

Document: EB 2012/LOT/G.20  
Date: 13 December 2012  
Distribution: Public  
Original: English

**E**



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**

**Business in Development (BiD) Network  
Foundation**

**Note to Executive Board representatives**

Focal points:

Technical questions:

**Shantanu Mathur**  
Head, Grant Secretariat  
Tel.: +39 06 5459 2515  
e-mail: s.mathur@ifad.org

Dispatch of documentation:

**Deirdre McGrenra**  
Head, Governing Bodies Office  
Tel.: +39 06 5459 2374  
e-mail: gb\_office@ifad.org

---

**For: Approval**

## **Contents**

<b>Recommendation for approval</b>	<b>1</b>
<b>Part I – Introduction</b>	<b>1</b>
<b>Part II – Recommendation</b>	<b>2</b>

### **Annex**

Business in Development (BiD) Network Foundation: Enhancing Food Security in the Horn of Africa through Diaspora Investment in Agriculture Programme	3
--	---

## **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\$1.5 million.

### **Part I – Introduction**

1. This report recommends the provision of IFAD support to the Business in Development (BiD) Network Foundation.
2. The document of the grant for approval by the Executive Board is contained in the annex to this report:
 

Business in Development (BiD) Network Foundation: Enhancing Food Security in the Horn of Africa through Diaspora Investment in Agriculture Programme
3. The objectives and content of this applied research programme is 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, which was 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 programme is in line with the goal and outputs of the revised IFAD grant policy. The proposed Enhancing Food Security in the Horn of Africa through Diaspora Investment in Agriculture Programme contributes to the achievement of grants policy outputs (a), (c) and (d). The programme's objectives are to: (i) identify and promote pro-poor investment mechanisms in rural areas for dissemination, replication and scaling up; (ii) build diaspora capacity and promote the transformation of diasporas into agents of development; and (iii) encourage multifaceted strategies that bring diasporas across the world into contact with private enterprises and civil society in their home communities and in local and national governments and the international community.

## **Part II – Recommendation**

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

RESOLVED: that the Fund, in order to finance, in part, the Enhancing Food Security in the Horn of Africa through Diaspora Investment in Agriculture Programme, shall provide a grant not exceeding one million five hundred thousand United States dollars (US\$1,500,000) to the Business in Development (BiD) Network Foundation 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.

Kanayo F. Nwanze  
President

# **Business in Development (BiD) Network Foundation: Enhancing Food Security in the Horn of Africa through Diaspora Investment in Agriculture Programme**

## **I. Background**

1. The diaspora plays a vital role in the development of the country of origin. Migrants foster cross-border relationships through remittances, investments, tourism, trade and knowledge transfer. This is especially relevant in conflict-stricken or post-conflict states. Migrants' remittances provide a lifeline to households and communities where local government has been unable to further local development and poverty reduction.
2. Recognizing the critical role of the diaspora in sustaining livelihoods, IFAD engaged in policy dialogue with the Government of Somalia, one of the most severely conflict-stricken countries in the Near East and North Africa (NENA) region. Somalia is estimated to receive almost US\$1 billion per year in remittances, exceeding official aid flows to the country. At the 2010 International Forum for Rural Development in Somalia, representatives of the diaspora, the Government, development agencies and academia began a dialogue to outline priorities and opportunities for joint action to promote local development.
3. The proposed innovative approach to diaspora investment in agriculture builds on the Somalia Forum initiative. Moreover, it supports the Diaspora Investment in Agriculture (DIA) initiative launched by IFAD's Financing Facility for Remittances, in collaboration with the United States Department of State.

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

4. The programme will harness capital from the diaspora for sustainable development activities in support of poor rural households. While remittance inflows secure short-term needs, directing these funds to longer-term sustainable development remains a challenge. Investments are critical to fragile and post-conflict states because these countries already face food insecurity issues. They are often dependent on food imports and experience significant youth and labour emigration from rural areas.
5. Despite these challenges, there are also opportunities for certain categories of investors in post-conflict states. Due to their strong links with their home communities, migrant investors are more willing to invest in their own economies than foreign investors. They benefit from a sound understanding of local culture, conditions and risks and are better able to capitalize on agribusiness opportunities in their countries of origin.
6. A number of key markets have been identified where there is substantial demand for foreign investment accompanied by vast potential for fostering local development. This proposal will support investment in commodity value chains or agribusinesses that contribute to rural growth and employment generation. Project models will be developed and customized to minimize risk and facilitate investment for investors and producers. Ultimately, clear replication and scaling-up mechanisms for diaspora partnerships in agribusiness and agricultural value chains will be designed and will be made available through suitable channels for implementation by diaspora in other countries where IFAD operates.
7. The proposed programme will target Somalia and Djibouti. These countries are undergoing a critical food security crisis, coupled with severe displacements, continued active conflict, extreme limitations on humanitarian access, disruptions to trade, and overburdening of household coping mechanisms as a result of high food prices and poor rainfall.

8. The programme supports IFAD's strategy for rural development by enabling poor rural women and men and their organizations to manage profitable, sustainable and resilient farm and non-farm enterprises or take advantage of decent work opportunities. The programme covers three of the four main objectives of IFAD's grant policy, namely to: (i) promote innovative activities and approaches to support IFAD's target group; (ii) strengthen the capacity of partner institutions to deliver a range of services to support poor rural people; and (iii) increase lesson learning, knowledge management and dissemination of information on issues related to rural poverty reduction among stakeholders within and across regions.

### III. The proposed programme

9. The overall goal of the programme is to promote pro-poor agricultural investment in local initiatives for economic development and employment and to enhance food security in Somalia and Djibouti.
10. The programme's objectives are to:
  - Identify and promote pro-poor investment mechanisms in rural areas for dissemination, replication and scaling up;
  - Build diaspora capacity and promote the transformation of diasporas into agents of development; and
  - Encourage multifaceted strategies that bring diasporas across the world into contact with private enterprises and civil society in their home communities, local and national governments, and the international community.
11. The target group includes 15-20 organizations to be selected through a competitive process. These will include NGOs, charities run by diasporas, civil society organizations, development agencies, private foundations and private-sector companies. The ultimate beneficiaries of grant-winning projects, funded by the programme and the diaspora, are rural poor people (smallholder farmers, landless people, labourers, herders, artisanal fishers and microentrepreneurs) in Somalia and Djibouti, who face challenges in coping with different food security threats, such as drought, floods, disease, price fluctuations, climate change and conflict.
12. The programme will be of a four-year duration with three components, which are described below.
13. **Component 1: Mapping and research**  
The programme will validate specific opportunities, challenges and capacity-building needs related to agricultural investment in selected territories. This involves compiling an inventory at different levels: (i) producer/product: market analysis of specific products, production capacity and identification of groups of producers and value chains; (ii) public support: government incentive programmes such as investment facilitation schemes or beneficial tax status for diaspora investors, export promotion programmes, etc.; and (iii) partners: relevant public, private or international organizations working in target areas, to establish synergies.
14. Meanwhile, the programme will map existing successful models of agricultural projects in similar contexts focused on specific high-value crops and value chain opportunities. The resulting information will be collated and disseminated via DIA through reports and the virtual platform pioneered by the BiD Network Foundation to inform potential applicants and investors.
15. **Component 2: Investment opportunities and models for scaling up**  
This component will identify and cofinance successful agricultural and agribusiness investment opportunities, in addition to investment mechanisms that are viable, sustainable, and can be replicated and scaled up. The grant will link potential investors in the diaspora with investments in their communities of origin through an online platform. A call for proposals will allow identification of the most innovative

and viable ideas and models addressing food security, agricultural value chains and diaspora investment through joint initiatives with local communities.

16. Proposals will be screened by the investment committee. Up to 50 finalists will be invited to submit a full proposal, and 15 to 20 winners will be selected to receive grant funding of up to US\$100,000 (for commercial investments) or up to US\$50,000 (for small microenterprise investments not wholly owned by diaspora investors). Provision of the matching grants will be contingent upon the investment of the diaspora investors. A one-to-one ratio of diaspora investment to matching grant funds has been estimated, but is likely to be exceeded in the opinion of the project partners.
17. Qualifying proposals will feature: (i) a strategic approach grounded in the natural and socio-cultural assets, livelihoods and needs of the rural communities concerned; and (ii) a viable system of governance that ensures coordination and networking both vertically and horizontally. Special emphasis will be placed on proposals that build the capacity of local pro-poor institutions and facilitate job creation in rural areas. Specifically, subgrants will be scored on a combination of indicators addressing both the economic viability of the investment, and the impact of the investment on core development issues (including food security, rural poverty reduction, gender).
18. **Component 3: Capacity enhancement**  
This component will enhance the capacity of local organizations to provide agriculture-related investment opportunities and to efficiently develop and maintain cross-border relationships with diaspora investor groups.
19. Activities will include:
  - Training in resource mobilization and development of sustainable agricultural initiatives targeted at migrant associations, managers of diaspora investment funds, agricultural collectives, entrepreneurs and local communities;
  - Capacity-building of local centres of expertise to support business development;
  - Temporary return and/or professional exchange programmes focused on transmitting diaspora expertise in agriculture to local farmers or technicians in Somalia and Djibouti;
  - Training of government staff to promote the establishment of an enabling framework for local production;
  - Technical assistance for rural communities and local partners to upgrade capacity of different actors across the value chain.

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

20. Outputs are as follows:
  - Output 1: 15-20 innovative projects selected through a competitive process and funded by grants of between US\$20,000 and US\$100,000 for the implementation of initiatives of up to a two-year duration.
  - Output 2: Diaspora capital mobilized to equal at least US\$910,000. This will ensure better ownership of the newly established agribusinesses and enhanced sustainability.
  - Output 3: Capacity-building and technical assistance provided to successful proposals by specialists from the grant recipient, IFAD, and other experts from development organizations and academia.
  - Output 4: Knowledge exchange activities implemented. These include: the organization of events for greater engagement by diaspora organizations; the

creation of DIA online platforms for sharing best practices and lessons learned and identifying opportunities for replication and scaling up; and the establishment of links with IFAD's regional network for NENA (KariaNet).

- Output 5: Diaspora communities better engaged in dialogue with development partners, in local development efforts and in reconciliation initiatives grounded in economic growth and development in their countries of origin.

## V. Implementation arrangements

21. Due to the highly specialized technical capacity required to implement this grant, the BiD Network Foundation was selected through a tender launched by IFAD. On the basis of the evidence provided in terms of country presence, linkages with the African diaspora groups, and the proposed partnership strategy, the BiD Network Foundation was selected. The foundation was established in 2005 with the goal of contributing to sustainable economic growth through entrepreneurship. It has solid experience in establishing linkages among the diaspora investor community and African entrepreneurs and has developed a platform to facilitate such linkages. It has a track record of operations in post-conflict areas, and has managed several projects in support of agricultural investment by the diaspora from Kosovo, Palestinian territories, Rwanda, Uganda, Liberia and Burundi.
22. The programme will be supervised by IFAD and implemented in agreement with IFAD financial management procedures and guidelines on procurement, financial reporting, audit and fund flow requirements.
23. The grant utilizes two sets of networks: (i) a network of key partners with the *competencies* required to accomplish the goals of this grant; (ii) the broader network of diaspora organizations that can contribute the *resources* to scale up the intervention developed by the grant. The BiD Network Foundation will be accountable to IFAD for overall programme results, administering funds and programme management. It will coordinate and lead a consortium of implementing partners with relevant experience in the fields of agriculture (the Somali Agricultural Technical Group and the International Food Policy Research Institute [IFPRI]), the Somali diaspora (the Himilio Relief and Development Association) and business training for small and medium-sized enterprises (SMEs) in Africa (InvesteQ Capital). Partners will be subcontracted by the BiD Network Foundation through a partnership agreement. Funds will be disbursed in yearly instalments, based on approval of annual plans and budgets and review of financial reports. In particular, funds dedicated to the investment component will be transferred to InvesteQ and released to sub-grantees according to an operation manual specifically developed to meet IFAD requirements. InvesteQ will also be subject to an annual audit. Annual audited financial statements for the grant will be submitted to IFAD, consolidating expenditures incurred by all grant sub-recipients, who will be accountable to the BiD Network Foundation for the use of the sub-grant funds. The foundation will be responsible for overall fund management. Disbursements will be made through advances based on annual workplans and budgets and statements of expenditure justifying at least 75 per cent of previous advances, as well as receipt of annual audits.
24. The BiD Network Foundation will establish a programme coordination team to meet quarterly to evaluate progress and plan ahead. It will submit narrative and financial reports to IFAD twice a year as well as annual financial and audit reports. Implementation will also be supported by a steering committee and an investment committee. Both committees will meet at least twice a year unless otherwise requested. The BiD Network Foundation will be responsible for monitoring and evaluation (M&E) activities, and coordination with and reporting to the steering committee. Before inception and in collaboration with IFAD, the BiD Network Foundation will define key performance indicators at the output, outcome and impact level. Baseline and at completion surveys will be undertaken of the target



group to measure programme outcomes. A final completion report on impact will also be submitted to IFAD.

25. Indicative guidelines will be prepared for cost-recovery on grant-funded projects. Final cost-recovery plans will be submitted by prospective grantees as part of their full proposals. For social projects not generating income or revenue, proposals will provide a realistic strategy for sustaining project results after grant completion.

## VI. Indicative programme costs and financing

26. The four-year programme will be funded by IFAD through a US\$1.5 million grant, and cofinanced by supplementary funds from the Policy and Technical Advisory Division's Financing Facility for Remittances through a separate grant of US\$0.2 million. The total cost of the programme will thus be US\$1.7 million.

### Summary of budget and financing plan

(United States dollars)

<i>Number</i>	<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing</i>
1	Studies, technical assistance and workshops	390 000	
2	Investment grants	910 000	
3	Administration costs (personnel, travel, operating costs)	110 000	200 000
4	Overhead	90 000	
	<b>Total</b>	<b>1 500 000</b>	<b>200 000</b>

## Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<b>Goal</b>	Improved food security in Somalia and Djibouti	% and absolute increase in food production amongst programme-affiliated SME agribusinesses and social enterprises. % increase in jobs in the agribusiness sector	Grant recipient reports Evaluations and survey reports	
<b>Development Objective</b>	Identify and promote pro-poor investment mechanisms in rural areas for dissemination, replication and scaling-up; Build diaspora capacities and promote the transformation of diasporas into agents of development Encourage multi-pronged strategies that bring global diasporas into contact with private enterprises and civil society in their home communities, local and national governments, and the international community.	% increase in agribusiness investments in Somalia Improved family incomes benefiting at least 5,000 persons	Grant recipient reports Evaluations and survey reports	Relatively stable conditions in terms of war and ecological disasters Access to local food production by the rural poor
<b>Outcomes</b>	Agribusiness in Somalia and Djibouti increase their sales and gain better access to finance instruments Additional jobs are created by SMEs Successful investment mechanisms for rural areas are replicated in Somalia and Djibouti Somali and Djiboutian Diaspora are enabled to promote investment opportunities in the home countries and to engage with private enterprises and civil society in their home communities, local and national governments, and the international community	36 sustainable small and medium-sized agribusinesses/agricultural social increase their sales 20% or more over the life of the programme 25 investment matches are made through Business Angels from the Somalia diaspora community or other interested investors and funds over the life of the project. 288 direct jobs and 749 indirect jobs created in agribusiness value chains in Somalia and Djibouti by programme completion. Two thirds of these jobs are to be created outside of Mogadishu and Hargeisa and at least half of them will be filled by women.	DIA and grant recipient's reports Online verification through surveys and offline random checks on this data by in country partner. Success stories & Annual Reports of consortium partners Manual describing the methodology used for diaspora investing	Diaspora co-funding traced and monitored An acceptable level of security is maintained that enables movement of programme staff, and business investment and growth
<b>Outputs</b>	15-20 innovative projects selected and funded through grants in the range of USD 20 000- 100 000 for projects of up to 2 years in duration. USD \$910,000 capital is mobilized from the market (of amongst others the Somali Diaspora) to match IFAD grants Capacity building and technical assistance to successful proposals provided by experts Knowledge and lessons learned from successful project disseminated through the various events , online platforms and KariaNet Diaspora communities better engaged in dialogue with development partners, in local development efforts and in reconciliation initiatives	Number of innovative projects selected and funded 300 new members registered on BiD Network.org from Somalia, Djibouti or from the Somali diaspora community. 50 selected SMEs are coached on agribusiness development and trained on Ready4Finance. Number of licenses issues to trained SME service providers Number of events held and number of attendants Number of initiatives replicating successful models	Challenges launched on <a href="http://www.bidnetwork.org">www.bidnetwork.org</a> Factsheets Business Plans Training evaluation sheets Client satisfaction surveys Event reports Entrepreneurs surveys	Investments co-funded with bona fide Diaspora members Diaspora investments do not crowd out local investors