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Enabling poor rural people
to overcome poverty

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

Note to Executive Board representatives

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Abbreviations and acronyms

AGRINATURA	European Alliance on Agricultural Knowledge for Development
CGAP	Consultative Group to Assist the Poor
CGIAR	Consultative Group on International Agricultural Research
CPM	country programme manager
EEIG	European Economic Interest Grouping
EIS	environmental information system
ESS&F	ecosystem services and functions
FAO	Food and Agriculture Organization of the United Nations
IPAF	Indigenous Peoples Assistance Facility
MPIDO	Mainyoito Pastoralists Integrated Development Organization

Recommendation for approval

The Executive Board is invited to approve the recommendations for grants under the global/regional grants window to non-CGIAR-supported international centres as contained in paragraph 7.

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

I submit the following report and recommendation on six proposed grants for agricultural research and training to non-Consultative Group on International Agricultural Research (CGIAR)-supported international centres in the amount of US\$7,435,000.

Part I – Introduction

1. This report recommends the provision of IFAD support to the research and training programmes of the following non-CGIAR-supported international centres: International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA);¹ MADRE Inc., Mainyoto Pastoralists Integrated Development Organization (MPIDO) and Tebtebba Foundation; University of Kassel as grant recipient for the WATERCOPE research and development consortium; Food and Agriculture Organization of the United Nations (FAO); and AGRINATURA-EEIG (European Alliance on Agricultural Knowledge for Development-European Economic Interest Grouping).
2. The documents of the grants for approval by the Executive Board are contained in the annexes to this report:
 - (i) International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA): Developing Inclusive Financial Systems for Improved Access to Financial Services in Rural Areas;
 - (ii) MADRE Inc., Mainyoto Pastoralists Integrated Development Organization (MPIDO) and Tebtebba Foundation: Indigenous Peoples Assistance Facility (IPAF);
 - (iii) University of Kassel-WATERCOPE: Supporting National Research Capacity and Policy Development to Cope with Dwindling Water Resources and Intensifying Land Use in the Transborder Altay-Dzungarian Region of Mongolia and China;
 - (iv) Food and Agriculture Organization of the United Nations (FAO): "Leading the Field" Initiative of the International Treaty on Plant Genetic Resources for Food and Agriculture;
 - (v) Food and Agriculture Organization of the United Nations (FAO): Pro-Poor Policy Approaches to Address Risk and Vulnerability at the Country Level; and

¹ The grant will be implemented by the Consultative Group to Assist the Poor (CGAP). CGAP was established in 1995 as a consortium of public and private donors with its secretariat located in the World Bank.

- (vi) AGRINATURA-EEIG (European Alliance on Agricultural Knowledge for Development-European Economic Interest Grouping): Empowering Smallholder Farmers in Markets (ESFIM)
3. The objectives and content of these applied research programmes are in line with the evolving strategic objectives of IFAD and the Fund's policy for grant financing.
 4. The overarching strategic goal that drives the revised IFAD Policy for Grant Financing, approved by the Executive Board in December 2009, is to promote successful and/or innovative approaches and technologies, together with enabling policies and institutions, that will support agricultural and rural development, empowering poor rural women and men in developing countries to achieve higher incomes and improved food security.
 5. The policy aims to achieve the following outputs: (a) innovative activities promoted and innovative technologies and approaches developed in support of IFAD's target group; (b) awareness, advocacy and policy dialogue on issues of importance to poor rural people promoted by, and on behalf of, this target group; (c) capacity of partner institutions strengthened to deliver a range of services in support of poor rural people; and (d) lesson learning, knowledge management and dissemination of information on issues related to rural poverty reduction promoted among stakeholders within and across regions.
 6. The proposed programmes are in line with the goal and outputs of the revised IFAD grant policy:
 - (a) The IBRD-IDA programme for Developing Inclusive Financial Systems for Improved Access to Financial Services in Rural Areas is consistent with the strategic objectives of IFAD's revised grant policy and supports IFAD's policy on rural finance by: (i) building the financial market infrastructure in rural areas; (ii) fostering a supportive policy framework for rural finance; (iii) improving the delivery, outreach and sustainability of financial services for poor people in rural areas; (iv) building the capacity of IFAD stakeholders and partners in rural finance in all regions; (v) leveraging strategic partnerships with centres of excellence in rural finance and microfinance to improve IFAD operations and impact; and (vi) improving performance information from rural financial service providers to promote greater transparency and inclusion in the sector.
 - (b) The MADRE Inc., MPIDO and Tebtebba Foundation programme for the IPAF contributes to the achievement of all expected outputs of the IFAD grant policy by: (i) creating direct partnerships with communities and organizations of indigenous peoples through the financing of microgrants, providing an instrument for listening and learning that is useful in identifying indigenous peoples' needs, solutions and innovations, and supporting partnership-building to strengthen indigenous peoples' platforms at the national, regional and global levels; (ii) raising awareness and increasing advocacy and policy dialogue on issues of importance to poor rural people, particularly indigenous peoples; (iii) building the capacity of indigenous peoples' organizations at the regional and national/grass-roots levels; and (iv) increasing the knowledge, learning and dissemination of poverty reduction strategies of indigenous peoples' communities.
 - (c) The University of Kassel-WATERCOPE programme – Supporting National Research Capacity and Policy Development to Cope with Dwindling Water Resources and Intensifying Land Use in the Transborder Altay-Dzungarian Region of Mongolia and China – will provide IFAD with adapted coping strategies for areas in Central Asia that are confronted with dwindling land and water resources. It will strengthen local herder and farmer groups, and improve national research capabilities and policies in the region.

- (d) The overall goal of the FAO programme, the “Leading the Field” Initiative of the International Treaty on Plant Genetic Resources for Food and Agriculture, is to develop and promote innovative actions and strategies that enable vulnerable farmers and their communities to adapt to climate change and enhance food security. It will also contribute to strengthening the capacity of partner institutions to deliver services in support of poor rural people, and to lesson learning, knowledge management and dissemination of information on issues related to rural poverty reduction.
- (e) The FAO programme for Pro-Poor Policy Approaches to Address Risk and Vulnerability at the Country Level will promote enabling policies and institutions that will support agricultural development through better management of risk, thereby contributing to higher incomes and improved food security for the rural poor, mainly smallholders. It is also consistent with the objective, set out in the Grant Strategy for Asia and the Pacific, of supporting innovations that reduce the risk and vulnerability faced by poor rural men and women through strengthening institutions and policies that promote their interests.

Part II – Recommendation

7. 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 Developing Inclusive Financial Systems for Improved Access to Financial Services in Rural Areas programme, shall make a grant not exceeding one million five hundred thousand United States dollars (US\$1,500,000) to the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) 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.

FURTHER RESOLVED: that the Fund, in order to finance, in part, the Indigenous Peoples Assistance Facility (IPAF), shall make a grant not exceeding five hundred and seventy-seven thousand seven hundred and ten United States dollars (US\$577,710) to MADRE Inc.; a grant not exceeding four hundred five thousand six hundred and seventy United States dollars (US\$405,670) to Mainyuito Pastoralists Integrated Development Organization (MPIDO); and a grant not exceeding four hundred and sixty-six thousand six hundred and twenty United States dollars (US\$466,620) to Tebtebba Foundation 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.

FURTHER RESOLVED: that the Fund, in order to finance, in part, the University of Kassel-WATERCOPE: Supporting National Research Capacity and Policy Development to Cope With Dwindling Water Resources and Intensifying Land Use in the Transborder Altay-Dzungarian Region of Mongolia and China programme, shall make a grant not exceeding one million four hundred and eighty-five thousand United States dollars (US\$1,485,000) to the University of Kassel 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 “Leading the Field” Initiative of the International Treaty on Plant Genetic Resources for Food and Agriculture, shall make a grant not exceeding one million five hundred thousand United States dollars (US\$1,500,000) to the Food and Agriculture Organization of the United Nations (FAO) 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.

FURTHER RESOLVED: that the Fund, in order to finance, in part, the Pro-poor Policy Approaches to Address Risk and Vulnerability at the Country Level, shall make a grant not exceeding one million five hundred thousand United States dollars (US\$1,500,000) to the Food and Agriculture Organization of the United Nations (FAO) 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 recipient of the grant approved by the Executive Board at its ninety-fifth session in December 2008, in order to finance the programme Empowering Smallholder Farmers in Markets (ESFIM), shall be changed from International Federation of Agricultural Producers (IFAP) to AGRINATURA-EEIG (European Alliance on Agricultural Knowledge for Development-European Economic Interest Grouping).

Kanayo F. Nwanze
President

International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA): Developing Inclusive Financial Systems for Improved Access to Financial Services in Rural Areas

I. Background

1. Through the IFAD Rural Finance Policy, revised and approved by the Executive Board in 2009, IFAD has confirmed its commitment to continuously seeking more effective ways to support the rural finance sector. Given these institutional commitments, and that approximately 20 per cent of all IFAD projects focus on rural finance, it is essential that IFAD work with strong partners to continually improve its operations in rural finance and incorporate state-of-the-art thinking and experience in the sector.
2. One of IFAD's key partners in rural finance is the Consultative Group to Assist the Poor (CGAP). As an independent internationally-recognized policy and research centre dedicated to advancing financial access for the world's poor, CGAP coordinates an active network of over 30 development agencies and private foundations working in rural and microfinance.
3. IFAD's partnership with CGAP offers a number of important avenues for technical exchange, and allows for more effective dissemination of knowledge and experience in rural finance. IFAD's membership of CGAP has also allowed the Fund to benefit from its advisory services, through participation in technical review committees, joint publication of cases studies in rural finance, the Microfinance Donor Peer Reviews in 2002 and 2005, and the 2009 SmartAid for Microfinance Index.

II. Rationale and relevance to IFAD

4. Access to financial services is a fundamental tool for improving a family's well-being and productive capacity. The overarching objective of CGAP is to improve poor people's access to affordable and convenient financial services. CGAP's focus is on ensuring that local financial markets are **equitable** (financial services do not leave some poor people, regions or countries behind) and **efficient** (financial services are delivered in the most cost-effective way), and that finance for the poor is fully integrated into mainstream financial markets.
5. Since its creation in 1995, CGAP has established itself as a recognized leader and knowledge centre providing advisory services and information to a wide array of actors engaged in rural finance. Its extensive access to United Nations agencies, the donor community and other major stakeholders enables it to form partnerships that result in building consensus, as well as sharing costs.
6. CGAP serves as an effective platform for the exchange of concepts, designs and technical advice in rural finance. CGAP is widely considered to be the leading global resource centre for access to finance. This is reflected in testimonials from CGAP's members and partners, which in turn increases uptake by various stakeholders (including key standard-setting bodies).
7. Working with CGAP allows IFAD to benefit from its activities and technical tools, and transmit them to partners in the field. In addition, through the CGAP network, IFAD works with other practitioners to test approaches, share its experiences in rural finance with the donor community and learn from the experience of others. CGAP also serves as a gateway for IFAD to disseminate its successful project experience to other donors and stakeholders, and to share lessons learned from less successful projects. The high visibility of CGAP-supported initiatives also provides

opportunities to identify additional areas of relevance to the IFAD portfolio and partners to scale up IFAD interventions.

8. One of the main pillars of CGAP's work is improving the effectiveness of funding in extending access to finance. The SmartAid Index is a service for funders that seek to better understand how internal management systems, policies, procedures and incentives affect their work in microfinance. IFAD participated in the 2009 SmartAid for Microfinance Index review. During the exercise several areas for improvement were identified and IFAD is to implement CGAP's recommendations, such as:
 - Develop in-house training plans in collaboration with regional divisions;
 - Map out qualified technical service providers, networks, consulting firms and centres of excellence in microfinance/rural finance;
 - Structure formal partnerships with several regional centres of excellence; and
 - Review performance monitoring flow and institute requirement for systematic use of performance-based contracts.
9. CGAP is committed to providing support to IFAD throughout the implementation process, including advisory services for technical staff and management.
10. Finally, CGAP produces annual surveys on access to finance and funding flows. The CGAP annual survey of financial regulators covers more than 140 countries, while information on funding levels is provided by more than 150 donors and investors, including IFAD.

III. The proposed programme

11. The overall goal of the programme is to unlock access to a wide range of sustainable rural financial services in an inclusive financial system. Secondly, by building stronger partners in the field, this grant will also enhance IFAD's operational effectiveness and have an impact on its rural finance interventions.
12. The programme's objectives are to:
 - Build the financial market infrastructure in rural areas;
 - Foster a supportive policy framework for rural finance;
 - Improve the delivery, outreach and sustainability of financial services for poor people in rural areas;
 - Build the capacity of IFAD stakeholders and partners in rural finance in all regions;
 - Leverage strategic partnerships with centres of excellence in rural finance and microfinance to improve IFAD operations and impact;
 - Improve performance information from rural financial service providers to promote greater transparency and inclusion in the sector.
13. The target group of this grant is the range of stakeholders in the rural finance sector, throughout all countries in which IFAD operates. An estimated 90 per cent of people living in rural areas lack access to reliable financial services. More specifically, IFAD's activities in rural finance target small-scale producers engaged in agricultural and non-agricultural rural economic activities that use better access to financial services to improve their productivity, asset formation, income, and food security.
14. In addition, this grant will benefit the various types of financial service providers operating in rural areas by building their capacity to serve the rural poor in a sustainable fashion. In particular, the programme will also reach out to branchless

banking actors who are highly relevant to increasing the outreach of poor people in rural areas with technology solutions (e.g. mobile phones, smartcards, etc.).

15. The programme will reach out to policymakers involved in rural finance through its advisory services, but also through its standards for the industry in the area of regulation and supervision, consumer protection and branchless banking policies, which is essential for the expansion of rural finance.

16. The three-year programme will have five main components.

Building the financial market infrastructure in rural areas

17. This grant will contribute to the CGAP Technology Program, which is funding experiments focused on branchless banking models in rural areas. Branchless banking has great potential to extend the distribution of financial services to poor people who are not reached by traditional bank branch networks.
18. CGAP will disseminate lessons learned on how to reach the poorest through its Graduation Program. This programme is a global effort to understand how safety nets, livelihoods and microfinance can be sequenced to create pathways for the poorest to graduate out of extreme poverty.
19. Finally, CGAP will continue to support the Microfinance Information eXchange (MIX), which provides performance information on close to 2,000 financial institutions serving poor clients.

Fostering a supportive policy framework for rural finance

20. CGAP's policy work focuses on building favorable policy and regulatory frameworks for financial service providers serving the billions of poor people worldwide who lack access to safe, appropriate and affordable financial services.
21. CGAP will comment on draft inclusive finance policy and regulation proposals in several countries included in the IFAD portfolio of interventions. In addition, CGAP will disseminate good practice standards on regulation and supervision through its communication channels, publications and events.
22. CGAP will also organize awareness-building and training events for rural finance policymakers and render scholarships.

Developing knowledge management tools in rural finance

23. Building on an analysis of the main issues confronting IFAD stakeholders in rural finance, CGAP will contribute to the development of a series of IFAD training modules and supporting materials on priority issues and will also assist IFAD in delivering these capacity development sessions.

Supporting linkages with centres of excellence in rural finance

24. Leveraging its international network of members, its regional representatives and connections, CGAP will assist IFAD in identifying qualified technical service providers in rural finance that are relevant to IFAD's in-country partners and stakeholders.

Improving performance information from rural financial service providers

25. Given the importance of providing quality services through sustainable institutions that are performing well, CGAP will assist IFAD in designing its key performance indicators in rural finance, including those relating to community-based service providers (e.g. savings and credit cooperative organizations, financial service associations). CGAP will review the Results and Impact Management System (RIMS) and rural finance indicators, and will assist IFAD in the process of understanding and tracking the performance of its rural finance. CGAP may also support the development of a monitoring system, in cooperation with the MIX.

IV. Expected outputs and benefits

26. Responding to the main objectives detailed above, the expected outputs from this grant are set out below.

<i>Outputs</i>	<i>Outcomes</i>
Build the financial market infrastructure in rural areas	
<ul style="list-style-type: none"> Experiments with new branchless banking models completed; key lessons disseminated. New models to serve the poorest developed and tested. 	<ul style="list-style-type: none"> Understanding of branchless banking models with potential to serve large numbers of people improved. Innovative approaches to reach the most marginalized people scaled up.
Foster a supportive policy framework for rural finance	
<ul style="list-style-type: none"> Relevant policymakers in IFAD partner countries advised and trained on good practice in rural finance. A number of draft inclusive finance policy and regulation proposals in IFAD partner countries reviewed. 	<ul style="list-style-type: none"> Financial service providers enabled to reach out to the rural poor and clients protected. Undesired policies and/or programmes averted.
Develop knowledge management tools in rural finance	
<ul style="list-style-type: none"> Newly designed capacity development modules implemented by IFAD partner organizations. Technical documents on key issues used by IFAD partner organizations. 	<ul style="list-style-type: none"> More effective projects, stronger institutions and better financial products to reach the poor established.
Support linkages with centres of excellence in rural finance	
<ul style="list-style-type: none"> IFAD's cooperation/collaboration with partners strengthened. 	<ul style="list-style-type: none"> Systematic exchange on key issues established.
Improve performance information from rural financial service providers	
<ul style="list-style-type: none"> Key performance indicators for various institutional types applied by IFAD partner institutions. 	<ul style="list-style-type: none"> Transparency, performance tracking and monitoring increased.

V. Implementation arrangements

27. The grant will be implemented by CGAP as a consortium of public and private donors with its secretariat located in the World Bank. CGAP has an autonomous governance structure that consists of the Council of Governors, composed of member donors, the Executive Committee and the Investment Committee. Housed at the World Bank, the Operational Team implements CGAP's activities.
28. CGAP manages a grant fund to support its activities. Acting on behalf of the Council of Governors, the Investment Committee is the fiduciary oversight body for the fund charged with ensuring that CGAP investments support the strategic priorities set by the Council. One representative each of the Executive Committee and the Council join the Investment Committee as observers. At each Investment Committee meeting, CGAP presents a short overview on the performance of current open commitments.
29. The Operational Team implements the strategy endorsed by the Council of Governors. The Operational Team is headed by Chief Executive Officer, who is also a director of the World Bank. The Chief Executive Officer works closely with the senior management team to ensure that CGAP's activities are consistent with its mission and carried out both efficiently and effectively. The Operational Team is based in Washington, D.C., with an office in Paris, France, that focuses primarily on aid effectiveness. CGAP also has two small satellite offices in Connecticut, United States; and Brussels, Belgium, and has regional representation in Bangladesh, Kenya, the Russian Federation and Senegal.

30. Given its range of expertise and proven management capabilities, the implementation of grant activities will be conducted by CGAP and supervised by the IFAD rural finance team in the Policy and Technical Advisory Division in Rome.

VI. Indicative programme costs and financing

31. CGAP currently receives total funding of around US\$16 million per year, not including the funding of the technology initiative with the Bill and Melinda Gates Foundation amounting to US\$26 million over the next five years. The total donor contribution in 2009 was US\$16 million. Contributions to CGAP's core budget in 2010 reached a three-year high at US\$12 million. As this was the first year in the launch of a new five-year strategy, this represents a significant commitment by CGAP members. CGAP's financial position is sound.

Summary of budget and financing plan

(In thousands of United States dollars)

<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing^a</i>
Personnel (including subcontractors)	1 325	
Travel costs	100	
Administrative fees (5 per cent)	75	
Total	1 500	21 400

^a Preliminary budget July 2010–June 2011 (financial year 2010); contribution by donors – core and designated, interest income and foreign exchange gains; not including the funding of IFAD; budget financial year 2009: US\$22,537,290.

Results-based logical framework

	Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	Unlock access to a wide range of sustainable rural financial services in an inclusive financial system. Enhance IFAD's operational effectiveness and impact in its rural finance interventions by building stronger partners in the field.	Corporate Level Evaluation (CLE) of IFAD's Rural Finance Policy or Peer Review of Aid Effectiveness scores increase by 20% against previous CLE or Peer Review.	CLE report or SmartAid for Microfinance feedback report.	Management support and sufficient financial resources available for capacity building and institutional development and change processes.
Objectives	<ul style="list-style-type: none"> Build the financial market infrastructure in rural areas Foster a supportive policy framework for rural finance Improve the delivery, outreach, and sustainability of financial services for poor people in rural areas Build the capacity of IFAD stakeholders and partners in rural finance in all regions Leverage strategic partnerships with centres of excellence in rural finance and microfinance to improve IFAD operations and impact Improve performance information from rural financial service providers to promote greater transparency and inclusion in the sector 	<p>Improved financial market infrastructure, policy frameworks, service delivery, number of target clients reached and financial and economic performance by 10% annually on average for all supervised rural finance components and projects.</p> <p>Project participating financial institutions report 10% increase of target client outreach annually.</p> <p>The number of project participating financial institutions that achieve operational self-sufficiency increases by 10% annually.</p>	<p>Reports of IFAD Direct Supervision missions worldwide;</p> <p>Grant status reports by grant recipients.</p> <p>Performance-based agreements / contracts with project participating financial institutions;</p> <p>Annual MIX-market reports.</p>	<p>Rural finance sector remains relatively unaffected by economic and financial crises.</p> <p>No counterproductive projects and programmes by other donors and investors in the financial sector.</p>
Outcomes	<ul style="list-style-type: none"> Improved understanding of branchless banking models that have the potential to serve large numbers of people in rural areas. Innovative approaches to reach the most marginalized people scaled up. Financial service providers are enabled, through a conducive environment, to reach out to the rural poor; and clients are protected. Undesired policies and / or programmes averted. More effective projects, stronger institutions and better financial products to reach the poor Systematic exchange on key issues established. Increased transparency and performance tracking and monitoring. 	<p>5 cases of good branchless banking model practices developed and published;</p> <p>5 cases of innovative approaches implemented and published;</p> <p>5 cases of rural financial market macro-level reforms reported;</p> <p>3 national microfinance policies reported as international good practices;</p> <p>3 international best practice learning cases regarding project outlines, institutions and products documented;</p> <p>IFAD' knowledge management system connected with on-the-spot systematic exchange on key issues;</p> <p>3 performance tracking and monitoring good practice cases documented.</p>	<p>CGAP Monthly Update;</p> <p>CGAP Annual Reports;</p> <p>CGAP Briefs and Focus Notes</p>	CGAP expects contributions from other member donors in order to implement all planned activities.
Outputs	<ul style="list-style-type: none"> Experiments with new branchless banking models completed; key lessons disseminated. New models to serve the poorest in rural areas developed and tested. Relevant policy makers in IFAD partner countries advised and trained on good practice rural finance. A number of draft inclusive finance policy and regulation proposals in IFAD partner countries reviewed. Newly designed capacity development modules on rural finance implemented by IFAD partner organizations. Technical documents on key issues in rural finance used by IFAD partner organizations IFAD's cooperation and collaboration with partners and centers of excellence in rural finance strengthened. 	<p>6 branchless banking experiments are completed;</p> <p>8 graduation pilot project completed;</p> <p>8 training courses conducted;</p> <p>2 revised policy documents;</p> <p>40 people trained;</p> <p>6 technical documents applied by IFAD partner organizations;</p> <p>2 partnership agreements with centers of excellence in rural finance;</p> <p>15 participating financial institutions applying key performance indicators.</p>	<p>Partially related to CGAP reporting e.g. monthly and annual updates;</p> <p>For certain outputs IFAD internal resources, e.g. supervision mission reports, portfolio reviews etc.</p>	n/a

	Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Key Activities	<ul style="list-style-type: none"> • Key performance indicators in rural finance for various institutional types applied by IFAD partner institutions. • Experiments with branchless banking models in rural areas. Implementation and lessons learned on how to reach the poorest through the "graduation programme". Comments and reviews of draft inclusive finance policy and regulation proposals in several countries included the IFAD portfolio of interventions. Dissemination of good practice standards on regulation and supervision through various communication channels, publications and events .Organization of awareness-building and training events for rural finance policymakers. Development of training modules and supporting materials on priority issues such as supporting decentralized community based institutions, key performance indicators, working with apex organizations etc. Facilitation of collaboration with centers of excellence in rural finance will • Development of rural finance performance indicators; support to the development of IFAD's tracking and monitoring system. 	n/a	n/a	

MADRE Inc., Mainyito Pastoralists Integrated Development Organization (MPIDO) and Tebtebba Foundation: Indigenous Peoples Assistance Facility (IPAF)

I. Background

1. Indigenous peoples are significantly overrepresented among the poor, comprising about 15 per cent of those living below the poverty line. Since IFAD started operations in 1978, indigenous peoples living in rural areas of developing countries have been among the target groups of the projects and programmes that the Fund supports, particularly in Asia and in Latin America.
2. Based on its experience, IFAD has learned the importance of recognizing the diversity and distinctiveness of peoples and rural communities, and of valuing and building on their diversity as an asset and source of economic potential. It is within this perspective that IFAD approved its Policy on Engagement with Indigenous Peoples in September 2009.¹ This new policy aims to enhance IFAD's development effectiveness in its engagement with communities of indigenous peoples in rural areas, and especially to empower indigenous peoples to overcome poverty by building upon their identity and culture.
3. The policy provides for the strengthening of IPAF as an innovative instrument to build up partnerships with indigenous peoples' organizations and foster self-driven development of indigenous peoples' communities.
4. The IPAF was created in IFAD in 2006, following a letter of agreement signed by the World Bank and IFAD to transfer the World Bank Grants Facility for Indigenous Peoples to IFAD, where it was renamed the Indigenous Peoples Assistance Facility. During its eighty-eighth session in September 2006, IFAD's Executive Board approved the transfer of the Facility and its governance structure.²
5. Two successful IPAF calls for proposals were issued in 2007 and 2008. Seventy-one projects were financed in 38 countries worldwide for a total amount of about US\$1.5 million.³
6. In several countries, a direct link between IPAF microprojects and IFAD country programmes has been established, either by including the community in a larger programme funded by IFAD, by scaling up the IPAF microprojects or by including the organization in the IFAD country programme management team. Examples include projects in the Plurinational State of Bolivia, Malaysia, Nicaragua, Panama and Rwanda.
7. The first two cycles of the IPAF have been characterized by a "learning by working" approach, with a view to improving the Facility on the basis of the lessons learned.⁴ These lessons informed the 2010–2014 IPAF medium-term strategy that was developed in 2010 in cooperation with the IPAF Board and endorsed by IFAD Management.

¹ http://www.ifad.org/english/indigenous/documents/ip_policy_e.pdf

² EB 2006/88/R.40.

³ In 2007 and 2008 the IPAF and its related activities were financed by IFAD, World Bank, Norway, Canada, Finland and Italy in the total amount of US\$2.12 million. IFAD contributed US\$823,000; World Bank US\$415,000; Norway US\$625,000; Canada US\$150,000; Finland US\$77,000; and Italy US\$30,000.

⁴ The experience of the first two cycles of the IPAF is captured in the report *Learning by Working Together – Microprojects financed through the Indigenous Peoples Assistance Facility (IPAF); Aprender trabajando juntos – Microproyectos financiados por el Fondo de Apoyo a los Pueblos Indígenas* (IPAF) February 2010 English: http://www.ifad.org/english/indigenous/pub/documents/microproyectos_e.pdf and Spanish <http://www.ifad.org/english/indigenous/pub/documents/microproyectos.pdf>

8. The strategy aims to: (i) increase the efficiency of the Facility, in particular by reducing transaction costs for IFAD; (ii) empower indigenous peoples' organizations at the regional level to manage financial instruments to support grass-roots development initiatives; (iii) strengthen the link between IPAF microprojects and IFAD-funded projects at the country level; and (iv) ensure a stable financial resource base through a combination of IFAD grant resources and cofinancing from a group of committed donors (governments, foundations, NGOs).
9. These objectives will be achieved with the support of indigenous peoples' organizations at the regional level who will manage the IPAF by channelling resources to IPAF sub-grantees, and monitoring and supervising their projects. The regional organizations will play a catalytic role in strengthening their platforms and bridge the gap between the international arena and the grass-roots organizations.
10. Efforts will be made to embed the microprojects in IFAD's operations at the country level, including through monitoring and supervision of IPAF microprojects in conjunction with supervision of the related IFAD-funded projects, and in collaboration with the regional organizations managing the IPAF.
11. The decentralization of the IPAF will coincide with the establishment at IFAD of the Indigenous Peoples' Forum to be held every other year in conjunction with the Governing Council.⁵ The knowledge, experience and lessons learned from the IPAF will be shared, and will inform the decisions and recommendations of the Indigenous Peoples' Forum, capturing innovations and best practices that could be scaled up in IFAD's country projects and programmes.
12. Activities described below reflect the IPAF's new strategy and lessons learned from the previous two cycles.

II. Rationale and relevance to IFAD

13. As highlighted by IFAD's experience and confirmed by the two IPAF calls for proposals, indigenous peoples are relevant stakeholders that can play a key role in the identification of development strategies. They deal directly with many of the most critical rural poverty issues at the national and global levels, such as natural resources management, biodiversity and climate change. The proposals submitted to the IPAF provide an original and alternative approach to the emerging issues, and constitute a veritable source of innovation and experimental thought and practice in development processes affecting indigenous peoples. If supported, the vision and talents of indigenous peoples can contribute to strengthening IFAD's own capacity to understand, assess and mainstream into large projects the issues emerging in rural poverty that are particularly relevant to indigenous peoples.
14. The added value of establishing the Facility in IFAD lies in the following strategic elements:
 - Through the financing of microgrants, the Facility is a complementary financial instrument available to IFAD for a specific target group, whereby the Fund can build partnerships with regional, national and grass-roots indigenous peoples' organizations. Such partnerships can contribute to broader collaborative initiatives within IFAD country programmes;
 - The IPAF provides a listening and learning instrument that can serve in determining indigenous peoples' needs, solutions and innovations. It can be used to scout for innovations and pilot projects that may open the way for larger projects to be funded through IFAD's loans and grants. It can

⁵ The establishment of the Indigenous Peoples' Forum at IFAD is the second innovative instrument introduced by the IFAD Policy on Engagement with Indigenous Peoples. The proposal to establish the forum is a concrete attempt to institutionalize a process of consultation and dialogue with indigenous peoples' representatives at the national, regional and international levels. The aim is to improve IFAD's accountability to its target groups and its development effectiveness, and to exercise a leadership role among international development institutions. The workshop establishing the forum at IFAD took place on 17 and 18 February 2011.

help to identify and pilot more effective initiatives that other development institutions can replicate.

- The IPAF has the potential to become a partnership-building instrument that can be used in strengthening indigenous peoples' platforms and policy dialogue at a national, regional and global level on issues relevant to indigenous peoples.
15. With the financial support of this proposed grant, IFAD aims to ensure that the principles contained in the IFAD Policy on Engagement with Indigenous Peoples and the instruments to deploy them are translated into sustainable actions.
 16. The proposed grant is in line with the IFAD Strategic Framework 2007–2010 in enabling indigenous peoples' organizations to effectively participate in local and national policy and programming processes. It directly implements the IFAD Strategic Framework principles on: (i) empowerment, in "combining the best available skills and knowledge to develop new and innovative solutions to rural poverty... and building [...] capacities and strengthening [...] organizations and communities"; and (ii) partnership, with national stakeholders, and more active participation in partnerships established by the international development community.
 17. The rationale for financing the proposed grant is based on IFAD's commitment to enhancing its development effectiveness in its engagement with indigenous peoples' communities in rural areas. About 80 per cent of IFAD's resources will finance grants to indigenous peoples' communities and their organizations for projects designed and implemented by them, thus empowering them to overcome poverty by building upon their own identity and culture. This grant proposal directly implements the IFAD Policy on Engagement with Indigenous Peoples, which includes the IPAF as one of the instruments through which its principles of engagement are deployed.

III. The proposed programme

18. The overall goal of the programme is to **empower indigenous peoples' communities and their organizations to foster their self-driven development**. The programme's objectives are to: (i) empower indigenous peoples' communities and their organizations to design and implement development projects based on their identity and culture; (ii) build the capacity of indigenous peoples' organizations to manage financial instruments that support grass-roots development initiatives; and (iii) generate and share knowledge on indigenous peoples' development initiatives.
19. The target group is composed of indigenous peoples' communities and their organizations living in rural areas of IFAD developing Member States.
20. The three-year programme will have three main components:
 - **Empower indigenous peoples' grass-roots organizations to determine and develop priorities and strategies to fulfil development needs of their communities based on their culture and identity:** (i) financing projects ranging from US\$20,000 to US\$50,000 that are designed and implemented by indigenous peoples' communities and their organizations; (ii) strengthening the capacity of IPAF sub-grantees to manage and implement their projects; and (iii) linking indigenous peoples to regional and global platforms through workshops and training.
 - **Capacity-building of indigenous peoples' organizations at the regional level in managing financial instruments that support grass-roots development initiatives:** (i) training and overall guidance to three indigenous peoples' organizations (one in each region: Africa, Asia and the Pacific, and Latin America and the Caribbean) so as to develop

their capacity to successfully support grass-roots organizations in implementing development initiatives; (ii) strengthening linkages and cooperation between the three indigenous peoples' organizations and IFAD's operations in the region; and (iii) supporting the three indigenous peoples' organizations in playing a catalytic role so as to strengthen the regional-level indigenous peoples' platforms and link them up with the international arena.

- **Knowledge management:** (i) studies and analyses focused on applications received by the IPAF; (ii) preparation of results-based studies and analyses of projects financed by the IPAF, which would highlight innovations and help identify initiatives to be scaled up/replicated by IFAD and/or other development institutions; and (iii) establishment of communities of practice with IPAF sub-grantees so as to build and strengthen networking among indigenous peoples' communities and organizations at the regional and global levels.

IV. Expected outputs and benefits

21. The expected outputs and benefits are:

- Demand-driven initiatives of indigenous peoples' communities and their organizations are selected for financing by the IPAF Board and implemented in Africa, Asia and the Pacific, and Latin America and the Caribbean;
- Networks of IPAF grantees are created at the regional level;
- IPAF grantees are linked to regional/international indigenous peoples' platforms;
- Indigenous peoples' organizations at the regional level have access to financial resources that support grass-roots organizations;
- Indigenous peoples' organizations at the regional level build their capacity to manage financial instruments that support grass-roots initiatives;
- Networks of indigenous peoples' communities are established at the regional level and linked with global platforms;
- Studies on IPAF proposals are prepared in each region;
- Results-based studies and analyses of projects financed by the IPAF are prepared in each region, highlighting innovations and opportunities for scaling up;
- Knowledge fairs and communities of practice centred on indigenous peoples' issues are developed with IPAF sub-grantees;
- Regional and international forums/platforms are influenced by knowledge and experience generated by IPAF.

V. Implementation arrangements

22. The Facility is managed through a bidding process. Following a global call for proposals, all eligible applications received by the set deadline are reviewed and rated according to project relevance, feasibility, institutional capacity, institutional credibility and adherence to indigenous peoples' development consistent with their culture and identity. At the global level, the IPAF is managed by the Coordinator for Indigenous and Tribal Issues⁶ and governed by the IPAF Board.

⁶ The Coordinator for Indigenous and Tribal Issues is based in the Policy and Technical Advisory Division, Programme Management Department of IFAD.

23. The IPAF Board comprises the following voting members: four representatives of the indigenous peoples, a representative of the United Nations Permanent Forum on Indigenous Issues (UNPFII) and a representative of IFAD. Each of the four representatives of indigenous peoples comes from one of the following regions: Africa; Latin America and the Caribbean; East Asia and the Pacific; and South Asia. Members of the Board elect a Chair.⁷ The specific functions of the Board include:
- Overall strategic guidance and oversight related to the use of the funding provided by the Facility;
 - Review and approval of applications, ensuring consistency with criteria and guidelines and equitable regional distribution;
 - Review of the Facility reports;
 - Review of audit reports on the Facility.
24. At the regional level, the IPAF will be managed in Latin America and the Caribbean by MADRE Inc. as the legal recipient of the grant, and the International Indigenous Women's Forum (IIWF) as the implementing organization; in Africa by MPIDO; and in Asia and the Pacific by the Tebtebba Foundation. IFAD will enter into grant agreements with MADRE Inc., MPIDO and the Tebtebba Foundation. IIWF, MPIDO and the Tebtebba Foundation will be responsible for channeling resources to organizations awarded grants by the IPAF, and for monitoring and supervising the IPAF-funded projects, which will be conducted in cooperation with IFAD's country programme managers. The three organizations will play a key role in building and strengthening networks among the IPAF sub-grantees, and in bridging the gap between the indigenous peoples' regional and international movements.
25. At the national and grass-roots level, IPAF sub-grantees will be responsible for the implementation of their projects submitted to the IPAF and selected for financing by the IPAF Board. IIWF, MPIDO and the Tebtebba Foundation will enter into a grant agreement with selected sub-grantees. The sub-grantee agreements will describe the respective responsibilities of the regional organization and the national/grass-roots organization in terms of planning, implementation and reporting.

VI. Indicative programme costs and financing

26. IFAD will provide grant funding for US\$1.45 million: US\$577,710 to MADRE Inc., US\$405,670 to MPIDO and US\$466,620 to the Tebtebba Foundation.

Summary of budget and financing plan

(In thousands of United States dollars)

<i>Type of expenditure</i>	<i>IFAD</i>
Sub-grants	1 138.5
Personnel including (professional services/consultancies)	108.0
Publications and training materials	36.0
Travel and per diem	98.5
Overheads	69.0
Total	1 450.0

⁷ Current members of the IPAF Board are: Joan Carling, Kankanaey from the Philippines; Mirna Cunningham, Miskito from Nicaragua (current member of UNPFII); Wolde Gossa Tadesse, Gamo from Ethiopia; Kyrham Nongkynrih, Khasi from India; Jean-Philippe Audinet, Policy and Technical Advisory Division, IFAD representative.

Summary of budget and financing plan (MADRE Inc.)

(In thousands of United States dollars)

<i>Type of expenditure</i>	<i>IFAD</i>
Sub-grants	467.0
Personnel including (professional services/consultancies)	38.0
Publications and training materials	12.0
Travel and per diem	33.2
Overheads	27.5
Total	577.7

Summary of budget and financing plan (MPIDO)

(In thousands of United States dollars)

<i>Type of expenditure</i>	<i>IFAD</i>
Sub-grants	307.0
Personnel including (professional services/consultancies)	35.0
Publications and training materials	12.0
Travel and per diem	32.3
Overheads	19.3
Total	405.6

Summary of budget and financing plan (Tebtebba Foundation)

(In thousands of United States dollars)

<i>Type of expenditure</i>	<i>IFAD</i>
Sub-grants	364.5
Personnel including (professional services/consultancies)	35.0
Publications and training materials	12.0
Travel and per diem	32.9
Overheads	22.2
Total	466.6

Results-based logical framework

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
<p>Goal Strengthen indigenous peoples' communities and their organizations to foster their self-driven development</p>	<p># of indigenous peoples' communities and their organizations enabled to manage and implement development initiatives, with at least 50% receiving a rating of 3 or above in implementing the programmes to the benefit of their communities.</p>	<p>List of projects approved by the IPAF Board; Grant progress reports, independent verification through supervision missions.</p>	<p>The regional organizations have the full support of the indigenous peoples' communities.</p>
<p>Objectives</p> <ol style="list-style-type: none"> 1. Empowerment of indigenous peoples' communities and their organizations to design and implement development projects based on their identity and culture; 2. Building the capacity of indigenous peoples' organizations to manage financial instruments to support grassroots development initiatives. 3. Knowledge generation and sharing on indigenous peoples' development initiatives. 	<ol style="list-style-type: none"> 1. # of indigenous peoples' communities and organizations which successfully design and implement their development initiatives by the end of the programme. 2. Three IPOs at regional level are enabled to effectively manage, supervise and administer grant funds to finance sub-projects proposed by the indigenous peoples' communities and their organizations, by the end of the programme. 3. # of platforms organized and channels linked to others to share knowledge and experience on IPAF sub-projects at local, regional and international, level by the end of the programme. 	<ol style="list-style-type: none"> 1. Monitoring and supervision reports of IPAF-funded projects; result-based assessments of grassroots development projects 2. IPOs annual progress reports, closing reports; audit reports. 3. Research analysis, studies and publications produced and shared through local and global fora, bulletins and web pages. 	<p>No interference or influences in the affairs of indigenous peoples' at country level.</p>
<p>Outputs</p> <ol style="list-style-type: none"> 1.1 Demand driven initiatives of indigenous peoples communities and their organizations are financed and implemented in Africa, Asia and LAC; 1.2 Networks of IPAF grantees are created at regional level, and IPAF-grantees are linked to regional/international indigenous peoples' platforms and IFAD operations in the country; 2.1 Indigenous peoples organizations at regional level have access to financial resources to support grassroots organizations; 2.2 Indigenous organizations at regional level have built their capacity to manage financial instruments to support grassroots initiatives; 2.3 Networks of indigenous peoples communities are established at regional level and linked with global platforms. 3.1 Studies on IPAF's applications are prepared for each region; 	<ol style="list-style-type: none"> 1a. # of projects approved, financed and successfully implemented in # countries in Asia, Africa and LAC by the end of the programme. 1b. # of national/grassroots organizations linked to the regional and global indigenous peoples' platforms by the end of the programme. 1c. # of national/grassroots IPAF-funded projects linked to IFAD operations in the country by the end of the programme. 2a. Three IPOs in Asia, Africa and LAC receive resources to finance grassroots development initiatives in the first and second year of the programme; 2b. They disburse resources to # n/grassroots orgs as approved by the IPAF Board in their respective regions according to project's PWO; 2c. They monitor and supervise n/grassroots projects; 2d. The three IPOs play a catalytic role at 	<ol style="list-style-type: none"> 1.a Applications received by IPAF and stored in the IPAF tracking system; Minutes of IPAF Board decision making meeting; Sub-grant agreements between Regional IPOs and n/grassroots orgs; monitoring and supervision reports of IPAF-funded projects, proceedings of training events; 1.b Regional workshops/fora proceedings; community of practices' list of members; 1.c Information deriving from supervision missions/surveys of IFAD-funded projects; communications with CPMs; IPAF knowledge and experience informing IFAD-project designs; IFAD's in-house seminars and presentations. 2. Grant agreements between IPAF and regional IPOs; proceedings of training events; correspondence between IPAF secretariat and regional IPOs; evidence of disbursement of resources to regional IPOs; grant agreements between regional IPOs and IPAF awarded organizations; 	<p>No interference or influences in the affairs of indigenous peoples' at country level.</p> <p>Regional IPOs determined to incorporate service orientation and a result-based M&E system combining traditional and specific indicators on the well-being of indigenous peoples;</p> <p>Regional IPOs determined to broaden their role at regional level and play a catalytic role to link up local and global platforms;</p>

<p>Result-based studies and analysis on projects financed by the IPAF are prepared, highlighting innovations and opportunities for scaling-up.</p> <p>3.2 Knowledge fairs and community of practices on indigenous peoples' issues are developed with IPAF-sub-grantees.</p> <p>3.3 Regional and international fora/platforms are informed and influenced by IPAF knowledge and experiences.</p>	<p>regional and international level in creating and strengthening IPs platforms and sharing knowledge on IPs' issues.</p> <p>3a. # of studies and papers produced and shared on knowledge and experience deriving from IPAF and its funded projects</p> <p>3b.. # of workshops/knowledge fair organized with IPAF grantees at regional and international level;</p> <p>3c. # of regional and international fora where knowledge and experience from IPAF is shared.</p>	<p>bank transactions for transferring resources from IPOs to grassroots orgs; proceedings of regional and international fora;</p> <p>3. document/publication/ reports; workshop proceedings; regional and international fora proceedings;</p>	
<p>Key Activities</p> <ul style="list-style-type: none"> - Grants approved by the IPAF Board are disbursed in block to regional organizations; - Regional organizations provide trainings to IPAF-grantees on project management and implementation and on indigenous peoples' issues. - Regional organizations convene workshops/trainings with IPAF grantees on project's management, self-assessments; commensurate with indigenous peoples' rights and development with culture and identity. - IPAF Secretariat provides trainings and technical backstopping to regional IPOs on management of financial instruments; - Research analysis on IPAF's applications and IPAF-funded projects at grassroots and regional level; 	<ul style="list-style-type: none"> - # of projects approved by regions and funds released to regional organizations as approved by the IPAF Board and financed according to their POW. - # of IPAF-sub-grantees trained in project management with back-stopping support by IPOs. - Workshops/trainings are held with IPAF sub-grantees. - # of trainings held with IPOs in managing financial instruments; - # of backstopping missions organized to assist IPOs in managing financial instruments. - Knowledge and experience on IPAF is documented and shared. 	<ul style="list-style-type: none"> - sub-grant agreement between IPOs and n/grassroots org; financial reports IPOs. - Proceedings of workshops/trainings; supervision reports; correspondence between IPOs and sub-grantees. - Workshop/training proceedings - Proceedings of trainings to IPOs; correspondence between IPAF secretariat and IPOs; information stored in IPAFT. - Studies, publications produced on IPAF and disseminated through international fora, web applications. 	<p>No interference or influences in the affairs of indigenous peoples' at country level.</p>

University of Kassel-WATERCOPE: Supporting National Research Capacity and Policy Development to Cope with Dwindling Water Resources and Intensifying Land Use in the Transborder Altay-Dzungarian Region of Mongolia and China

I. Background

1. The WATERCOPE research and development consortium addresses key development constraints in the Mongolian-Chinese Altay-Dzungarian region, one of the poorest areas in Central Asia. Water, pastoral grazing grounds and salinity-affected soils are exposed in this transborder region to the effects of climate change and population growth on traditional livelihood strategies. Predicted shifts from summer to winter precipitation will increasingly cause snow-melt spring floods on agricultural lands followed by summer droughts mainly affecting grasslands. This will aggravate the overuse and related stresses that have an impact on ecosystem services and functions (ESS&F) and, as a consequence, also on the livelihood strategies of both pastoralists and agricultural farmers.
2. WATERCOPE will address these interlinked issues by: (i) strengthening national research capacities in improved pasture management and oasis agriculture; and (ii) on-farm testing of pro-poor water and land-efficient innovations that exploit value chains for plant and animal products. Beyond its direct relevance for test-households, the approach will engage policymakers and planners in making more informed decisions on how to share transborder land and water resources more effectively.

II. Rationale and relevance to IFAD

3. The WATERCOPE approach is relevant to similar multi-ethnic water tower regions in Central Asia (e.g. Katun Mountains in Kazakhstan, Tien Shan Mountains in Kyrgyzstan, Pamir Mountains in Tajikistan). It adds to the IFAD Climate Change Strategy. The programme itself contributes to a more effective, fact-based transborder (Mongolia-China) dialogue on climate change, rural development agriculture and food security (purpose 3 of the IFAD Climate Change Strategy). WATERCOPE will improve system resilience to external shocks and will concentrate on: (i) enhancing the human and social assets of emerging NGOs, community-based organizations and civil society organizations; (ii) improving the development potential of productive assets and technology; and (iii) expanding intraregional trade and contributing to extending access to financial assets and markets.

III. The proposed programme

Main development opportunities addressed by the programme and target group

4. WATERCOPE will strengthen local herder and farmer groups, and improve national research capabilities and policies in the Mongolian-Chinese transborder region of Altay-Dzungarian. Its activities have relevance for the skills and organization structures of up to 50,000 poor, ethnic minority households needing to achieve higher incomes and improved food security by using water and land resources more efficiently in a way that emphasizes value chain approaches (best-fit coping strategies).

Programme phases and components

5. The programme's two phases will allow the Mongolian-Chinese-German consortium of scientists and development specialists to define, through participatory rural appraisals, best-fit coping strategies (i.e. strategies based on adaptation to

deterioration in water and pasture availability) in rangeland management and agricultural water use (increased reliance on water-efficient greenhouse production of vegetables and organic buckthorn cultivation, processing and marketing while minimizing negative environmental impact from nutrient leaching). During the four years of its planned activities (phase I: 2011–2014) stakeholders will be assembled, the potential of local knowledge for resources management assessed, and biophysical and effective socio-economic sustainability indicators developed. The second phase (2014–2015) will comprise outreach and technology transfer through empowered local agricultural extension services and small-scale test-implementation of improved strategies.

6. WATERCOPE will have four main components:
 - (a) Assessment of the current causes of pasture degradation and water scarcity and their consequences on livelihood strategies, and provision of indicators to measure their impact on system sustainability;
 - (b) Analysis of the constraints of policies that foster the widespread adoption of pro-poor coping strategies to deal with the effects of intensified use and climate change on pasture quality and water availability;
 - (c) Test-implementation of household-based trials for improved management strategies; and
 - (d) Training of 20 junior Mongolian and Chinese scientists in state-of-the-art research and development capabilities to support sustainable water and land use.
7. Research and development will be divided into five thematic clusters:
 - (a) Climate variability and change: to assess the regional variability in climate, evapo-transpiration and precipitation at different spatio-temporal resolutions;
 - (b) Water cycles and water security: to quantify the available water resources at different spatial and temporal scales and develop effective environmental indicators for this most critical resource;
 - (c) Soil fertility management: to analyse crop growth, soil carbon and nutrient fluxes as determinants of land use sustainability;
 - (d) Rangeland productivity: to assess responses of rangeland vegetation to changing environmental conditions and anthropogenic pressure related to livestock husbandry; and
 - (e) Poverty reduction and policies and livelihoods: to provide economic and institutional data about household land and natural capital use, livelihood strategies, production activities and respective attitudes and preferences.

Methods

8. To achieve its objectives, the programme will use the following methods:
 - (a) **Transborder workshops** to: (re-)define strategies and methods for interdisciplinary research; implement and integrate farmer knowledge; and update policies on land and water use.
 - (b) **Participatory field research and on-farm experiments for data collection** (surveys, participatory on-farm assessments (disciplinary and interdisciplinary) and small-scale experiments) to: (i) record and compile local knowledge in pasture, water and crop management in order to assess its potential for the development of innovative best-fit coping strategies; (ii) define the carrying capacity and resilience of water-limited agro-ecosystems for herders and agricultural land users; and (iii) assess the impact of current policies on land use strategies and ESS&F.

- (c) **An environmental information system (EIS)** established through a programme website that will: (i) facilitate within-programme database management and transparency of milestone accomplishment (accountability of progress); (ii) make programme results and basic land-use data available to all stakeholders within the WATERCOPE target area but also to stakeholders from similar 'water tower' areas in Central Asia; and (iii) serve as a programme information and communication platform (EIS "transborder resources") for the international development community and the general public.
- (d) **Training:** local land-use planners will be trained in GPS (global positioning system) and GIS (geographic information system) technologies and policy analysis to ensure the EIS is used as a tool for local and national decision-making. The involvement of 20 young tandem-supervised Mongolian and Chinese PhD and MSc candidates will allow local academic and administrative capacity to be built up and thus contribute to sustainable land use management.

IV. Expected outputs and benefits

9. The beneficiaries are ethnic minority livestock keepers, small-scale farmers, small-scale private entrepreneurs, regional transborder policymakers and young academics in Mongolia and China.
10. The expected outputs are:
- Understanding of the decision-making processes followed by herders and farmers in their land use choices, based on participatory rural appraisals and regular surveys;
 - Strengthening of national applied research capabilities and policies that enhance incomes and food security;
 - Test-implementation of best-fit coping strategies with 50 herder/farmer households in Mongolia and China ('more revenue per unit of water' and clear pasture/water use restrictions);
 - More informed decision-making in transborder negotiations on pasture use and water-sharing; and
 - Establishment of a Web-based EIS, "transborder resources", used by stakeholders in the programme area and similar water tower areas of other Central Asian countries.

V. Implementation arrangements

11. The regional transborder WATERCOPE programme will link its activities with existing IFAD projects in the region and complement ongoing monitoring schemes such as the Green Gold Project (initially Swiss-funded) that monitors pasture productivity on a supra-regional scale, the ongoing Rural Education and Development Project, the Index-based Livestock Insurance Project and the Sustainable Livelihoods Project. In Xinjiang, thematically linked projects are the Poverty Alleviation Programme funded by a German development bank (Kreditanstalt für Wiederaufbau [KfW]) and the Green Poverty Reduction Project by the United Nations Development Programme. WATERCOPE's outputs will fit into the Central Asian Countries Initiative for Land Management to combat land degradation, improve rural livelihoods and adapt to climate change in Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.
12. The overall coordination of the programme will be assured by the University of Kassel cooperating with a steering committee of two members from each of the partner countries – Mongolia, China and Germany. In **Mongolia**, scientific

collaborators of WATERCOPE are the National University of Mongolia, coordinating involvement of the State University of Agriculture, the Mongolian Academy of Sciences, the Institute of Meteorology and Hydrology, the Feed and Food Producers' Association at Ulaanbaatar, the Cooperative Training and Information Center at Ulaanbaatar, and of national policy makers. In **China** WATERCOPE cooperates through the Xinjiang Institute of Ecology and Geography and China Agricultural University with the sea buckthorn juice factory in Bulgan, the Xinjiang Association of Soil and Fertilizer Sciences and policymakers at Qinghe, Urumqi and Beijing. Student training will be organized by the International Center for Development and Decent Work.¹

13. To ensure consistency in reporting, a Mongolian-Chinese-German coordination team led by the University of Kassel will direct all activities and cross-check expenditures.

VI. Indicative programme costs and financing

14. The overall budget (see table) includes the costs of all Mongolian and Chinese partners (80 per cent of total IFAD funding) and the costs sustained by the University of Kassel for the coordination and management of the programme, logistic and administrative support, and staff time spent on research and technical backstopping. In addition, the participating Mongolian and Chinese universities, the Xinjiang Institute of Ecology and Geography, and the Chinese Academy of Sciences will contribute substantial amounts of staff time. Chinese ministries will also contribute supplementary funds to strengthen the applied research component of the WATERCOPE consortium.

Summary of budget and financing plan

(In thousands of United States dollars)

<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing</i>
Personnel	650	1 350
Operations and travel costs	420	300
Equipment	80	100
Training and workshops	200	80
Indirect costs (10%)	135	183
Total	1 485	2 013

¹ www.icdd.uni-kassel.de

Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	Foster research capacities and regional policies to develop and test-implement coping strategies for dwindling water and pasture resources of poor households in the Altay-Dzungarian region.	<ol style="list-style-type: none"> Higher / more diversified rural incomes & improved food security in test HHs. Options for strengthened ESS&F available to water user groups, scientists, & policy makers. 	<ol style="list-style-type: none"> Household (HH) survey data. statistics and (NGO) reports Use of project results in transborder negotiations 	<ol style="list-style-type: none"> Most limiting resources are water and pasture availability. Population increase and economic development foster marketing of high value produce.
Objectives	<ol style="list-style-type: none"> Evaluate environmental and economic consequences of current land use strategies on livelihoods of poor households. Develop solid projections of climate change, water and pasture availability for study region. Develop and test-implement 'Best-Fit Coping Strategies' for sustainable land use. Provide coping tools and training in resources management. 	<ol style="list-style-type: none"> Database on land use strategies and ecological and economic implications. Climate and water models parameterized and tested. Management recommendations test-implemented by 2 x 50 rural HHs. Environ. Inform. System (EIS) & modeling tools established & professionals trained. 	<ol style="list-style-type: none"> Indicator-based evaluation of bio-chemical and socio-economic data. Comparison of model results to actual climate and water data. Implementation of protocols and reports. Internet-based EIS available, training courses for NGOs and govt. people available 	<ol style="list-style-type: none"> Population growth & climate change put pressure on pasture & water resources. Climate change effects on pasture and water availability are measurable. Stakeholders & governments interested in sustainable transborder development.
Outputs	<ol style="list-style-type: none"> Decision making processes of herders and farmers understood & integrated into models. Reliable projections of climate change & water availability communicated. Project website and EIS used by stakeholders & government personnel for transborder decisions on use of pastures and water. Mongolian and Chinese MSc, PhD and Post-doc students promoted. Sustainable land-use options test-implemented. 	<ol style="list-style-type: none"> Regular stakeholder meetings and participatory model parameterization. Publications (English) and project reports (Chinese and Mongolian). 3, 4. EIS training courses offered regularly in both countries. 8 MSc and 6 PhD theses finished 2 Postdoc scientists per country trained. Optim. Cropping & herding tests in 2 x 50HHs. 	<ol style="list-style-type: none"> Minutes of meetings, documents on model parameterization. Scientific articles and project reports. 3, 4. Training course reports, participant lists, number of user accounts. MSc and PhD theses, publications, conference attendance Strategy effects on test HHs' revenues. 	<ol style="list-style-type: none"> 1.-2, 5. Stakeholders & officials actively involved. 3. Relevant stakeholders have access to IT & use modeling tools. 4. Chinese & Mongolian scientists strongly identify with interdisciplinary on-site research.
Key Activities	<p>WP1 - Decision Support System (EIS) WP2 - PRA-based baseline survey WP3 - Capacity building WP4 - Current poverty alleviation strategies</p> <p>WP5 - Indicators for sustainable resources use WPs6, 9 - 'Best-Fit Coping Strategies' WP7 - Scenario development WP8 - Technology transfer, policy analysis.</p>	<p>EIS used by stakeholders & govt. officials. Internet database compiled & verified. Supervision of local MSc, PhD Post-docs.</p> <ol style="list-style-type: none"> Database on current & traditional poverty alleviation / resource use strategies. Particip. eval. of management strategies. <p>Indicators identified & used by stakeholders. Options implemented & monitored in 2x50HHs. Stakeholder scenarios identified & discussed. EIS & effect monit. system installed & used.</p>	<p>Documentation available and access used. Web-portal access to stakeholders. Young scientists' publications & theses.</p> <ol style="list-style-type: none"> Web-portal with stakeholder access to project database. Description of strategies & evaluation criteria. <p>Records of different indicators & their use. Technical sheets, protocols, reports. Modeling of decision patterns. EIS user licenses at regional levels used.</p>	<p>IT facilities available in the target region. IT facilities available in the target region. Scientists identify with interdisciplinary research.</p> <ol style="list-style-type: none"> IT facilities available. Stakeholders actively participating. <p>Indicators detectable & stakeholder used. Trade-rel. opening of Mongolia-China border. Scientists & policy makers coop. in res. use. NGO & govt. officials interested and active.</p>

Food and Agriculture Organization of the United Nations (FAO): “Leading the Field” Initiative of the International Treaty on Plant Genetic Resources for Food and Agriculture

I. Background

1. An important trend in rural areas is the persistent degradation of natural resources. It is estimated that between 5 million and 10 million hectares of agricultural land is lost to environmental degradation every year. Over the last 100 years, crop genetic diversity has disappeared at an alarming rate. Crop diversity provides the raw material for plant breeding and the tools for adaptation.
2. With the global population expected to peak at 9 billion by 2050, the loss of global crop diversity is a major threat to food security and health globally. This comes at a time when almost one billion people are already hungry. Conservation and use of crop diversity globally strengthens farmers’ capacity to adapt to a changing climate and to feed a growing population.
3. The International Treaty on Plant Genetic Resources for Food and Agriculture has been established as a direct international response to these global challenges. This new international agreement adopted by the FAO Conference directly contributes to the achievement of the Millennium Development Goals (1 and 7) of ending poverty and hunger and ensuring environmental sustainability. It addresses adaptation to climate change, food security and preservation of on-farm biodiversity, by supporting smallholder farmers and their communities.

II. Rationale and relevance to IFAD

4. As highlighted in its *Rural Poverty Report 2011*, IFAD is working to develop a new approach to sustainable agricultural intensification that is strongly oriented toward environmental sustainability and increased resilience to the risks and shocks associated with resource scarcities and climate change.
5. The International Treaty involves 126 governments and the European Commission working together as contracting parties to use crop diversity for food security in the context of climate change. “Leading the Field” is an initiative conducted by the International Treaty that has created a multilateral fund referred to as the Benefit-sharing Fund and supported by member governments, the private sector and international foundations. This multilateral fund currently supports high impact projects aimed at keeping farmers ahead of the climate change challenge and food-secure. The thematic focus and programmatic approach of the “Leading the Field” initiative has been discussed with key partner organizations of the Treaty, such as Bioversity International (CGIAR), FAO, United Nations Development Programme, Global Crop Diversity Trust, to ensure that the initiative is complementary and builds synergies with other programmes, such as the CGIAR Consortium Research Programme on Climate Change, Agriculture and Food Security.
6. The Treaty Secretariat will be implementing this grant proposal. However, as it does not have its own legal status and is hosted by FAO, the latter is the proposed recipient of the grant.
7. The proposal is in line with the goal of the revised IFAD Policy for Grant Financing, as it promotes successful and innovative approaches and technologies, together with enabling policies that will support agricultural and rural development. The proposal fully supports the first two thematic areas of the IFAD Strategic Framework 2011–2015, as it focuses on secure access to natural resources (biodiversity) and climate change adaptation for rural poverty reduction. This

programme will allow IFAD to assist poor rural women and men in managing their natural resources more efficiently and sustainably. It will also help to mainstream adaptation measures into operations implemented by IFAD and other development agencies, and contribute to enabling rural poor people to counteract the impact of climate change and increase their resilience, while improving food security, agricultural productivity and incomes.

8. IFAD country programme managers (CPMs) have already confirmed strong support for several proposals. The projects IFAD selects for funding will be of direct relevance to IFAD's country programmes. On a broader scale, all country programmes will benefit indirectly from partnership development, knowledge generation and information exchange.
9. Collaboration between IFAD and the FAO-hosted Treaty provides a unique platform to enhance the international commitment to sustainable agriculture and food security and to develop concrete initiatives involving development actors that focus on the linkages between agricultural biodiversity and rural poverty.

III. The proposed programme

10. The **overall goal** of the programme is to help ensure sustainable food security by assisting farmers in adapting to climate change. The programme's objective is to support a targeted set of activities that have a high impact on the conservation and sustainable use of plant genetic resources for food and agriculture.
11. In June 2010, the Treaty opened the Call for Proposals 2010. The 2010 Call relates to the Treaty's Benefit-sharing Fund for the biennium 2010–2011, which will invest more than US\$5 million in projects globally. The submission of pre-proposals under the Call was closed by 20 September 2010. In order to achieve a meaningful and significant impact, the Call for Proposals 2010 concentrates on three priorities: (i) on-farm management and conservation of plant genetic resources; (ii) sustainable use of plant genetic resources; and (iii) information exchange, technology transfer and capacity-building.
12. The **target group** is constituted by vulnerable rural farmer communities facing the challenges of adaptation to climate change and food insecurity. Lessons learned from the projects funded in this round of the project cycle will support the elaboration of a programmatic approach to further support these communities. The Call for Proposals 2010 was open to proposals from a wide range of direct beneficiaries in developing countries, including, as decided by the Governing Body: farmers and farmers' organizations, governmental or non-governmental organizations, such as gene banks and research institutions, and regional and international organizations.
13. The three-year programme will have three main components: (i) design and approval of proposals that receive funding; (ii) implementation of funded projects; and (iii) knowledge generation and sharing.

Design and approval of proposals that receive funding

14. The Governing Body of the Treaty has adopted operational procedures that define the steps to be taken from the opening of a call for proposals to the approval of projects for funding in the project cycle. Intermediate steps are submission of pre-proposals; screening and response to pre-proposals; submission of project proposals and appraisal of project proposals.

Implementation of funded projects

15. Once projects are approved, the Treaty Secretariat will prepare project agreements to be signed by the organizations that prepared the proposals and will execute the project. Between 15 and 20 projects approved by the Treaty's Governing Body will be implemented in this project cycle, amounting to the total programme cost indicated in the summary table. Of these 15-20 projects approved, three to five will

be funded by IFAD. The IFAD-funded projects will be selected according to CPM buy-in, and will therefore be a sub-set of those proposals that the CPMs have indicated as being of direct relevance to their country programmes.

16. Projects funded will focus on two themes: (i) increasing smallholder farmers' food security and resilience to climate change; and (ii) building institutional linkages to develop strategic, action-oriented plans to manage plant genetic resources at the national and regional levels.

Knowledge generation and sharing

17. The "Leading the Field" initiative promotes accountability for the achievement of priorities established by the Treaty's Governing Body through the assessment of results, effectiveness, processes, and the performance of projects funded. Promoting learning, feedback and the sharing of knowledge relating to results and lessons learned provides a basis for decision-making on policies, strategies, programmes and projects related to the Treaty.
18. The Treaty Secretariat will produce regular updates on the status of project implementation and a terminal evaluation of the project portfolio. This will ensure that lessons learned from the project cycle support the ongoing development of a midterm programmatic approach to be adopted by the Benefit-sharing Fund by the Treaty's Governing Body.
19. Once the projects approved by the Treaty's Governing Body are identified by IFAD, a knowledge management plan will be developed. At the country level, involvement of CPMs and country teams in the implementation and supervision of proposals in their relative countries will be proactively planned and pursued.

IV. Expected outputs and benefits

20. The expected outcomes are: (i) an increase in smallholder food security in areas affected by climate change; and (ii) strengthened institutional linkages to develop strategic action plans for plant genetic resource management at the national and regional levels.
21. The expected outputs are as follows:
 - Selection of between 15 and 20 projects on crop diversity management for food security and climate change adaptation (of which between 3 and 5 financed by the IFAD grant);
 - Capacity-building for a wide range of local and national stakeholders in preparing project proposals and implementing approved projects; and
 - Increase in and dissemination of knowledge base on best practices, and formulation of strategic action plans to improve management of crop diversity for food security and climate change adaptation.

V. Implementation arrangements

22. The "Leading the Field" initiative is under the direct control of the Governing Body of the FAO-hosted Treaty. The grant competition and the award process of the Call for Proposals 2010 are overseen by the Treaty Bureau and the Treaty's subsidiary advisory body for funding matters. These bodies regularly advise the Secretary in the implementation of the project cycle of the "Leading the Field" initiative.
23. Project implementation is facilitated by the Treaty Secretariat, and in collaboration with other partners, such as IFAD, other development agencies and intergovernmental or civil society organizations.
24. Projects funded by the "Leading the Field" initiative are implemented following the operational procedures established by the Treaty's Governing Body that define the general steps for fund disbursement, project monitoring and reporting, and

evaluation. The Governing Body will approve projects for funding at its meeting in March 2011, together with concrete procedures and arrangements for monitoring, evaluation and reporting of this project cycle. These are based on state-of-the-art review practices that are currently available in multilateral funding mechanisms and require the highest fiduciary standards for financial and project management.

25. A team of staff and supporting experts with different technical and operational skills and backgrounds will assist in project implementation and leverage support from existing partners, including in backstopping missions. Each project agreement will be managed and monitored individually throughout its duration, by reviewing reports received from organizations executing the projects and authorizing payments upon receipt and acceptance of reports that conform to high standards of quality and provide an acceptable level of detail. Reporting schedules will be tight, payments will be made in tranches linked to the acceptance of implementation reports, and funds will be withheld from underperforming projects. An independent evaluation of the project portfolio is planned and will be shared with IFAD at the end of the project cycle.

VI. Indicative programme costs and financing

26. The proposed amount for this IFAD grant is US\$1.5 million. More than US\$5 million has already been mobilized by other donors (Ireland, Italy, Norway, Spain) and will be invested in projects approved under the Call for Proposals 2010 of the "Leading the Field" initiative.
27. The Governing Body of the Treaty prioritizes securing the best return on investment for funds committed by the "Leading the Field" initiative.
28. It is foreseen that the IFAD grant funding would be used to finance between 3 and 5 projects approved by the Governing Body (90 per cent), and for monitoring and evaluation, knowledge management and overall administration (10 per cent).

Summary of budget and financing plan

(In thousands of United States dollars)

<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing^a</i>
Project grants (contracts)	1 350	4 500
Monitoring and evaluation, knowledge dissemination (consultants and travel)	50	167
Administrative and operational costs (7 per cent)	100	333
Total	1 500	5 000

^a The proportion of cofinancing by type of expenditure is indicative. In addition, the Treaty Secretariat is currently negotiating with other donors. The expectation is that up to US\$10 million could be invested in this Call for Proposals.

Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Risks/Assumptions
Goal	Help ensure food security by supporting farmers adapt to climate change	15-20 high-impact projects (3-5 financed by the IFAD Grant) executed at local and national level and knowledge gained disseminated at global level	Reports of the Governing Body of the Treaty approving projects for funding Completion and implementation reports deposited with Secretary of the Treaty	
Objectives	Support high-impact activities on the conservation and sustainable use of plant genetic resources for food and agriculture that: (a) Increase smallholder food security in areas affected by climate change; and (b) Build institutional linkages to develop plant genetic resource strategic action plans at national and regional levels	Number of primary beneficiary communities supported Number of strategic action plans developed Number of immediate action interventions successfully executed	Reports by the Secretary on the execution of the project cycle Reports by executing organizations on project implementation	Possible risks such as (1) delays in fund disbursement due to administrative bottlenecks of executing organizations or (2) difficult project implementation due to special climatic or other conditions will be tackled in a case-by-case manner including through extension of project execution or provision of technical assistance
Outputs	<p>1. 15-20 projects on crop diversity management for food security and climate change adaptation (3-5 will be financed by this IFAD Grant)</p> <p>2. Capacity building to a wide range of local and national stakeholders preparing project proposals and implementing approved projects</p> <p>3. Knowledge base increased and disseminated on best practices and strategic action formulation on management of crop diversity for food security and climate change adaptation</p>	<p>Number of projects selected for funding</p> <p>Number of reports to subsidiary bodies of the Treaty's Governing Body on project portfolio implementation</p> <p>Number of background documentation for independent evaluation</p> <p>Number of newsletters and other communication materials published</p>	<p>Reports by the Secretary on the execution of the project cycle</p> <p>Reports by executing organizations on project implementation</p> <p>Independent evaluation Report</p>	Risk of poor implementation capacity by execution organizations is low given that expert assess the operational and monitoring capacity of these organizations in the appraisal of proposals.
Key Activities	<p>Output 1: (a) Opening of Call for Proposals 2010; (b) Screening of pre-proposals and invitation to prepare full project proposals; (c) Appraisal by an independent Panel of Experts and project proposal approval by Bureau; and (d) Fund disbursement and project monitoring and supervision</p> <p>Output 2: (a) Coaching workshops for organizations preparing full project proposals; (b) Technical support to organizations executing projects</p> <p>Output 3: (a) Preparation of newsletters and other communication materials to update on status of implementation; (b) Exchange of information and knowledge between the donors, grassroots/national organizations, development partners involved in the "Leading the Field" initiative; and (c) Independent evaluation of project portfolio.</p>	<p>Call for Proposals launched and publicized</p> <p>Number of pre-proposals (eligible and favourably screened) invited to prepare full project proposals</p> <p>Number of meetings of subsidiary bodies of the Governing Body of the Treaty and the independent Panel of Experts</p> <p>Number of coaching workshops at regional level and of replied inquires to the Helpdesk</p> <p>Number of supervision missions reports</p> <p>Number of implementation and completion reports approved by the Secretary of the Treaty;</p> <p>Number of newsletters and other communication materials published</p>	<p>Reports of subsidiary bodies of the Governing Body of the Treaty</p> <p>Reports by the Secretary on the execution of the project cycle</p> <p>Reports by executing organizations on project implementation</p> <p>Independent evaluation Report</p> <p>Newsletters and other communication materials published</p>	The subsidiary bodies of the Governing Body will regularly assess the status of implementation of the project cycle and provide advice to the Secretary.

Food and Agriculture Organization of the United Nations (FAO): Pro-Poor Policy Approaches to Address Risk and Vulnerability at the Country Level

I. Background

1. Despite remarkable progress in hunger reduction, in the Asia and the Pacific region close to one billion people still live in absolute poverty and about 580 million people are undernourished, the vast majority in rural areas. As the 2015 deadline for achieving the Millennium Development Goals draws near, the prevalence of such large-scale poverty and hunger in the region is unacceptable and calls for urgent measures.
2. The largely rural nature of poverty in this region means that special attention needs to be given to the importance of risk in shaping the lives of rural people. Though various strategies are available for managing risks, the planning and implementation of such strategies is costly in terms of both human capital and financial resources. Since poor rural households lack these resources, they may not be able to avoid risks to the extent they would prefer.
3. A better understanding of the impact of risk on the poor and of their strategies to mitigate and cope with its effects is therefore crucial to the design and implementation of public policies to protect them from risk. Moreover, there is an urgent need to strengthen institutional capacity for developing pro-poor policy solutions to manage the risks and vulnerability faced by smallholders and the landless, particularly when these are relatively unfamiliar.

II. Rationale and relevance to IFAD

4. Poor rural households in the region face different types of risks. For farm households, the risk of **crop failure or livestock deaths** is the most important threat to their incomes. But **market shocks**, such as fluctuations in agricultural wages or in the price of agricultural produce, can be of equal importance. Threats to the livelihoods of the rural poor arising from market shocks are increasing as small-scale subsistence farmers become further integrated into markets. Threats to their livelihoods arising from **natural calamities**, such as floods, droughts and cyclones, are also growing as climate change gathers momentum.
5. Poor households can respond to these risks with a variety of risk management strategies that attempt to minimize fluctuations in income and risk coping strategies that help households deal with the effects of income fluctuations.
6. However, there are limits to what households can achieve on their own to protect themselves against large income shocks, especially when these require a coordinated response across a large number of households. Moreover, the risks posed by the new threats to their livelihoods are particularly difficult to cope with because they are unfamiliar and occur on a large scale.
7. Effective poverty reduction approaches must therefore integrate policies and strategies to help smallholders and landless households reduce their vulnerability to risk through their own efforts as well as through cooperation with others. Such strategies must also address the issue of large-scale covariate risks (arising mainly from natural and man-made disasters), where public action is required both to reduce vulnerability and to help households recover from the impact of such disasters. The success of these strategies will depend on whether they are based on a sound analysis of how households attempt to mitigate and cope with risk, and whether they succeed in involving civil society and the private sector in addition to government agencies. This applies mainly to the new categories of risks that require dedicated institutions and policies.

8. The proposed programme is in line with the goal, set out in the revised IFAD Policy for Grant Financing, of promoting enabling policies and institutions that will support agricultural development, thereby contributing to higher incomes and improved food security for the rural poor, particularly smallholders. It is also consistent with the objective of the Research Grant Strategy for Asia and the Pacific of supporting innovations that reduce the risk and vulnerability faced by poor rural men and women through strengthening institutions and policies that promote their interests.
9. The programme builds on the achievement of the recently completed regional pro-poor policy programme implemented by FAO with IFAD grant funding. A total of 23 policy studies were completed in 8 programme countries on topics identified in each country with the participation of key stakeholders. In a number of countries, recommendations from these studies have been translated into policy guidelines, directives and draft legislation for policy changes. For example, based on policy analysis, the Viet Nam Ministry of Agriculture and Rural Development has prepared and submitted a policy paper to the national government recommending 14 revisions and amendments to the existing Land Law, and the new Land Law is being drafted. In the final high-level meeting of this programme held in December 2010, senior policymakers urged IFAD and FAO to continue support in the area of policy analysis and implementation, particularly in the context of increasing risks and vulnerability. The midterm review of the programme conducted in 2009 had also identified a number of positive features of the programme: active involvement of senior policymakers at all stages of programme implementation; strong sense of ownership within the focal ministries; involvement of civil society in analysing existing policies; and a strong emphasis on knowledge-sharing at the country and regional levels. The policy analysis capacity of senior officials of the Ministries of Agriculture and other relevant organizations was also strengthened in programme countries through focused capacity-building training programmes. Sharing of experiences and lessons on successful pro-poor policies was promoted within and among countries through workshops and high-level symposiums.

III. The proposed programme

10. The overall goal of the programme is to enhance institutional capacity in Cambodia, the Lao People's Democratic Republic, Nepal and Viet Nam¹ to develop pro-poor policy solutions for managing the risks and vulnerability faced by smallholder and marginal farmers, especially the new risks posed by price volatility and climate change. The programme's objectives are to: (i) identify and analyse current and emerging risks and vulnerabilities in order to help formulate pro-poor policies that will enable the rural poor to raise agricultural productivity and increase incomes; (ii) strengthen the capacity of key government agencies and other stakeholders in pro-poor policy analysis, formulation and implementation; (iii) promote greater participation by civil society and the private sector in pro-poor policy dialogue and advocacy; and (iv) promote sharing of experiences and lessons on successful pro-poor policies within and among countries.
11. The target group is constituted by the rural poor, especially smallholder and marginal farmers, in the four programme countries and other developing countries.
12. The four-year programme will have four main components:
 - Identification and analysis of policy solutions to reduce risk and vulnerability;
 - Strengthening of the capacity of government agencies in policy analysis, formulation and implementation;

¹ These countries have been selected on the basis of: (i) expressed interest in technical assistance for policy formulation and capacity-building; (ii) fit with programme strategy and identified gaps in existing poverty reduction policy; (iii) potential impact; and (iv) other national context factors.

- Widening of the participation of civil society and the private sector in policy dialogue and advocacy;
 - Sharing of experiences and lessons within and among countries.
13. **Policy analysis to reduce risk and vulnerability.** National-level workshops will be held to establish an intellectual and operational foundation for future policy analysis and dialogue. Conceptual frameworks illustrating the causes and impacts of risk, along with situational analysis, will help to ensure that policy studies are directed to the appropriate audiences and that recommendations are sound. National governments or private entities will undertake policy studies to contribute to an evidence base for future decision-making.
 14. **Capacity-strengthening.** The programme will: (i) assess each country's institutional and staff capacity in policy processes; (ii) design capacity-strengthening strategies and plans based on local needs, priorities and opportunities; and (iii) implement the capacity-strengthening plans. As much as possible, the expertise developed within the participating countries will be used for country-level capacity-building exercises.
 15. Lessons learned from FAO's past work on capacity-strengthening and IFAD's recent policy work in the Lao People's Democratic Republic demonstrate the importance of intensive engagement in response to a government's clear expression of interest. This approach will be replicated in programme countries.
 16. **Policy dialogue and advocacy.** The programme is designed to: (i) encourage policy dialogue involving civil society and the private sector; and (ii) engage in and support advocacy to develop pro-poor policy solutions for managing risks and vulnerability. Policy dialogue will serve as a means to exchange and discuss information, with the ultimate outcome of building consensus on recommendations and identifying a range of policy alternatives. Advocacy processes will use the results of policy analysis and dialogue to demonstrate the benefits of policy change to key decision makers.
 17. **Experience sharing.** Regional learning workshops will be organized to provide participating countries with a forum to discuss innovative practices, cases of success or failure and lessons learned. Study tours will also be organized as a means to foster transnational networking and experience exchange. Additional platforms for results dissemination will include: (i) a regional programme website; (ii) publication of policy briefs or lessons learned documents; and (iii) coverage in national broadcast and/or print media.

IV. Expected outputs and benefits

18. The expected outputs and benefits include:
 - Studies and policy analysis reports on topics related to the risks and vulnerability faced by the rural poor, particularly smallholders, which inform national policymaking;
 - Improved stakeholder capacity in programme countries for policy analysis, dialogue, implementation and internalization;
 - Wider participation of civil society and the private sector in pro-poor policy dialogue and advocacy;
 - More extensive regional and national sharing of experience and lessons learned on successful pro-poor policies to support smallholders in managing risks and vulnerability.

V. Implementation arrangements

19. FAO, through its Regional Office for Asia and the Pacific (FAO-RAP), will be the implementing agency. Each FAO Representation in programme countries will receive a budget to support programme activities. Well-qualified national coordinators who are country-nationals will be recruited and housed within FAO country offices. Their main responsibility will be to proactively engage and coordinate programme activities with national focal points, IFAD country presence staff and operations, national farmers' organizations and other donor-supported policy initiatives. National coordinators will also provide technical assistance and strengthen the capacity of national counterpart institutions. The national coordinator role will be handed over to national focal points by the end of the third year.
20. The programme will be implemented in close collaboration with key government agencies of the participating countries, policy advocacy groups, national and regional policy institutes and other national partners. It will also be closely linked to ongoing and recently completed IFAD-supported investment projects and regional grant-funded programmes. All analytical work will have built-in linkages with the respective country's poverty reduction strategies, and will be based on nationally identified issues and priorities.
21. A policy facilitator, based at FAO-RAP, will oversee implementation of the four-country regional programme. S/he will provide regular technical assistance, management supervision to national coordinators, together with day-to-day programme management and staff supervision. FAO-RAP will provide technical oversight to the programme through at least one policy officer who will provide remote and in-country technical assistance, as needed.
22. FAO will submit progress reports to IFAD every six months, highlighting programme progress, implementation issues and follow-up actions to be taken. IFAD will undertake annual supervision missions from its own budget.

VI. Indicative programme costs and financing

23. The total cost of this four-year programme is US\$2.4 million, of which IFAD will provide US\$1.5 million. FAO will contribute US\$500,000 in resources from its Technical Cooperation Programme and US\$200,000 in in-kind contributions. Additionally, participating national governments are expected to make a US\$200,000 in-kind contribution, in the form of staff allocation, logistic support and office space for the national focal points, and use of their facilities for holding workshops and meetings.

Summary of budget and financing plan

(In United States dollars)

<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing</i>
Personnel (including subcontractors)	366 240	354 838
Professional services/Consultancies	344 100	57 878
Travel costs	182 296	43 751
Equipment	10 000	10 000
Operational costs, reporting and publications	61 000	34 544
Training/Capacity-building	400 000	398 989
Overheads (10 per cent)	136 364	--
Total	1 500 000	900 000

Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	Enhanced institutional capacity of four Asian countries to develop pro-poor policy solutions for managing the risks and vulnerability faced by small holders	At least two participating governments and institutions demonstrate their capacity to initiate and facilitate policy analysis, dialogue (and possibly implementation) without FAO or IFAD support	Final evaluation	Adequate human, time, and financial resources invested for institutional capacity development
Objectives	<ul style="list-style-type: none"> i) Identify and analyze current and emerging risks and vulnerability at national level to formulate pro-poor policies that enable the rural poor to raise agricultural productivity and to increase incomes. ii) Strengthen capacity of key government agencies and other related stakeholders in pro-poor policy analysis, formulation and implementation iii) Promote greater participation of civil society and private sector involvement in pro-poor policy dialogue and advocacy iv) Promote sharing of experiences and lessons on successful pro-poor policies within and among countries. 	<ul style="list-style-type: none"> i) Number of policy analysis study recommendations programme countries plan to adopt, or do adopt ii) Countries initiate policy processes, and search for information and funds as needed, and programme countries receive regular technical support and mentoring by country staff and backstopping missions from FAO. iii) Number of civil society and private sector firms involved in programme actions. iv) No. of internal and external stakeholders aware of and utilizing programme results 	<ul style="list-style-type: none"> i) Government records of policy adoption; press reports; international organization and think tank reports ii) Mid-term and final review as well as monthly reports and back to office reports iii) Mid-term review, interviews, final review. iv) Mid-term review and final review 	<ul style="list-style-type: none"> i) Advocacy processes lead to government action within the programme time frame, as well as commitment of national government to adopting suggested policies. ii) Commitment of national government to enhancing policy analysis capacity and stakeholder time, capacity and will to commit to capacity strengthening. iii) Collaboration and partnership with agencies outside the public sector is welcome and encouraged
Outputs	<ul style="list-style-type: none"> i) Studies and policy analysis reports on topics surrounding risk and vulnerability which inform national policy making. ii) Improved stakeholder capacity for policy analysis, dialogue, implementation and internalization iii) Greater participation of civil society and private sector in pro-poor policy dialogue and advocacy iv) Greater regional and national sharing of experience and lessons learned on successful pro-poor policies. 	<ul style="list-style-type: none"> i) One conceptual framework on risk and vulnerability and analysis created per country; & no. of policy analysis studies completed ii) One capacity assessment and one capacity strengthening plan per country iii) No. of policy dialogues and advocacy contacts involving civil society and private sector actors and no. of non-government actors participating in national policy processes iv) At least two fora and study tours for experience sharing; no. of results disseminated. 	<ul style="list-style-type: none"> i) Existence of documents, and monthly monitoring reports. ii) Existence of assessment and action plan documents and training reports iii) Quarterly monitoring reports iv) Trip reports, meeting proceedings, publications, website hits etc. 	<ul style="list-style-type: none"> i) Capacity assessment and strengthening activities precede policy analysis work ii) Policy analysis studies and dialogue create a range of recommendations that can be successfully advocated and implemented
Key Activities	<ul style="list-style-type: none"> i) Clarify concepts, e.g. "pro-poor", "risk" etc. ii) Assess capacities in programme countries and design and implement capacity building strategies. iii) Undertake analytical studies iv) Encourage pro-poor policy dialogue among government, civil society and private sector v) Organize regional learning workshops (at least 2) and cross-country study tours (at least 2) vi) Disseminate programme results 	<ul style="list-style-type: none"> i) No. of workshop and other reports / studies. ii) One capacity assessment and one capacity strengthening plan per country iii) No. of relevant analytical studies undertaken iv) No. of policy dialogues / advocacy contacts involving civil society and private sector & no. of non-govt actors engaging in policy processes v) At least two fora and study tours for experience sharing; no. of results disseminated. vi) No. of reports in media, blogs, websites etc. 	<ul style="list-style-type: none"> i) Existence of studies and reports ii) Existence of assessment / action plan documents and training reports iii) Existence of documents iv) Quarterly monitoring reports. v) Meeting proceedings, trip reports etc. vi) Media reports, website hits etc 	<ul style="list-style-type: none"> (Assumptions apply to all activities) Efficient and accountable use of financial and other resources Adherence to agreed annual work plans Cooperation from governments No emergency situations, e.g. cyclone, earthquake etc.

AGRINATURA-EEIG (European Alliance on Agricultural Knowledge for Development-European Economic Interest Grouping): Empowering Smallholder Farmers in Markets (ESFIM)

I. Background

1. In December 2008, the IFAD Executive Board approved a grant of US\$1.0 million for the three-year programme Empowering Smallholder Farmers in Markets (ESFIM). The grant has been effective since 4 May 2009.
2. The overarching programme goal is to enable smallholder farmers to take part in agricultural markets by contributing to a policy and institutional environment that is more conducive to their participation.
3. The development objective of the programme is to strengthen the capacity of farmers' organizations to play a part in policy and institutional initiatives that will enhance the participation of smallholder farmers in agricultural markets.
4. The programme has three components: (i) support to national agendas through collaborative research; (ii) comparative research; and (iii) learning for action.

II. Rationale

5. The International Federation of Agricultural Producers (IFAP) was the recipient of this grant implemented in partnership with the research consortium AGRINATURA-EEIG.¹ IFAP received a first instalment of US\$552,250, of which US\$345,876 was transferred by IFAP to AGRINATURA-EEIG. AGRINATURA-EEIG spent and accounted for the total sum transferred by IFAP, except for US\$131,850 which remains to be accounted for.
6. IFAP went into bankruptcy as a result of funding problems with one of its major development projects in 2009 and was formally liquidated in November 2010 for reasons independent of ESFIM implementation. However, implementation of the programme was able to continue with AGRINATURA-EEIG's commitment.
7. After the liquidation of IFAP, AGRINATURA-EEIG proposed that it take the lead in the programme and become the recipient of the remaining part of the grant, i.e. US\$579,600 corresponding to the second instalment (US\$447,750) plus the balance between what AGRINATURA-EEIG received from IFAP and what it spent for ESFIM implementation (US\$131,850).
8. AGRINATURA-EEIG has been fully committed to ESFIM since the beginning of the programme and has made a substantial effort to ensure its continuity. In view of the importance of this programme to IFAD, AGRINATURA-EEIG would be the best partner to achieve ESFIM implementation. All other aspects of the grant design document will remain as approved by the Executive Board in December 2008 (EB 2008/95/R.42/Rev.1).

¹ AGRINATURA-EEIG brings together 35 universities and research organizations working in 18 European countries on agricultural research, education, training and capacity-strengthening for development.

Summary of budget and financing plan

(In United States dollars)

<i>Type of expenditure</i>	<i>IFAD</i>
Personnel (including subcontractors)	23 246
Professional services	382 250
Travel costs	159 104
Operational costs, reporting and publications	15 000
Total	579 600

9. Therefore, it is recommended that the recipient of the grant approved by the Executive Board at its ninety-fifth session in December 2008, in order to finance the programme Empowering Smallholder Farmers in Markets (ESFIM), be changed from the International Federation of Agricultural Producers (IFAP) to AGRINATURA-EEIG.