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Enabling poor rural people
to overcome poverty

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

Note to Executive Board representatives

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For: Approval

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Abbreviations and acronyms

AKF	Aga Khan Foundation
CACSA	Central Asian Crafts Support Association
Cesvi	Cooperation and Development
MSDSP	Mountain Societies Development Support Programme

Recommendation for approval

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

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

I submit the following report and recommendation on a proposed grant for agricultural research and training to a non-Consultative Group on International Agricultural Research (CGIAR)-supported international centre in the amount of US\$1.3 million.

Part I – Introduction

1. This report recommends the provision of IFAD support to the research and training project of the following non-CGIAR-supported international centre: the Aga Khan Foundation (AKF).
2. The document of the grant for approval by the Executive Board is contained in the annex to this report:

Aga Khan Foundation: Mobilizing Public-Private Partnerships in Support of Women-led Small Business Development
3. The objectives and content of this applied research project are in line with the evolving strategic objectives of IFAD and the Revised IFAD Policy for Grant Financing.
4. The overarching strategic goal that drives the revised grant policy, 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: (i) innovative activities promoted and innovative technologies and approaches developed in support of IFAD's target group; (ii) awareness, advocacy and policy dialogue on issues of importance to poor rural people promoted by, and on behalf of, this target group; (iii) capacity of partner institutions strengthened to deliver a range of services in support of poor rural people; and (iv) 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 project is in line with the goal and outputs of the revised grant policy, and specifically with its first, third and fourth outputs. The project promotes innovative activities and technologies in support of IFAD's target group, strengthens community-based organizations and enhances knowledge and experience exchange across countries. This approach supports the IFAD objective of promoting awareness, advocacy and policy dialogue on issues of importance to poor rural people, and ensuring that poor rural women have a say in policy decisions that affect their livelihoods. It also links with IFAD's priority to improve the business environment in rural communities by supporting producer organizations that facilitate communities' access to markets and policymakers. The work on

developing a women-friendly business and institutional environment is expected to create new public-private partnerships that are important not only for business but also for the development of civil society and the increased accountability of governmental officials.

Part II – Recommendation

7. I recommend that the Executive Board approve the proposed grants in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the project for Mobilizing Public-Private Partnerships in Support of Women-led Small Business Development, shall make a grant not exceeding one million three hundred thousand United States dollars (US\$1,300,000) to the Aga Khan Foundation for a four-year project upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Kanayo F. Nwanze
President

Aga Khan Foundation: Mobilizing Public-Private Partnerships in Support of Women-led Small Business Development

I. Background

1. The proposed project is based on the premise that the incomes of Afghan and Central Asian rural families can be increased by adding value to agricultural products and that expansion of agricultural processing depends on developing new profitable business opportunities, specifically for rural women. Although women in the targeted countries of Afghanistan, Kyrgyzstan and Tajikistan play a key role in agricultural processing, they rarely find the opportunity to convert their skills into income-generating businesses.
2. Afghan, Kyrgyz and Tajik women face a number of constraints that prevent them from becoming successful entrepreneurs. Traditional gender roles in rural areas of their countries confine women to their homes, restrict their activities to child rearing and household chores, and limit their schooling, decision-making, communication and movement.
3. Another obstacle to small business development is a business environment based on informal ties and networks of well-connected individuals as opposed to contracts and the rule of law. Such an environment is skewed against poor people and women who tend to have fewer important connections and thus are forced to navigate unpredictable bureaucratic environments (particularly in Kyrgyzstan and Tajikistan, which were part of the former Soviet Union).
4. A further obstacle is poor access to credit and limited ownership rights to property as well as access to collateral, which also disproportionately affects women. Afghanistan, Kyrgyzstan and Tajikistan have relatively weak financial institutions with few branches in remote rural areas and little experience in working with small businesses and women. This limits the availability of credit resources for entrepreneurial activity due to high bank loan interests (about 30 per cent per year in Kyrgyzstan and Tajikistan).
5. In spite of these difficulties, Afghan and Central Asian rural women have remarkable capacities and potential to succeed in small business due to their developed skills in processing local products and their motivation to improve their families' livelihoods. The proposed business model for this project will include technological aspects (e.g. combining modern technologies and indigenous traditional knowledge) and organizational/social aspects. The latter will include developing entrepreneurial capacity in remote areas and linking remote communities to international markets (in Europe and the United States). This income-generating activity will improve the social status of women.
6. To accomplish this objective, the project aims to collaborate with rural women to develop small businesses by using an innovative approach based on close partnerships among fibre producers, women-led processing groups, the private sector (represented by microlending organizations), importers of fibre handicrafts, and governmental regulatory institutions handling small business development in their countries.

II. Rationale and relevance to IFAD

7. The project rationale is to foster the underutilized potential for fibre-processing businesses for poverty reduction in Afghanistan and Central Asia with a focus on women. Specifically, the project will consolidate and further scale up the business model piloted under an IFAD-funded grant to the International Center for Agricultural Research in the Dry Areas, as part of action research aiming at

identifying and piloting viable pre-investment models for future scaling up within development projects in the region. Consequently, grant financing is still required because women-led rural businesses need to further expand production capacity in terms of consistent quantity and quality of fibre products and also strengthen their capacity to mobilize essential partnerships and agencies needed for business development.

8. In line with the IFAD Strategic Framework 2011-2015 and its Policy on Gender Equality and Women's Empowerment, the project will work with rural women and men to set up small businesses that process and export value-added local fibres in order to improve their food security and nutrition, raise their incomes and strengthen their resilience to shocks.
9. The project will facilitate bottom-up policy dialogue, enabling community leaders and fibre producers and processors to interact with governmental officials for the creation of a legal and institutional framework that supports women-led businesses in fibre processing and export of value-added products. It will draw on the experience of the Aga Khan Foundation (AKF) in creating common interest groups and village organizations that link producers and processors with markets and encourage problem-solving and capacity-building at the community level.
10. In addition, the project will help the new businesses to understand and effectively apply the most recent laws passed to promote small business and give equal opportunities to women. It will help women develop business plans and apply for microloans, and it will also help mediate between the businesses and potential creditors. It will help develop microlending schemes that work well for these types of businesses (drawing on IFAD experiences in Mongolia and on the AKF system of community-based microlending organizations active in some of the pilot communities).
11. The project is fully in line with the outputs of the Revised IFAD Policy for Grant Financing. It contributes especially to the first, third and fourth outputs, respectively promoting innovative activities and technologies in support of IFAD's target group, strengthening community-based organizations and enhancing knowledge and experience exchange across countries. Above all, the project represents for IFAD a pre-investment action research project that will inform the future development portfolio in the region. The project will implement similar activities in the three targeted countries (Afghanistan, Kyrgyzstan and Tajikistan) and share among them know-how and technologies in fibre production, processing and marketing across all pilot sites.

III. The proposed project

12. The overall goal of the project is to set up sustainable, independent, export-oriented women-led small businesses in cashmere, mohair and wool processing (spinning, knitting and weaving) and increase their export capacity and earnings to enhance household incomes and food security. The project's objectives are to support targeted groups in (i) accessing credit; (ii) strengthening the institutional and legal aspects of their businesses; (iii) applying innovative, eco-friendly processing technologies; (iv) training women in new processing methods and business management; and (v) establishing close contacts with product designers, buyers and markets. Sustainable, export-oriented businesses will be able to guarantee stable earnings for women and their families and will improve the social status of women, which is essential for a gradual increase in gender equality in Afghanistan and Central Asia. The businesses will also serve as models for developing effective private-public partnerships, which are necessary for broad-based economic development and poverty reduction in these regions.
13. The grant financing will allow the (i) establishment of new groups of women with processing skills, motivation, talent and access to quality raw fibres;

- (ii) identification of additional fair-trade companies interested in working with rural women on processing these fibres into competitive products for export;
- (iii) development of commercial channels with customers interested in purchasing fair-trade luxury products handmade by women; (iv) identification of microlenders ready to financially support, through credit, small, women-led, rural businesses; and (v) development of government agency capacity to provide businesses with a regulatory framework that offers fair, transparent rules of business conduct.
14. To achieve the above, the project calls for an implementing agency with a long-standing administrative, knowledge and logistic presence in the three countries as well as a strong presence in remote communities. AKF draws on a well-recognized base of experience working in Afghanistan, Kyrgyzstan and Tajikistan (project countries) on improving living conditions in remote mountain communities. The Foundation is present in northern Tajikistan, the Tajik and Afghan Badakhshan provinces, and the Naryn Province of Kyrgyzstan where its Mountain Societies Development Support Programme (MSDSP) is being implemented. It also has well-organized offices in capital cities and ties with local governmental agencies and financial institutions of the project countries.
 15. Mentoring and support to groups and to nascent and developing enterprises will be ensured by business development centres (BDCs) implemented by AKF under MSDSP. BDCs will offer two types of assistance to new businesses: (i) an enabling environment for the business and (ii) a training project for the entrepreneur. Furthermore, women's enterprises will have access to credit through the Aga Khan Agency for Microfinance already operating in the region.
 16. The project will collaborate with approximately 800 fibre goat producers and women mohair, cashmere and wool processors (spinners, knitters, weavers and feltmakers) in Afghanistan, Kyrgyzstan, and northern and eastern Tajikistan. It will target at least 4,000 people both directly and indirectly, however, since the income generated by mohair production will have a huge impact on 800 households composed of an average of five members. Their increased income will allow households to have better access to food, housing, health care and education.
 17. The project will be of a four-year duration and will comprise eight project activities:
 - Assist women's groups with business planning and access to credit;
 - Establish the legal status of the businesses and institutional support for their operations;
 - Train women in new processing technologies and business management;
 - Deepen linkages with export and local markets and suppliers of raw fibre;
 - Use the most successful businesses as models to develop similar businesses at other sites, including in northern Afghanistan and in other IFAD-funded projects;
 - Train fibre producers in sustainable production of quality mohair and cashmere at pilot sites;
 - Produce a manual on methodologies and lessons learned; and
 - Enter into partnerships with other IFAD-funded projects, NGOs and international organizations.

IV. Expected outputs and benefits

18. The project will open new opportunities for small business development in the pilot communities by training trainers and group leaders who, in turn, will be able to train other women and men to set up their own businesses, broadening the project impact. In addition, economic ties to international buyers and financial and governmental institutions will have a positive impact on the development of the

local business climate and regulatory environment. The long-term project benefits include: (i) new possibilities created for personal, family and community advancement; and (ii) income generated by luxury fibre production having a significant impact on the targeted households.

19. The main expected outputs and benefits are:

- Consolidation of 16-20 women-led businesses in fibre processing (spinning, weaving, knitting and felting) in Kyrgyzstan and in northern and eastern Tajikistan;
- Creation of 10-15 additional businesses at pilot sites where women have access to luxury fibres but no prior experience in processing these fibres into export products;
- 300 women and men goat producers trained in improved production of angora and cashmere goats and in mohair and cashmere harvesting in northern Afghanistan and in northern and eastern Tajikistan;
- 30-40 trained women leaders who can train and mentor other women and men in organizing a small business;
- Production of an operational manual on the establishment of women-led businesses in fibre processing;
- Establishment of linkages with governmental agencies, international organizations, NGOs and other IFAD-funded and AKF projects for business development, legal and financial support, community management of natural resources, local governance and infrastructure, social services and gender issues; and
- Institutional and organizational models for small business development, models of collaboration between rural small and medium-sized enterprises, financial and regulatory institutions and importers (including new trade and cultural ties between communities in Afghanistan and Central Asia and fair-trade buyers/consumers in Europe and the United States).

V. Implementation arrangements

20. The Aga Khan Foundation will be responsible for the overall management of the project and for financial and technical reporting to IFAD. The project will be implemented by the AKF country offices in Bishkek (Kyrgyzstan) and Dushanbe (Tajikistan) and its regional offices in Faizabad (Afghanistan), Osh (Kyrgyzstan) and Khorog (Tajikistan). Memoranda of understanding will be established with the headquarters of AKF in the United Kingdom. At the field level, the AKF project manager, project technical coordinator and qualified local country teams led by national coordinators will implement activities at the pilot sites and oversee the implementation of project activities, administrative tasks, procurement and reporting, including good governance practices.
21. The Kyrgyzstan country team will collaborate with the Central Asian Crafts Support Association (CACSA), which groups over 50 member crafts development centres and NGOs from Kazakhstan, Tajikistan, Turkmenistan and Uzbekistan as well as from Kyrgyzstan. The Afghan and Tajik country teams will collaborate with De Pamiri, a Tajik NGO, and with Cooperation and Development (Cesvi), an Italian NGO. International businesses such as ClothRoads, Peace Fleece, Sales Exchange for Refugee Rehabilitation and Vocation (SERRV) International, Swans Island (United States), *altraQualita'* (Italy) and others will provide the project with professional guidance for product development and marketing. The interaction with local institutions and NGOs will also be regulated by memoranda of understanding.
22. At inception, a steering committee will be established for reviewing and approving the annual workplans and budgets. A regional inception workshop will be held at

the start of the project to establish implementation and coordination arrangements and the first year's workplan. Annual coordination and planning meetings will be convened where all project partners, including producers and service providers, will review the project's previous activities and results.

23. AKF/MSDSP will be responsible for monitoring, evaluation and reporting. Monitoring will systematically and objectively assess the performance of the components in order to identify achievements and introduce corrective measures when needed. Country teams and the coordinator will produce data, to feed into reports, on progress indicators and information on all activities undertaken at the pilot sites and the analysis of their outcomes. All project-related information, particularly the data coming from the project baseline, will be recorded in the MSDSP centralized database.
24. In accordance with the IFAD Guidelines on Project Audits, AKF headquarters will ensure that the entire project is subject to audit and will have its institutional accounts, including specific reference to the consolidated project activities and balances, audited every year by independent auditors acceptable to IFAD in accordance with the International Standards on Auditing. AKF headquarters will deliver to IFAD a copy of the consolidated audited financial statements, which will include specific reference to the grant, within six months after the end of each fiscal year of the recipient. The recipient will ensure that, within its audited financial statements or separately, an audit opinion letter on statements of expenditure submitted to IFAD during the fiscal year is duly completed by its independent auditors.

VI. Indicative project costs and financing

25. The overall cost of the project is estimated at US\$2.3 million over four years (2013-2017), of which IFAD will finance US\$1.3 million. It is proposed that IFAD funding be complemented by in-kind contributions of US\$1 million from AKF, CACSA and Cesvi.

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 management	270 000	110 000
Short-term consultants	50 000	40 000
Local staff	120 000	16 000
Travel (international and local)	180 000	103 000
Equipment and supplies	190 000	100 000
Training (including learning route and field exchange visits)	170 000	200 000
Workshops, meetings and public awareness	156 000	59 000
Publications and communications	60 000	20 000
Administrative support	0	92 000
Infrastructure support	0	100 000
Administrative overheads	104 000	160 000
Total	1 300 000	1 000 000

^a Contributions in kind from AKF, CACSA and Cesvi.

Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	<ol style="list-style-type: none"> 1. Create new sources of income for poor rural women in remote regions of Tajikistan, Kyrgyzstan and Afghanistan; 2. Contribute to improvements in the status of women and gender relations; 	<ul style="list-style-type: none"> • Number of women and men directly benefiting from new income opportunities. • Changes in incomes of project beneficiaries over time. • Changes in gender relationships and women's status over time. 	<ul style="list-style-type: none"> • Statistics on changes in women's income and information on the evolution of their status collected in the course of the project. • Visits to pilot sites and interviews with women processors and community members about the project impact on their earnings, livelihood and status. 	
Objectives	<ol style="list-style-type: none"> 1. Set up approx. 30 sustainable women-led businesses that generate incomes for approximately 500 rural women and men in Tajikistan, Kyrgyzstan and Afghanistan through value-added fibre processing and export of products. 2. Establish linkages to micro-credit, regulatory institutions, international buyers and fibre producers. 	<ul style="list-style-type: none"> • Number of sustainable businesses set up at pilot sites. • Volume and value of exports and earnings. • Number of women employed by the businesses and their earnings. • Data on correlation between additional family income from fibre processing and changes in the welfare of family members (schooling, nutrition & health-care, migration). 	<ul style="list-style-type: none"> • Number of businesses documented. • Data on exports, local sales and earnings collected from the businesses. • Data on the number of women and men participants and their earnings. • Visits to businesses and interviews with beneficiaries. • In-depth interviews with women and family members about the effects of additional income. 	<ul style="list-style-type: none"> • Businesses will maintain high quality of products and meet expectations of buyers/importers. • Stable demand for specific fibre products developed by the groups. • Importers will succeed in selling the products and maintain stable orders in spite of possible economic slowdown in the USA and Europe.
Outputs	<ol style="list-style-type: none"> 1. 30 sustainable women-led businesses in fibre processing. 2. Businesses receive micro-loans. 3. Businesses have all necessary institutional support and no legal barriers to succeed in their activities. 4. Businesses have access to eco-friendly, efficient processing technologies. 5. Businesses collaborate with fibre suppliers and have stable linkages to buyers and successfully export products. 6. Manual that documents the establishment of sustainable businesses. 	<ul style="list-style-type: none"> • Number of businesses established, data on the volume of sales and women's incomes. • Data on specific loans/sources of financing and their effectiveness. • Legal status of the businesses, export licenses and tax documents. • Information on processing technologies applied and resulting changes in productivity and profitability. • Number of buyers and data on the volume of exports and domestic sales. • Data on suppliers and fibre purchased. 	<ul style="list-style-type: none"> • Number of businesses at each site and business data collected. • Data on micro-loans and other sources of financing and their benefits. • Business licenses and other documents obtained by groups. • Description of new processing technologies and their impact on changes in productivity. • Data on volume and value of sales and earnings obtained from groups and buyers. • Interviews with the groups, project reports and visits to project sites. 	<ul style="list-style-type: none"> • Micro-credit institutions will collaborate the groups and offer funding on terms attractive for processing groups. • Governmental agencies responsible for business administration will work with the project and the groups on securing legal status, permits, etc. • Groups will make products for reasonable prices and according to buyers' specifications. • Buyers will have the capacity to work successfully with the groups on product development and marketing.
Key Activities	<ol style="list-style-type: none"> 1. Develop business plans with women processors and link them with creditors. 2. Develop legal support for the businesses, establish linkages with governmental agencies. 3. Train women in new processing technologies and business management. 4. Help the groups form strong linkages with 	<ul style="list-style-type: none"> • Business plans and sources of credit for the businesses established. • Licenses and other documentation received by the businesses. • Number of women trained in processing and business management. • Linkages with buyers and suppliers developed. • Businesses set up at other pilot sites. • Specific improvements in fibre goat 	<ul style="list-style-type: none"> • Business plans and volume of credit received by the groups. • Changes in legal status of the groups. • Production technologies introduced. • Volume of orders from importers for specific groups, income from sales earned by specific groups. • Manual delivered. • Collaborate ties and joint activities described in project reports. 	<ul style="list-style-type: none"> • Collaborative agreements between women's groups, financial and governmental institutions, import companies and fibre producers can be successfully arranged to the mutual benefit of all parties.

Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
buyers and supplies of fibre. 5. Develop fibre-processing businesses at other sites including Northern Afghanistan and IFAD funded loans. 6. Train fibre producers to improve production of Cashmere and Angora goats. 7. Prepare a manual on women-led business development capturing lessons learned. 8. Collaborate with international agencies and other IFAD projects.	production achieved through training. <ul style="list-style-type: none"> • Manual produced. • Learning route, exchange visits and final workshop undertaken. • Collaborative ties and joint activities with international agencies and other IFAD projects organized. 		