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Enabling poor rural people
to overcome poverty

President's report

Proposed grant under the global/regional grants window to the International Food Policy Research Institute (IFPRI) for the Strategic Partnership to Develop Innovative Policies on Climate Change Mitigation and Market Access

Executive Board — Ninety-fifth Session
Rome, 15-17 December 2008

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

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Abbreviations and acronyms

CPMT	country programme management team
IFPRI	International Food Policy Research Institute
JSC	joint steering committee

Recommendation for approval

The Executive Board is invited to approve the recommendation for a grant under the global/regional grants window to the International Food Policy Research Institute for the Strategic Partnership to Develop Innovative Policies on Climate Change Mitigation and Market Access, as contained in paragraph 7.

President's report on a proposed grant under the global/regional grants window to the International Food Policy Research Institute (IFPRI) for the Strategic Partnership to Develop Innovative Policies on Climate Change Mitigation and Market Access

I submit the following report and recommendation on a proposed grant for agricultural research and training to the International Food Policy Research Institute (IFPRI) in the amount of US\$3 million.

Part I – Introduction

1. This report recommends the provision of IFAD support to the research and training programme of the International Food Policy Research Institute (IFPRI).
2. The document of the grant for approval by the Executive Board is contained in the annex to this report:

Strategic Partnership to Develop Innovative Policies on Climate Change Mitigation and Market Access
3. The objectives and content of this applied research programme 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 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 Strategic Partnership to Develop Innovative Policies on Climate Change Mitigation and Market Access responds to the foregoing strategic objectives (e) and (f) inasmuch as it will ensure that poor rural people have better access to, and the skills and organization they need to take advantage of:
 - (a) Local and national policy and programming processes; and
 - (b) Transparent and competitive markets for agricultural inputs and produce.

Part II – Recommendation

7. 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 Strategic Partnership to Develop Innovative Policies on Climate Change Mitigation and Market Access, shall make a grant not exceeding three million United States dollars (US\$3,000,000) to the International Food Policy Research Institute (IFPRI) for a three-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

Strategic Partnership to Develop Innovative Policies on Climate Change Mitigation and Market Access

I. Background

1. The Executive Board approved a cooperation agreement in April 2007 between IFAD and the International Food Policy Research Institute (IFPRI) to further policy innovation and communication (EB 2007/90/R.34). The agreement identifies eight key areas, of interest to both institutions, where there is a particular need for better integration of policy knowledge and development practice. At the same time, a start-up phase of the partnership, funded under the IFAD Initiative for Mainstreaming Innovation, was launched to design a joint programme in policy innovation and communication, and to test various mechanisms of collaboration. After several rounds of consultations, IFAD and IFPRI decided on two key thematic areas to be addressed during the first three years of the partnership: facilitating poor rural producers' access to product markets (with due attention to gender); and confronting climate change (as part of natural resource management) with market-based and other institutional arrangements for the delivery of environmental services.

II. Rationale and relevance to IFAD

2. The programme's rationale rests on the fact that overcoming rural poverty requires effective policy and institutional responses to the new strategic challenges and opportunities facing poor rural people. More specifically, innovative solutions are needed to confront challenges that constantly change as a result of increased commodity prices, global market integration, climate change and environmental degradation. Adequate research and knowledge management capacity is essential for finding these solutions. Policy research institutions such as IFPRI have the capacity to identify and promote innovative, research-based policy options for poverty reduction. Equally important is to ensure that solutions are grounded in the realities of poor people's lives and to invest adequate resources to implement these solutions and adapt them to different contexts. International organizations such as IFAD have the capacity to design and finance development projects through which developing countries can implement such solutions on various scales.
3. The programme focuses on two key challenges, namely how poor rural communities can access and benefit from opportunities offered by (a) high-value commodity markets and (b) public environment policies and markets for environmental services. It is directly linked to IFAD's mission and strategic priorities, and fully aligned with one of the two strategic objectives of the IFAD Policy for Grant Financing: "Promoting pro-poor research on innovative approaches and technological options to enhance field-level impact".

III. The proposed programme

4. The overall goal of the three-year programme is to enable rural poor people, particularly women, to have better access to, and the capacity to take advantage of, new market opportunities, especially markets for high-value agricultural products and those for climate change mitigation and other environmental services. The programme's specific objectives are to:
 - (a) Strengthen the capacity of country programme partners to analyse and address policy issues;
 - (b) Identify, test and evaluate innovative policy, institutional and programme options for improved access to new market opportunities; and
 - (c) Disseminate and mainstream the identified options so that they become solutions in national policies and investment programmes.

5. The following activities will be undertaken in parallel, as relevant to the agenda defined for each of the study's focus countries, in collaboration with participating country programmes:

High-value commodity market access activities

- (a) Undertaking an assessment of policies and regulations that affect small farmers' access to dynamic markets;¹
- (b) Testing innovative contract farming structures and other institutional mechanisms for increasing smallholder participation in modern value chains;
- (c) Developing and testing best practices for evaluating the impact of market and government failures and devising innovative approaches to reduce their incidence;
- (d) Developing a scaling-up methodology based on agro-climatic and market access conditions; and
- (e) Synthesizing the knowledge gained in a toolbox of methods, and incorporating this knowledge into an enhanced knowledge management system.

Climate change mitigation and market access activities

- (a) Identifying the potential climate mitigation service to be supplied by poor rural households and communities, and the benefits accruing to them;
- (b) Identifying, testing and evaluating promising new approaches to involve poor rural people in the provision of climate mitigation and other environmental services; and
- (c) Synthesizing the knowledge gained in a manual of best-fit approaches and practices, and mainstreaming it through a strengthened knowledge management system, thus facilitating access by country programme partners.

Programme support functions

6. The above research-based activities will be supported by the following set of activities or functions:
- (a) **Capacity-building.** The programme will implement capacity-strengthening workshops for policy analysis, which will translate research on opportunities in high-value commodity or carbon markets into action on the ground.
 - (b) **Knowledge management.** Knowledge-sharing will occur through an open portal providing access to full documentation about programme processes, methods and results. The portal will benefit focus-country professionals and others who may wish to consult it when developing programme interventions in non-focus countries.
 - (c) **Innovation networks.** Development of an informal network of policy analysts, policy advisors and policymakers within the focus countries that will link with existing IFAD and IFPRI networks at country or regional levels.² The

¹ This includes policies and regulations pertaining to market infrastructure (such as market information systems, grading systems, and food-safety certification), credit delivery (including new mechanisms such as risk-ranking techniques for private-sector lending to small farmers), trade, and institutional arrangements that facilitate the recognition of smallholders as providers of safe food (public-private partnerships, cooperatives and collective action).

² **Asia and the Pacific:** Knowledge Networking for Rural Development in Asia/Pacific Region (ENRAP); and a regional grant on pro-poor policy implemented with the Food and Agriculture Organization of the United Nations. **Western and Central Africa:** FIDAFRIQUE and the Rural Hub, which is already liaising with the IFPRI office in Dakar. **Near East and North Africa:** KariaNet, the regional knowledge-sharing network funded and implemented in partnership with the International Development Research Centre (IDRC); and regional assessment activities on poor rural people's access to markets for herbal and medicinal plants, conducted in partnership with the International Center for Agricultural Research in the Dry Areas (ICARDA) and national agricultural research systems. **Latin America and the Caribbean:** Corporation for Regional Rural Development Training (PROCASUR); the Regional Unit for Technical Assistance (RUTA); the Commission on Family Farming of the Common Market of the South (REAF-MERCOSUR) IFAD-funded programme, "Strengthening of the Participation of Small Farmers' Organizations in Policy Dialogue within the Commission on Family Farming of MERCOSUR"; and the joint IFAD-IDRC Initiative "Regional Research and Dissemination on Campesino Innovations."

network will facilitate innovation and the adoption of policy options emanating from programme research activities.

- (d) **Communication activities.** The programme will develop both an internal and external communication strategy to maximize synergies while ensuring that programme outputs reach key stakeholders who can benefit from them.

IV. Expected outputs and benefits

7. These are the following:
 - (a) In-country policy advisory networks established for translating policy research outputs into action-oriented programmes;
 - (b) Capacity of country programme management teams (CPMTs), collaborators and professionals strengthened for identifying key policy issues related to thematic areas, analysing the solutions based on the research outputs, and translating policy options into programme interventions;
 - (c) A set of specific policy and institutional interventions for contract farming and climate mitigation tested and evaluated, and an online inventory of institutional and policy innovations made available to country programmes and their stakeholders;
 - (d) A demand-driven, knowledge-generation/sharing system for two-way communication between policy researchers and policy and development practitioners functional and operating; and
 - (e) A toolbox of methods developed and disseminated, including manuals on: the recommendation domains methodology; governance and impact assessment methods; best-fit practices and policy and institutional requirements to improve access; scaling up; and a toolkit for household and value chain actor surveys.

V. Implementation arrangements

8. **Selection of focus countries.** The programme will focus on four countries, whose selection will be based on various criteria aimed at maximizing the likeliness of success, including relevance of the thematic focus of country programmes, prior work and organizational presence of IFAD and IFPRI in the country, presence of a supportive policy environment, and ownership and engagement of CPMTs. Country programmes will participate on a voluntary basis and be selected in a transparent way, based on the merits of their case. Country programmes are expected to provide a financial contribution that needs to be planned for early on, and consideration should be given to using country grants to help finance such participation.
9. **Consultative process and planning at the country level.** Once the focus countries are selected, consultations with the country programme staff in these countries will be used to shape the research agenda and identify project sites where research activities will be conducted. Agreements reached in each country will then be consolidated in an umbrella memorandum of understanding between the programme and the concerned CPMTs. Partners with ongoing field programmes in the participating countries could eventually be brought into the programme during implementation (a consortium approach) – in particular other Consultative Group on International Agricultural Research (CGIAR) member institutions such as the Center for International Forestry Research and the World Agroforestry Centre in relation to environmental services.
10. **Joint steering committee (JSC).** Since the programme builds on a partnership between IFAD and IFPRI, its governance will involve a joint steering committee

co-chaired by one member of the senior management of each organization. Its membership will include two persons from each organization, to be designated by their respective management.

11. **Programme coordinators.** IFAD and IFPRI will appoint, respectively, a programme focal point and a programme coordinator who will attend JSC meetings as observers and collaborate closely to develop a joint annual progress report, to be submitted to the JSC as part of the annual programme and budget process.
12. **Twice yearly progress review meetings.** Two programme progress review meetings will be held, one of which in conjunction with the annual JSC meeting. These meetings will serve to oversee progress of the IFAD-IFPRI programme and related partnership issues.

VI. Indicative programme costs and financing

13. To finance the programme, IFAD will provide a grant totalling about US\$3 million over three years, as follows:
 - Year 1: US\$1,002,687.34
 - Year 2: US\$956,578.07
 - Year 3: US\$1,039,185.88
14. In addition IFPRI will provide cofinancing of about US\$0.6 million by mobilizing the support of closely related research projects, and with in-kind support. The cost of the grant and partnership management to IFAD will be absorbed within the administrative budget of IFAD's Policy Division. Country programmes are expected to contribute to the cost of national and local-level consultations with key stakeholders and to provide general logistical support for research activities. The precise costs of these contributions cannot be anticipated as they depend on each particular context and on the choice of participating countries. They will be detailed in the umbrella memorandum of understanding.

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

<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing^a</i>
Salaries	967.4	415.4
National collaborators' fees	450.0	-
Travel costs	400.2	17.3
Field impact assessment	280.0	-
Operational costs, reporting and publications	348.9	83.1
Conferences and workshops/capacity- building and training ^b	134.0	-
Indirect costs	418.0	83.6
Total	2 998.5	599.4

^a Where applicable

^b These costs do not include the cost of staff and collaborators' involved in conducting these activities and in producing the methodology kits and training manuals, which are covered in the salary category. When necessary, the programme will consider increasing the amount of money spent on capacity-building and on other in-country activities during implementation

Results-based logical framework (High-level summary)

Objectives Hierarchy	Objectively verifiable indicators	Means of Verification	Assumptions
<p>Goal:</p> <p>To enable the rural poor – with due attention to gender- to have better access to and capacity to take advantage of new market opportunities, especially markets for high-value agricultural products and markets for climate change mitigation and other environmental services.</p>	<p>Variation of Small farmers' and other rural poor share of total value added from improved market access</p> <p>Number of small farmers benefiting from climate change mitigation measures income diversification;</p> <p>Number of cases of adoption and adaptation of new policies and contractual arrangements by policymakers and other partners in participating countries</p>	<p>Assessments of livelihoods and living standards</p> <p>Country programme (M&E) reports</p> <p>Analysis of Government and Donors' country strategies & programmes</p>	<p>Sufficient buy-in by IFAD-funded country programmes in the proposed activities is achieved</p> <p>Openness of policymakers to issues and policy options identified</p> <p>No environmental or economic disasters occur in participating countries.</p>
<p>Objectives:</p> <ol style="list-style-type: none"> To strengthen the capacity of country programme partners to address policy issues; To identify, test, and evaluate innovative policy, and institutional options for better market access; To disseminate and mainstream the identified options so that they become solutions in national policies & investment programmes. 	<p>Number of rural households engaged in projects that prototype the potential solutions identified</p> <p>Number of country programmes or projects scaling up policy and institutional innovations</p> <p>Number of country programmes or projects with increased quality enhancement/assurance (QE/QA) scores in participating countries</p>	<p>COSOPs / QE&QA process</p> <p>IFAD Portfolio Reviews, project supervisions & Evaluation.</p> <p>IFPRI publications/ policy reports, workshops</p> <p>Stakeholder feed backs and participants self-assessments</p>	<p>UNCCF Copenhagen Process makes progress in reforming the rules of the CDM</p> <p>Key IFAD Staff actively participate in the orientation and monitoring of country-based activities</p>
<p>Outputs:</p> <ol style="list-style-type: none"> A t of specific policy and institutional pilot interventions; A toolbox of methods developed and disseminated; CPMTs' capacity strengthened. 	<p>Number of Reports and publications about policy options and institutional arrangements for pro-poor access to markets presented in journals, policy briefs, and workshops</p> <p>Number of knowledge-generation and sharing systems operating and of in-country policy advisory networks established</p>	<p>Benchmarking assessment of Participating Country programmes</p> <p>IFPRI reports, policy briefs, dedicated publications, Programme</p>	