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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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Abbreviations and acronyms

CGIAR	Consultative Group on International Agricultural Research
CIAT	International Centre for Tropical Agriculture [<i>Centro Internacional de Agricultura Tropical</i>]
GMS	Greater Mekong Subregion
R&D	Research and Development
SNV	SNV Netherlands Development Organisation

Recommendation for approval

The Executive Board is invited to approve the recommendation for a grant under the global/regional grants window to non-CGIAR-supported international centre as contained in paragraph 8.

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\$1,199,000.

Part I – Introduction

1. This report recommends the provision of IFAD support to the research and training programme of the following non-CGIAR-supported international centre: SNV Netherlands Development Organisation.
2. The document of the grant for approval by the Executive Board is contained in the annex to this report:
 - (i) Inclusive Business Models to Promote Sustainable Cassava Production Project.
3. The objectives and content of this applied research programme 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 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 the people themselves; (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 Policy for Grant Financing, and consistent with the Strategic Framework 2011-2015 with regard to managing the risks and vulnerability of smallholders, with a focus on gender equity (through the inclusion of women cassava farmers). The proposal promotes two basic elements of the IFAD grant policy:
 - Development of technologies – using existing knowledge to work with smallholder cassava farmers and processors to further innovate and adapt,

and adopt technologies for sustainable production, pre-processing and processing of cassava roots;

- Knowledge management and sharing for learning – through inclusive business models that promote the use and development of knowledge on production, processing and market linkages among processing enterprises, smallholders and government services, and through other relevant models that demonstrate market-based solutions, and disseminate more widely to development organizations, businesses and business associations, and government services for replication.
7. This project also supports IFAD’s focus on sustainable management of natural resources, in the short term through improved soil management and profitability, and in the longer term by creating production systems that are “climate-change-ready”.

Part II – Recommendation

8. 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 Inclusive Business Models to Promote Sustainable Cassava Production Project, shall provide a grant not exceeding one million one hundred ninety-nine thousand United States dollars (US\$1,199,000) to the SNV Netherlands Development Organisation for a two-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

Inclusive Business Models to Promote Sustainable Cassava Production Project

I. Background

1. Agriculture is the mainstay of the vast majority of poor people in the rural areas of Viet Nam, Cambodia and the Lao People's Democratic Republic. In the Greater Mekong Subregion (GMS), cassava production has increased the incomes and improved the livelihoods of many smallholder farmers in these countries, and there is great potential to extend these benefits further. More than 90 per of all internationally traded cassava products come from the GMS, primarily from Thailand and Viet Nam. Cassava is used for a wide array of products: directly as food for human consumption; as starch for food products destined for human consumption; for animal feed; as starch and modified starches for many industrial products; and for ethanol production for fuel and other uses. Other communities and countries in the region could also benefit significantly from the cassava trade through processing and sale or use, through sale to neighbouring countries (including China) and through use as feedstock. The cassava value chain clearly demonstrates the possible benefits of linking smallholder farmers with cassava-processing and -exporting enterprises.
2. Both SNV and its partner organization, the International Centre for Tropical Agriculture (CIAT), have extensive experience with cassava-related activities, particularly in the GMS. This has revealed several constraints and challenges at various levels that increase the risks for smallholders and limit their inclusion in the value chains of cassava-processing companies. These include:
 - The wrong choice of cultivation techniques, inputs and varieties and generally ineffective production management have led to degraded production resources, while poor management of processing waste has resulted in environmental damage and inefficiency;
 - Poor access to business services such as financial services for smallholders, inputs, crop extension and national research and development, which are essential for sustainable production;
 - Smallholders' limited bargaining power with collectors, traders, and enterprises; tendency for enterprises to see unorganized smallholders as a burden with high transaction costs;
 - A weak supportive environment for business development, conflict between policies for processing development and for agricultural production, and between export policies and local processing approaches, leading to uncertainty and inefficiencies.
3. As a consequence, the proposed project builds on the experience and expertise of SNV in improving value chain linkages, and of CIAT in working with the many aspects of production, processing and marketing in cassava value chains in the GMS. The project seeks to address the need for knowledge development and learning on the inclusion of smallholder farmers in the value chains of companies on win-win terms, and to promote and disseminate knowledge on market-based solutions for the poor. The cassava value chain will be targeted for knowledge development and "proof of concept", with benefits flowing to other value chains associated with cassava-based production systems, such as animal husbandry and feed systems, and upland crops for rotation with cassava, and beyond the cassava sector. It is anticipated that the inclusion of smallholders and smallholder groups will not only guarantee secure access to feedstock inputs for processing by companies but, more importantly, improve their livelihoods.

II. Rationale and relevance to IFAD

4. The IFAD Strategic Framework 2011-2015 and the corporate strategies of SNV and CIAT recognize the importance of market access to the livelihoods of the rural poor. IFAD, SNV and CIAT have a long history of collaboration, having partnered in many projects around the world over the past 20 years. SNV has a depth of experience in establishing knowledge initiatives. For example, IFAD is currently supporting the SNV programme on Strengthening Support Capacity for Enhanced Market Access and Knowledge Management in Eastern and Southern Africa.
5. The proposed project is aligned with the IFAD Strategic Framework 2011-2015 by promoting better management of smallholders' risks and vulnerability. The focus will be on two basic elements of the revised IFAD Policy for Grant Financing:
 - Development of technologies by using existing knowledge to work with smallholder cassava farmers and processors to further innovate and adapt, and adopt technologies for sustainable production, pre-processing and processing of cassava roots;
 - Knowledge management and sharing for learning – by adopting inclusive business models that draw together processing enterprises, smallholders and government services, by using and further developing knowledge around production, processing, and market linkages, by documenting other relevant experiences that demonstrate market-based solutions and by disseminating these results to the wider audience of development organizations, businesses and business associations, and government services for replication. Importantly, this will also provide IFAD with lessons for scaling-up through existing and new IFAD investment projects.

III. The proposed programme

6. The overall goal of the programme is to improve the income security and livelihoods of women and men smallholder producers by improving the productivity and sustainability of cassava production, and creating profitable relationships with processors. The programme's objectives are to (i) develop and promote sustainable production and business models in which smallholder farmers adopt sustainable cassava production methods and are integrated into the value chains of processing enterprises to form profitable long-term business relationships, and to increase the environmental sustainability of cassava production and processing; and (ii) create a knowledge platform for stakeholders from the public sector, development organizations, service providers and business to learn about market-based solutions for inclusive business practices between processing enterprises and smallholders.
7. The target group is composed of 2,000 smallholders, both women and men. In addition, cassava-processing enterprises will be supported in developing more sustainable businesses and productivity-enhancing technologies will be promoted.
8. The programme will be of a 30-month duration and will have four main components.
9. **Inclusive supply chain development.** Development and promotion of inclusive business models that link smallholders to key market players in cassava supply chains while addressing the challenges faced by processors. The component will be implemented through a number of critical steps:
 - Analysis of existing value chain actors, their roles in the value chain and the major bottlenecks, including analysis by gender and ethnicity;
 - Development of improved supply chain plans with the target businesses;
 - Capacity-building of the selected firms in supply chain development;

- Monitoring and review of the plans, including disaggregation of data by gender and ethnicity where applicable.
10. **Sustainable production technologies.** The project will work with factory staff and extension staff to facilitate gender-sensitive on-farm demonstration trials. Key farmers from farmer groups will foster innovation, and the adaptation and adoption of improved practices according to the gender-based allocation of roles and responsibilities. This will entail:
- Identifying current production practices and potential for technological improvement, including analysis according to gender roles and responsibilities, and ethnicity.
 - Conducting on-farm trials with farmers to develop site-specific best practices based on technologies that CIAT has developed worldwide.
 - Documenting results in extension materials destined for farmers and extension services.
11. **Strengthening value chain service providers.** This component will work with service providers to improve their service quality and orient services more towards the poor, as the users. Activities under this component include:
- Within the value chain analysis of component 1, assess which services are lacking or need improving and who is best placed to respond to these needs.
 - Develop and conduct special training sessions for supply chain actors to provide knowledge services along with their business transactions.
 - Involve the service providers in the training activities of component 2 and knowledge activities of component 4.
12. **Action research for knowledge development.** This component will consist of two subcomponents: (i) collecting and consolidating knowledge; and (ii) promoting learning and dissemination through a multistakeholder knowledge platform. Key activities will include:
- (i) Collecting and consolidating knowledge developed in each country's inclusive business models for cassava and other value chains considered relevant, including an analysis of gender and ethnicity issues.
 - (ii) Promoting learning and disseminating knowledge.

IV. Expected outputs and benefits

13. The following outputs and benefits are foreseen:

Outputs

- At least four inclusive and sustainable business pilots are operational and results – including gender-based differences – are documented;
- Improved capacity of IFAD and other stakeholders for effective implementation of market-based solutions for agriculture in the GMS through access to gender-sensitive best practice, tools and methodologies.

Benefits

- Lead women and men farmers in selected sites demonstrate application of improved technologies, and other farmers start to adopt technologies and change behaviour;
- Lead enterprises change their supply chain sourcing to include smallholders and take responsibility for provision of knowledge and extension services;

- Workshops discuss gender-sensitive service models that create effective linkages between research and development, cassava enterprises and smallholders; strengthened service providers; and
- Knowledge about cassava documented – including knowledge acquired on gender-based difference in needs and practices – and disseminated, also to several other value chains for wider use in IFAD grant-supported projects and investment programmes.

V. Implementation arrangements

14. SNV will be responsible for overall project management, which will include assuming responsibility for project planning, monitoring, budgeting and financial management and knowledge management. CIAT will take the technical lead while SNV will focus on strengthening inclusive business models and group approaches. Integration of all activities will be ensured through the adoption of a common results framework and joint action planning by SNV and CIAT. A project team will be established to steer the project, made up of key staff in the three countries from both SNV and CIAT, and headed by a team Leader. The team leader will be responsible for overall coordination, quality assurance and implementation support. During the implementation period, progress review and coordination meetings will be arranged periodically.

VI. Indicative programme costs and financing

15. The total programme cost is US\$1,449,000. Of the total programme cost, IFAD will contribute US\$1,199,000 and approximately US\$250,000 will be provided by the implementing agencies (SNV and CIAT) and by partners at the national level.

Summary of budget and financing plan

(Thousands of United States dollars)

<i>Number</i>	<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing¹</i>
1	Personnel (including subcontractors)	280	125
2	Professional services/consultancies	292	
3	Travel costs	76	
4	Equipment	12	
5	Operational costs, reporting and publications	332	125
6	Training/capacity-building	70	
7	Overhead	137	
	Total	1 199	250

¹ Where applicable.

Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	Improve the income security and livelihoods of women and men smallholder producers by improving the productivity and sustainability of cassava production, including profitable relationships with processors.	Improved profitability of cassava production women and men farmers against a baseline after 30 months Increased profit for cassava enterprises of 8% against baseline after 30 months	Farmer Survey to assess dissemination of new technology Survey among businesses to assess profit increase	The key assumption is that smallholders will gain confidence from the improved business linkages and extension services which results in increased efforts from their side to boost sustainable production and increase productivity
Objectives	(i) Develop and promote sustainable production and business models in which smallholder farmers adopt sustainable cassava production methods and are integrated into the value chains of processing enterprises to form profitable long-term business relationships with increased environmental sustainability for both production and processing. (ii) Create a knowledge and learning platform for stakeholders from the public sector, development organizations, service providers and business to learn about market-based solutions for Inclusive business practices between processing enterprises and smallholders.	Four participating businesses have contractual supply arrangements with at least 500 hhs each There is clear indication that participating businesses are expanding their service outreach to more households at end of year three	Field observations Household interviews Enterprise survey	Key risks: Cassava production may be affected by negative climate effects The world cassava price may go downward Enterprises cannot be motivated to change their current business practice
Outputs	Four inclusive and sustainable business pilots operational Workshops to discuss service models to create effective business linkages Workshops to develop policy frameworks for cassava sector development Knowledge documentation and dissemination on several value chains	Enterprises continue to expand the Inclusive Business Cassava as a commodity gets more attention in the national agricultural development policies Knowledge gained from the project is integrated into new IFAD investment projects	Survey and interview with participating enterprises Review and analysis of national agricultural development plans Analysis of IFAD investment designs on inclusion of improved cassava production or the inclusive business approach	External Conditions: Enterprises participate in knowledge dissemination workshops, leading to copying. Governments willing to integrate public-private interaction in their plans IFAD integrates the inclusive business approach in their investment programmes design mechanism
Key activities	Inclusive supply chain development : - Analysis of existing value chains - Develop and implement improved supply	4 inclusive business models operational by year 2	Progress reports Case studies Monitoring records	Pre-conditions: A good baseline study needs to be done to determine current farming practices, business linkages and enterprise profit models

Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<p>chain plans with the businesses</p> <ul style="list-style-type: none"> - Documentation of results <p>Sustainable production technologies:</p> <ul style="list-style-type: none"> - Identification of potential for technological improvement - Conduct on-farm trials and documentation of results in good farmer extension materials <p>Value chain services:</p> <ul style="list-style-type: none"> - Training of chain actors to provide services to out-grower farmers. <p>Knowledge development:</p> <ul style="list-style-type: none"> - National and international workshops <p>Consolidation of knowledge developed in each of the country cases</p>	<p>60 model farmers showing clear productivity increase and have adopted sustainable cultivation practices at end of year 2</p> <p>50% of out-growers indicate that they get better knowledge services from supply chain actors after 30 months</p> <p>4 national and 1 international knowledge workshops conducted with broad stakeholder participation at end of 30 months</p>	<p>Field surveys</p> <p>External Evaluation</p>	<p>Good local service providers need to be identified to provide TOT training to enterprise (extension) staff</p>