environmental benefits and reduce poverty.
10. The success of RUPES-I largely reflects the involvement of its international networks in programme activities through the ISC. The large number and diversity of RUPES-II partners will offer IFAD opportunities to engage with and learn alongside other stakeholders.

## **III. The proposed programme**

11. The proposed four-year programme will consolidate the gains made in RUPES-I. Its overall goal will be to ensure that rewards for the provision of environmental services flow to poor people in a number of Asian countries. This will be achieved by disseminating appropriate RES mechanisms by means of national policies, buyers of environmental services and rural development initiatives. Achievement of these objectives will be measured by monitoring schemes established with programme support. Like RUPES-I, the programme will support the development of processes and the formation of an enabling environment for RES.
12. The programme will target indigenous forest dwellers and small farmers in marginal environments that are vulnerable to environmental degradation and climate change. It will make a special effort to ensure that benefits reach women, systematically gathering information on how schemes have affected their lives – both positively and negatively.

13. The programme will comprise five main components:
- National policy framework;
  - International and national buyer and investor engagement;
  - Enabling of environmental service intermediaries;
  - Innovations in effective, efficient and pro-poor RES mechanisms;
  - Mainstreaming of RES into IFAD rural development initiatives.

#### IV. Expected outputs and benefits

14. The programme will directly increase the number of ecosystem services provided in IFAD-financed and cofinanced operations, and contribute to their overall economic development. RUPES-II is expected to have the following outputs by component:
- **National policy framework:** The programme will contribute to policy frameworks for voluntary, realistic and pro-poor RES. It will help national policymakers participate knowledgeably in international forums seeking to promote the establishment and implementation of effective international payment schemes. It will also support local governments in developing RES schemes and encourage dialogues among stakeholders to ensure that policy and institutional options facilitating these schemes are adopted. The mainstreaming of RES in government policies, together with local capacity-building and the strengthening of the rural poor's bargaining power, will provide an exit strategy for project-level interventions.
  - **International and national buyer and investor engagement:** The programme will open up new opportunities for partners from the corporate world to be involved in RES schemes and to engage in environmental benefit-sharing as a manifestation of corporate social responsibility. RUPES-II will test innovative institutional arrangements for international investment in reducing deforestation through partnerships with forest-based communities. It will research and develop mechanisms to make carbon markets and carbon finance accessible to IFAD's target group. It will also raise awareness of opportunities for buyers to participate in reward schemes, and provide technical assistance to sellers in business case development and the drawing up of contracts.
  - **Enabling of environmental service intermediaries:** The programme will provide support to RES brokers, including interested local NGOs and local governments, in order to link the supply of environmental services to demand in a cost-effective way. With funding from the German Federal Ministry for Economic Cooperation and Development, RUPES-II will further develop the rapid assessment methods pioneered in its first phase and work with universities in the region to create local capacity for the efficient and economical brokerage of RES in the formulation and negotiating stages.
  - **Innovations in effective, efficient and pro-poor RES mechanisms:** The programme will continue its partnerships with the current action research sites in Indonesia, Nepal and the Philippines. It will also test new options for RES, continuing to identify financial and non-financial reward mechanisms at community and household levels, in line with the poverty reduction schemes carried out in its first phase. To gain experience in projects dealing with carbon markets, it will add two learning sites for new mechanisms to reduce emissions from deforestation in developing countries. One new site will be in peatland areas and will focus on providing pro-poor models to prevent negative effects and enhance positive opportunities in projects dealing with carbon



markets. This initiative will build synergies with the upcoming Project for the Rehabilitation and Sustainable Use of Peatland Forests in South-east Asia, to be funded by IFAD and the Global Environment Facility. To test other RES schemes, RUPES-II will consider expanding networks of learning sites in Asia, with other sources of funding for site-level activities, and with management provided by ISC partners.

- **Mainstreaming of RES into IFAD rural development initiatives:** With at least 20 per cent of new IFAD projects in Asia actively considering incorporating RES into their strategies, RUPES-II will develop communication materials and share lessons learned, including through technical advisory notes, to governments, IFAD country programme managers, country teams and projects, with a view to raising awareness of the potential for RES. The programme will provide opportunities for workshops and capacity-building; contribute to the design of new IFAD projects; add to IFAD's knowledge on pro-poor RES; and link its knowledge management activities to the Rural Poverty Portal. At least two IFAD-funded projects – in the Philippines and Viet Nam – will be involved as sites for action research under RUPES-II. Close links will be maintained with the IFAD-supported Programme for Pro-poor Rewards for Environmental Services in Africa and with the Programme for Green Water Credits, both of which address similar issues as RUPES-II does, but in an African context.

## V. Implementation arrangements

15. RUPES-II will be coordinated by the ICRAF Southeast Asia Regional Office and will engage with partners to achieve the objectives of its various components. A programme coordinator within ICRAF will lead the programme, with technical oversight from the ICRAF Regional Coordinator for Southeast Asia, for synergy with the ICRAF's other RES projects globally. The programme coordinator will ensure timely and effective progress towards programme objectives, approval of annual workplans and budgets, and the optimizing of collaborative links with key programme partners. The ICRAF Regional Coordinator will ensure that suitable methods are used, research is of high quality, and that results are fed into appropriate regional and international processes.
16. Two country facilitators, one in the Philippines and one in Viet Nam, will be appointed by ICRAF to manage the programme. Administrative support will be provided by the ICRAF Southeast Asia Regional Office, ICRAF headquarters in Nairobi, Kenya, and country offices in China, the Philippines and Viet Nam.
17. An international advisory committee – building on the ISC of RUPES-I – will continue to provide strategic direction in the implementation, communication and evaluation of the programme. Moreover, as in RUPES-I, national and local advisory committees will ensure that activities are embedded in the local context and that local stakeholders have a say in all stages – from planning to implementation.

## VI. Indicative programme costs and financing

18. The cost to IFAD of the four-year programme will be US\$1.5 million. The ICRAF Southeast Asia Regional Office has assured funding from five other sources: the German Federal Ministry for Economic Cooperation and Development; the Southeast Asian Network for Agroforestry Education; the Ford Foundation; the European Union-Group of Eight; and ICRAF unrestricted core funds, which will support the time dedicated to the programme by ICRAF's senior staff and the share of administrative and overhead costs not met by IFAD. The total programme budget of about US\$3.9 million will be allocated to the five programme components. The programme will be supervised annually by IFAD.

**Summary of budget under IFAD grant**

(In thousands of United States dollars)

| <i>Type of expenditure</i>   | <i>IFAD</i>  |
|--|--------------|
| Personnel (including programme coordination for the overall programme in countries, including Nepal, the Philippines and Viet Nam) | 236          |
| Travel costs   | 102          |
| Operational costs (supplies, rental and general services)  | 111          |
| Consultations and workshops (meetings and workshops, capacity-building and dissemination materials)                                | 468          |
| Action research/partnerships (local partners, technical assistance for sites)  | 420          |
| Administrative cost (12 per cent)  | 163          |
| <b>Total</b>   | <b>1 500</b> |

## Results-based logical framework

| Narrative summary  | Targets/ indicators  | Verification   | Assumptions / risks  |
|--|--|--|--|
| <b>Goal/ intended impact</b>   |  |  |  |
| Rewards for provision of environmental services flow to poor people in an Asian context  | Number of rural households directly benefiting from RES  | Project reports of households benefiting and impact on women     | Overall economic development continues to increase 'downstream' demand for ES across Asia.   |
| <b>Purpose</b>   |  |  |  |
| Dissemination of appropriate RES mechanisms via national policies, buyers of ES and rural development initiatives.   | Number of pro-poor RES schemes established or improved with RUPES II support   | Project reports  | International concerns about climate change and biodiversity loss continue to search for an effective interface with rural poverty |
| <b>Outcomes, by Component</b>  |  |  |  |
| <b>A. National Policy Framework</b><br>National policy makers enabled to design, develop, and implement policy framework for voluntary, realistic, conditional and pro-poor RES, and to actively participate in international fora on environmental agreements | At least 4 Asian countries have developed national policies that are increasingly conducive to realistic, conditional, voluntary, and pro-poor RES | Documented policy recommendations and feedback from meetings     | Governments increase their interest in developing frameworks and policies to enable ES to be traded.                               |
| <b>B. International and National Buyer and Investor Engagement</b><br>International, national, and local ES beneficiaries engage as buyers in RES schemes that address rural poverty as well as secured environmental services                                 | At least 10 potential buyers of ES receive information on opportunities for purchasing ES from rural communities promoted by RUPES II              | Project reports listing buyers and type of information supplied. | Economic and regulatory conditions provide incentives to purchase watershed, carbon and biodiversity ES.                           |
| <b>C. Environmental Services Intermediaries Enabled</b><br>Brokers, certifiers, and other intermediaries enabled to effectively facilitate environmental services reward schemes without excessive transaction costs   | Transaction costs reduced for at least 4 intermediaries identified and supported by RUPES II   | Project reports listing brokers and type of support provided     | Brokerage and certification are viable businesses without excessive transaction costs  |
| <b>D. Innovations in effective, efficient and pro-poor RES mechanisms</b><br>Rural poor and associated project implementers enabled to select from and engage in a wider array of established and contextualised RES mechanisms                                | At least five new approaches to RES developed and tested with partner organizations  | Project reports on results of new approaches                     | Potential exists to develop new RES approaches.  |
| <b>E. Mainstream RES into IFAD rural development initiatives</b><br>IFAD and other agencies increasingly incorporate RES into rural poverty alleviation strategies and programs  | At least 20% of new IFAD projects in Asia consider including RES in their strategies. Other donor projects also incorporate RES.                   | IFAD project concept or inception documents                      | IFAD CPMs and project design teams think it is worthwhile to include RES in project designs.                                       |