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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

Food and Agriculture Organization of the United Nations (FAO)

Note to Executive Board representatives

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Abbreviations and acronyms

ACDP	accelerated capacity development plan
FAO	Food and Agriculture Organization of the United Nations
TCI	Investment Centre Division

Recommendation for approval

The Executive Board is invited to approve the proposed grant under the global/regional grants window to a non-CGIAR-supported international centre, as contained in paragraph 6.

President's report on a proposed grant under the global/regional grants window to a non-CGIAR-supported international centre: Food and Agriculture Organization of the United Nations (FAO)

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\$2.0 million.

Part I – Introduction

1. This report recommends the provision of IFAD support to a research and training programme of the Food and Agriculture Organization of the United Nations (FAO). The document of the grant for approval by the Executive Board is contained in the annex to this report:

Food and Agriculture Organization of the United Nations (FAO): Capacity Development for Better Management of Public Investments in Small-scale Agriculture in Developing Countries
2. The objectives and content of this applied research programme are in line with the evolving strategic objectives of IFAD and the Fund's policy for grant financing.
3. 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.
4. 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.
5. The proposed programme is in line with the goal and outputs of the Revised IFAD Policy for Grant Financing. Its principal aim is to enhance the implementation capacity of partner institutions to deliver a range of services in support of poor rural people. The programme's knowledge management activities will document the lessons learned to improve understanding of the constraints faced by fragile states; document good practices in addressing implementation problems; and disseminate information on issues related to capacity-building in fragile states among stakeholders in participating countries and across regions.

Part II – Recommendation

6. 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 Capacity Development for Better Management of Public Investments in Small-scale Agriculture in Developing Countries programme, shall provide a grant not exceeding two million United States dollars (US\$2,000,000) to the Food and Agriculture Organization of the United Nations (FAO) for a 24-month 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

Food and Agriculture Organization of the United Nations (FAO): Capacity Development for Better Management of Public Investments in Small-scale Agriculture in Developing Countries

I. Background

1. Poor project performance is associated with specific country contexts, suggesting a strong and structural correlation between performance and the country's organizational and implementation capacities. The disproportionate share of problem projects in fragile states is therefore not unusual or unexpected. Experience has shown that in countries with strong institutions and capacity, implementation problems can usually be dealt with through dialogue with the government during supervision, regular interactions with financiers such as IFAD, and the funding of government-managed technical assistance; such means do not suffice in fragile states and other countries with weak institutions.
2. Despite increased investments in agriculture and food and nutrition security, the performance of investment programmes remains poor in many countries, particularly in "weakly performing countries", which include fragile states¹ and other countries with limited implementation capacity. About 20 per cent of IFAD's current portfolio is considered at risk, despite the Fund's progress in improving effectiveness through better implementation support (including direct supervision and country presence). Other agencies' performance in these low-capacity countries tends to be similar or weaker.
3. The 2011 Annual Portfolio Review demonstrates that to improve project outputs and outcomes, it is critical to enhance the capacity of governments and implementing partners.² This need has been emphasized by the Independent Office of Evaluation of IFAD in its Annual Reports on Results and Impact of IFAD Operations, and more recently in an independent evaluation of the efficiency of IFAD and its operations.

II. Rationale and relevance to IFAD

4. These systemic discrepancies call for specific and coordinated efforts to improve and sustain the capacity of both government and partner institutions to manage investment programmes in certain countries.
5. The proposed programme aims to provide capacity development support for better governance, project management and implementation, and knowledge sharing. It focuses on problem projects in fragile states and in low-income countries that are not categorized as fragile (by the World Bank) but that have weak agricultural institutions. The relatively high number of projects falling into this category shows that obstacles to improvement persist, despite the enhancement of IFAD's overall portfolio.
6. The programme focuses on one of the priorities of the IFAD grant policy and Strategic Framework – capacity-building. It is in line with the core of IFAD's mandate, as it aims to strengthen institutional capacities for pro-poor agricultural and rural development in Member States (outcome 4 of the IFAD Strategic Framework 2011-2015), focusing on countries with weak institutions.
7. Under the Rome-based agencies collaboration initiative, FAO and IFAD have committed to working together more strategically to deliver better results to their member countries, building on IFAD's long-standing partnership with the

¹ "Fragile states" is the term used for countries facing particularly severe development challenges: weak institutional capacity, poor governance and political instability.

² See page 3, paragraph 14 of the 2011 Annual Portfolio Review: "The positive achievements have been underpinned by a significant improvement of the recipient governments' performance".

Investment Centre Division (TCI) and other FAO units. The IFAD-FAO partnership for capacity development will assist countries and development partners in improving both the quality and the absorptive capacity of public investments in fragile states and other weakly performing settings.

8. Countries undergoing a protracted crisis will need greater and more focused support to capacity development and governance than can be provided through the proposed programme, which is a pilot for testing the approach in approximately 10 countries.
9. Experience and learning from this pilot will provide the basis for developing larger-scale programmes. IFAD is considering establishing a multi-donor trust fund to support improvements in the governance and capacity of institutions and implementation partners in fragile states, drawing on the results of this proposed programme. Identification of countries and projects for inclusion in the programme must be based on a realistic analysis of the challenges and of the goals achievable within the resource envelope and time frame.

III. The proposed programme

10. The overall goal of this pilot programme is to improve fragile states' capacity to plan, manage and implement agricultural programmes, resulting in better development outcomes.
11. The development objective is to strengthen the capacity of country stakeholder organizations through a practical, learning-by-doing approach, to achieve better performance of approximately 15 problem projects in approximately 10 countries.
12. The target group comprises local and national organizations that play an important role in investment planning and project management and implementation, including country implementation agencies, project management units and key stakeholder organizations (farmers'/producer organizations, financial service institutions, civil society organizations, private-sector entities, etc.).
13. FAO and IFAD will jointly draw up a list of approximately 10 target countries across the five regions, which will be provided with support during the programme implementation period. The countries will be selected from a long list of fragile states and/or low-income countries with several IFAD-financed operations.
14. The programme will be of 24 months duration. To ensure an impact on the capacity of key stakeholders and to maximize synergies and efficiency, programme activities will be coordinated through country- or project-specific joint accelerated capacity development plans (ACDPs) that support annual workplans and budgets.
15. The specific activities of each ACDP will consider the country context and identified needs, primarily addressing managerial areas such as planning, leadership, and monitoring and evaluation to assess progress and guide adjustments; and technical areas such as agricultural technology, value chain development, rural finance, irrigation and gender equity.
16. These activities will be delivered through capacity-building approaches including:
 - training of country stakeholders, government implementing agencies and other implementing agencies (producer organizations, financial institutions, the private sector) through on-the-job training in programme planning, management, leadership and implementation, and technical topics based on country characteristics and needs;
 - mentoring for implementing and management teams, enabling them to create peer groups to help overcome specific bottlenecks during critical phases, and building capacity in the medium term;

- provision of practical learning and guidance materials that match the specific demands of ACDPs and government and project stakeholders;
- sharing of good practices via IFAD learning notes, and support to peer exchange and sharing of experiences, in consultation with IFAD's Policy and Technical Advisory Division; and
- documentation of the most common institutional and capacity constraints faced by local and national government actors and implementation partners, with sharing of analysis findings during an FAO-IFAD annual learning event.

IV. Expected outputs and benefits

17. Programme outcomes are expected to include:
- (a) increased and demonstrated efficiency of government and other implementing organizations in managing and implementing agricultural investment programmes;
 - (b) increased performance rating of selected IFAD-financed programmes (including increased disbursement, better management quality, etc.) in target countries;
 - (c) increased effectiveness and better results and impacts on the livelihoods of target groups, resulting from improved performance of selected IFAD-financed projects in the short term and from capacity development in the longer term;
 - (d) better understanding of institutional and capacity constraints among implementation partners in fragile states or fragile areas of non-fragile states; and
 - (e) increased sharing of knowledge, lessons learned and practical, hands-on approaches among fragile states, to strengthen the implementation capacities of investment programmes under challenging conditions.

V. Implementation arrangements

18. Through TCI, FAO will designate a programme coordinator to work under the authority of the TCI Director on day-to-day programme management, liaise with TCI service chiefs and external partners, and report regularly on progress. Country-level support will be provided through TCI geographic/regional services by experts/consultants with experience in programme management, capacity development, facilitation, mentoring and coaching, and key technical areas (agriculture, value chain development, irrigation, etc.).
19. In close consultation with the directors of IFAD regional divisions and the respective country programme managers, an annual workplan will be developed based on demands identified by the government and implementation partners in each selected country. Quarterly meetings will be held to address forward planning, progress in implementation and sharing of practices.
20. Disbursement of the IFAD grant will be based on the procedures set forth in IFAD's grant agreement with FAO. After entry into force of this agreement, an advance will be disbursed to FAO of up to a maximum of 90 per cent of the annual workplan and budget approved by IFAD. For each subsequent, six-monthly disbursement, FAO will submit a withdrawal application and a statement of expenditure, in the format agreed with IFAD.
21. FAO will administer the grant in accordance with its regulations, rules and directives. The grant will be subject exclusively to the internal and external auditing procedures provided for in FAO's financial regulations, rules and directives. A financial report covering the costs of the entire grant will be submitted six months after the close of the programme.

VI. Indicative programme costs and financing

22. The total cost of the programme is US\$2.6 million, which will be financed by IFAD (US\$2.0 million), FAO (US\$0.3 million through in-kind expenditures) and beneficiary countries (US\$0.3 million). Eighty-one per cent of the total programme cost is allocated for capacity development activities at the country level. The costs of information, knowledge sharing and learning activities across investment projects and countries will amount to about 6 per cent.³ Programme coordination will account for 7 per cent of total costs. Overheads are estimated at 6 per cent of the total cost, or 8 per cent of the IFAD contribution.

Summary of budget and financing plan

(United States dollars)

<i>Number</i>	<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing*</i>
1	Personnel	355 000	300 000
2	Professional services/consultancies	360 000	35 000
3	Travel costs	345 000	35 000
4	Operational costs, reporting and publications	80 000	
5	Training/capacity-building	700 000	230 000
6	Overheads	160 000	
	Total	2 000 000	600 000

* Where applicable.

³ This is additional to regular knowledge management activities undertaken by FAO and IFAD for the projects they support at country level.

Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	Improved fragile states capacity to plan, manage and implement public investment programmes resulting in better development outcomes.	Improvement in human and organizational capacity to implement investment projects: Improvement in capacity of key government institutions and teams – indicators to be selected from IFAD PBAS system (Rural Development Sector Framework / Sectorial Policy and Institutional Assessment)	IFAD Performance-Based Allocation System (PBAS) [Rural development sectorial assessment component] Country Programme Issues Sheet (CPIS)	
Objectives	Strengthen capacity of stakeholder organizations through a practical and learning-by-doing approach to achieve better performance of up to 15 projects in approximately 10 countries.	Overall performance of the project (for investment projects and/or country programmes) i.e. PSR indicator: <i>Likelihood of achieving the development objectives of the project (PSR)</i>	Project Status Report (PSR) Supervision Reports	Efforts should be sustained through all project support activities to consolidate capacities and translate efforts at institutional level
Outputs	increased and demonstrated efficiency of government and other implementing organizations to manage and implement agricultural investment programmes; increased performance rating of selected IFAD-financed programmes (including e.g. increased disbursement, better management quality) in the target countries increased effectiveness, better results and impact on the livelihood of the target groups; and better understanding of institutional and capacity constraints for implementation partners in fragile countries or fragile areas of non-fragile states; and increased knowledge sharing amongst fragile states of lessons learned and practical and hands-on approaches to strengthening implementing capacities of investments under challenging conditions. .	Improvement in key performance indicators (chosen from the PSR), e.g. PSR indicators: <i>Acceptable disbursement rate</i> <i>Quality of project management</i> <i>Performance of M&E</i> <i>Coherence b/w AWPB & implementation</i> <i>Gender and Poverty focus</i>	PSRs Supervision Reports & MTR Progress Reports	Project Partners show strong leadership and ownership (government, project partners, IFAD and FAO)

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Key Activities	Prepare and implement Joint ACDPs: a. Joint assessment of performance and capacity development needs b. training to country stakeholders (government and other implementing agencies) including through on-the-job training c. Mentoring teams (CPMTs, PMUs, etc.) d. support in a few technical areas and e. Design practical learning and guidance material f. Document good practice and support peer exchange g. MTR /completion report and transition strategy	No. of ACDPs and progress in ACDP delivery No. staff trained/mentored in various fields, formal and on-the-job training No. Training sessions No. type of organizations supported No. guidance material No. learning notes	Supervision reports Progress reports	Financing is secured