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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**

**International Centre for Integrated Mountain
Development**

Note to Executive Board representatives

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For: **Approval**

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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 international centre as outlined in paragraph 7.

President's report on proposed grants under the global/regional grants window to a non-CGIAR-supported international centre – International Centre for Integrated Mountain Development

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\$1.2 million.

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:
International Centre for Integrated Mountain Development (ICIMOD).
2. The document of the grant for approval by the Executive Board is contained in the annex to this report:
International Centre for Integrated Mountain Development (ICIMOD) - Improving Livelihoods and Enhancing Resilience of the Rural Poor in the Hindu Kush Himalayas to Environmental and Socio-Economic Changes
3. 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.
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 in that it aims to promote pro-poor livelihood innovations for poverty reduction in mountain areas; focus on the challenges arising as a result of environmental and socio-economic change; develop adaptive strategies to enhance the access of poor people to resources and services; and enhance the capacities of relevant development stakeholders such as national and local governments to respond to the challenges of environmental and socio-economic change. With a focus on diversification of livelihood options through value chain development, the

project aims to contribute to better integration between viable and profitable small-scale agriculture and the non-farm service sector.

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 Improving Livelihoods and Enhancing Resilience of the Rural Poor in the Hindu Kush Himalayas to Environmental and Socio-Economic Changes project shall provide a grant not exceeding one million and two hundred thousand United States dollars (US\$1,200,000) to the International Centre for Integrated Mountain Development for a three-year programme upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Kanayo F. Nwanze
President

International Centre for Integrated Mountain Development (ICIMOD):

Improving Livelihoods and Enhancing Resilience of the Rural Poor in the Hindu Kush Himalayas to Environmental and Socio-Economic Changes

I. Background

1. Of the 200 million people living in the Hindu-Kush Himalayas (HKH), 31 per cent live below the poverty line compared with 26 per cent of the overall population of the countries^a whose mountains are in the HKH region. Poverty in the mountains is higher than in the surrounding lowlands and the determinants of poverty in mountains differ. In particular, constraints such as limited access to basic facilities, poor physical access and higher dependency rates are more prominent in mountain areas.
2. Mountain areas are presently witnessing rapid changes. These changes are characterized by both persistent problems and rapid transformations: rural poverty continues while rural livelihoods become increasingly diversified, all of which is accompanied by accelerating natural resource degradation accentuated by climate change. The rural poor living in marginalized regions like the HKH are more vulnerable to the impacts of such changes, being ill-equipped to face new risks or take advantage of emerging opportunities. Although mountain communities have a high degree of self-reliance and a rich tradition of risk-aversion practices, increasing uncertainties, together with inadequate access to resources, technology, markets and financial services severely compromise their capacity to deal with change and take advantage of emerging opportunities. There is therefore an urgent need to support vulnerable mountain households and enhance their resilience to the adverse effects of change. Women and disadvantaged groups are particularly in need of support.
3. Knowledge on how to address the needs of such groups through targeted policies and development interventions is still insufficient. Communities need support to adapt to rapid and unpredictable change, and research is required to fully understand the underlying causes of risks and vulnerabilities and develop and pilot innovative approaches and a range of options that build adaptive capacities to enhance resilience. The proposed project addresses the specific challenges posed by mountain areas for development efforts.

II. Rationale and relevance to IFAD

4. The grant responds to the overarching objectives of the IFAD Strategic Framework (2011-2015) by: (i) promoting pro-poor livelihood innovations for poverty reduction in mountains; (ii) focusing on the challenges arising from environmental and socio-economic changes; (iii) developing adaptive strategies to enhance poor people's access to resources and services, raise incomes and increase resilience of mountain livelihoods; and (iv) enhancing the capacities of relevant development stakeholders such as national and local governments to respond to the challenges of change. With a focus on diversification of livelihood options through value chain development, the project aims to contribute to better integration between viable and profitable small-scale agriculture and the non-farm service sector for the benefit of the rural poor living in mountain areas, especially women. With a significant thrust in support of knowledge generation and management, the project

^a The HKH region includes mountains from eight countries: Afghanistan, Pakistan, India, Nepal, Bhutan, Bangladesh, China and Myanmar.

will also contribute to effective knowledge brokering and advocacy for the benefit of the rural poor.

5. The proposed project contributes directly to the objectives outlined in the IFAD Policy for Grant Financing, specifically that of “improving the knowledge and understanding of what constitutes successful and/or innovative approaches and technologies” among IFAD, its partners and other rural development stakeholders. The project aims to expand and refine the system for delineating pockets of poverty and vulnerability, develop innovative approaches for value chain development and the integration of poor producers into value chains and markets, and enhance the capacity of the rural poor, especially women, to manage change and take advantage of emerging opportunities while simultaneously building resilience to deal with risks.
6. The proposed project contributes directly to the two thematic focus areas outlined in the Asia and the Pacific Division’s strategic workplan for grants: (a) developing appropriate technologies that address the constraints faced by IFAD’s target groups, including in adapting to climate change and (b) strengthening capacities of national partners including indigenous and women’s organizations (particularly around the value chain approach and South-South cooperation). The project will address two critical concerns raised in the workplan: value chain selection and the development of appropriate partnerships for scaling up innovations.
7. The project builds on the achievements of past collaboration between IFAD and ICIMOD, which have provided important lessons with regard to rural poverty reduction approaches, adaptation to socio-economic and environmental changes and approaches to scaling up of innovative solutions. One such lesson is the critical need to establish alliances between the better off and the poor for joint business ventures to provide poor groups with opportunities for integration into value chains. In terms of shaping pro-poor policies, the strategic importance of facilitating interfaces between community members and policymakers in the policy engagement process also became evident.

III. The proposed project

8. The overall goal of the project is to reduce rural poverty in the Hindu Kush Himalayas and enhance the resilience of the poor, especially women, to socio-economic and environmental changes.
9. The project’s objectives are to:
 - assess the impacts of socio-economic and environmental changes on the poor in the mountain areas of Hindu Kush Himalayas and to identify appropriate adaptation mechanisms;
 - pilot and validate innovative livelihood options for poor mountain dwellers, especially women to respond to socio-economic and environmental challenges; and
 - enhance the capacities of partner institutions to respond to socio-economic and environmental challenges through knowledge management and knowledge sharing.
10. The primary target group is made up of small and marginal mountain farmers, especially women, and poor and vulnerable communities including indigenous peoples and emerging rural entrepreneurs. Particular emphasis will be placed on women, who carry the increasing burden of work arising from the growing outmigration of males from the mountain areas. The secondary target group will be selected projects supported by IFAD loans and their partners (particularly government partner agencies and NGOs) in the HKH countries of Bangladesh, India, Myanmar and Nepal, which will be referred to as “project countries”.
11. The project will be of a three-year duration (2014-2016) and will comprise three main components, as described below.

Targeting the poor and vulnerable in the mountain context

12. The system for delineating pockets of poverty and vulnerability and the multidimensional poverty measures developed under the Programme for Securing Livelihoods in the Uplands and Mountains of the Hindu Kush Himalayas – Phase II, supported by an IFAD grant, have significantly enhanced understanding of poverty in mountain areas, providing empirical evidence that policymakers can use to refine/design better policies and plan targeted development interventions. These tools merit expansion into other HKH countries, therefore this component will seek to scale them up in at least one other country (or subregion within a country), while further refining the tools in the process. The underlying objective is for decision makers (at the national and subregional level, or at the level of projects and IFAD country portfolios) to be better informed when deciding on geographical and social targeting and designing development interventions to address location-specific drivers of poverty and vulnerability.

Promotion of innovative livelihood strategies

13. The component proposes to pilot activities to (i) better integrate the rural poor, especially women, into value chains and markets, by enhancing their own capacities and those of their organizations to benefit from new market opportunities with a view to improving value chain efficiencies and diversifying livelihood options and (ii) explore opportunities to facilitate the establishment of synergies between rural producers and the non-farm sector, especially to improve access to services and markets by poor producers, while also identifying opportunities for harnessing remittances in the process. In addition the component will develop and test a framework that can provide selection and design criteria for such subpilots, drawing on lessons from the numerous value chain interventions (and associated/resultant livelihood options) promoted by ICIMOD in the target countries through different projects.

Enhancing capacities and integrated knowledge management

14. The component will focus on helping project partners to become better equipped to design and/or tailor and scale up development interventions. The component will also strengthen existing networks/coalitions and support the establishment of new alliances, particularly by linking poor producers with other actors in value chains. This will include provision of capacity-building specifically tailored to the needs of community-based organization members. Knowledge management to inform the country programmes, loan projects and the relevant government partner agencies about good practices and lessons learned will also form an integral part of component activities. Finally, results will be strategically disseminated with the aim of better equipping policymakers to target and design appropriate development interventions that benefit the rural poor.
15. While the activities described above are proposed for all four project countries, the level of engagement will be intense for India and Nepal, building on the experience of an ongoing project. In Bangladesh and Myanmar, the engagement will be selective and of low intensity until a better understanding of needs emerges through consultation with government agencies and their partners.

IV. Expected outputs and benefits

16. The expected outputs of the project are the following:
- Expansion and refinement of the system for delineating pockets of poverty and vulnerability (scaling up poverty and vulnerability tools and approaches);
 - Analytical results providing guidance for improving targeting of development interventions, practices and policies (improved targeting of development interventions, programmes and policies by different agencies);
 - Innovative livelihood options, jointly piloted with partners, that enable the poor and disadvantaged, especially women, to become better integrated into

markets and value chains and diversify their livelihood options for enhanced income opportunities;

- Approaches to foster synergies between poor producers, particularly women, and the non-farm sector are identified and developed (linkages between poor producers and the off-farm sector for improved access to markets and support services resulting in better incomes and partnerships with the private sector);
- A conceptual framework to assess the sustainability of value chains developed, based on lessons learned;
- Capacity of partner institutions to design and implement targeted development interventions strengthened (capacity-building and enhanced implementation efficacy);
- Mechanisms strengthened for knowledge flow among partners on mountain-specific pro-poor adaptation (knowledge management and dissemination); and
- Governments and other national institutions supported through knowledge products for the formulation and refinement of mountain-specific pro-poor policies and practices (strengthening institutional adaptation and poverty alleviation capacities).

V. Implementation arrangements

17. ICIMOD will be the implementing agency of this project and will work in collaboration with partner organizations, in particular the participating IFAD-supported interventions in the project countries. As in the past, the project will partner with loan projects under way in mountain areas to implement the pilot, capacity-building and other activities proposed. Further selection of activities will be conducted after consultation with these projects, based on their willingness to partner in the pilot activities. This will primarily depend on the relevance of such pilots to the ongoing activities and focus of the individual projects. Alliances and joint ventures will be decided through regular, detailed bilateral consultations and formulated in concrete terms during the inception and subsequent annual planning workshops.
18. The project will be implemented in compliance with IFAD financial management procedures, guidelines on procurement, financial reporting and audit, and flow of fund requirements. Disbursement will be made on the basis of annual workplans and budgets cleared by IFAD. Second and subsequent advances will be paid upon justification of the previous advances. The recipient will submit annual audited financial statements to IFAD.

VI. Indicative project costs and financing

19. Overall project costs amount to US\$2.0 million, consisting of a contribution of US\$1.2 million from IFAD and US\$800,000 in cofinancing from ICIMOD. The three components will receive 24 per cent, 45 per cent and 31 per cent of total funds respectively, indicating a strong emphasis on the innovative livelihoods component whose main aim is to directly cooperate with and support IFAD interventions.

Table
Summary of budget and financing plan
(in United States dollars)

<i>Number</i>	<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing</i>
1	Salaries and allowances	297 000	140 000
2	Operating costs ^a	84 000	60 000
3	Travel and allowances	42 000	30 000
4	Training	168 000	145 000
5	Goods, services and inputs ^b	513 000	425 000
6	Overhead (8 per cent)	96 000	–
	Total	1 200 000	800 000

^a This includes knowledge management costs for the production (editing, translation, layout, printing) and dissemination of knowledge products.

^b This covers costs related to the action research and development services of partner institutions (previously budget line for action research and development).

Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	MOVs	Assumptions
Goal	To reduce rural poverty in the Hindu Kush Himalayas and enhance the resilience of poor, especially women to social, economic and environmental change	<ul style="list-style-type: none"> Evidences of contributions of this initiative to national programmes, projects and policies documented 	Impact Evaluation	
Objective	<ul style="list-style-type: none"> To assess the impacts of socioeconomic and environmental change on the poor in mountain areas of HKH region and to identify appropriate adaptation mechanisms; To validate and pilot test innovative livelihood options for the mountain poor to respond to socioeconomic and environmental challenges; To enhance capacities of partner institutions to respond to socioeconomic and environmental challenges through knowledge sharing. 	<ul style="list-style-type: none"> Results of poverty/vulnerability assessments are used for better targeting and policy changes by national partners, IFAD project design and COSOP preparation in Nepal and at least one additional country At least 3 innovative, gender sensitive and pro-poor livelihood options taken up by IFAD loan projects with a 10 % increased income of households At least 5 national partner organisations are using knowledge & improved approaches 	Project evaluation studies and mission reports	National governments & project partners are committed
Outputs	Component 1: Targeting the poor and vulnerable in the mountain context 1.1 Expansion and refinement of the system for delineating pockets of poverty and vulnerability 1.2 Analytical results providing guidance for improved targeting of development interventions, practices and policies.	<ul style="list-style-type: none"> Drivers of poverty and socioeconomic characteristics of vulnerable communities in poverty pockets identified and documented (India, Nepal) A set of guidelines and recommendations are available and disseminated to partners in at least 2 countries, and recommendations reflected in policy/programme documents of at least one country 	Project reports Impact studies and evaluations	Partners & governments to cooperate. Conducive political & institutional environment at national level.
	Component 2: Promotion of innovative livelihood strategies 2.1 Innovative livelihood options that enable the poor and disadvantaged to better integrate to markets jointly piloted with partners 2.2 Approaches to foster synergies between poor producers and the non-farm sectors are identified and developed. 2.3 A conceptual framework to assess the sustainability of value chains developed	<ul style="list-style-type: none"> At least 30% of participating poor household increase their income through value chain pilots that better integrates them into markets. At least 2 pilots linking social and financial remittances to promote rural enterprises are successfully tested and documented for further uptake. A conceptual framework to assess the sustainability of value chains available and disseminated to partners in at least 3 countries 	M&E Reports	
	Component 3: Enhancing capacities and integrated knowledge management 3.1 Capacity of partner institutions to design and implement targeted development interventions strengthened. 3.2 Mechanisms for knowledge flow among partners on mountain specific pro-poor adaptation strengthened. 3.3 Governments and other national institutions supported through knowledge products for the formulation of mountain specific pro-poor policies practices.	<ul style="list-style-type: none"> At least 5 IFAD partners and governmental agencies in Bangladesh, India, Nepal and Myanmar use knowledge to design development interventions At least 5 knowledge products are produced and referred to in mountain specific policy refinement process At least 6 experience sharing and cross learning events organised A regional multi-stakeholder network for sharing experiences on poverty reduction in the Himalayas is facilitated 	M&E Reports, Progress Reports	
Key Activities	Comp.1: Targeting the poor and vulnerable in the mountain context <ul style="list-style-type: none"> Application of system to delineate pockets of poverty & vulnerability in an additional country Use of results to strengthen the design and targeting of interventions 	<ul style="list-style-type: none"> Number of assessments conducted (at least in one additional country) Number of documents prepared on the basis of assessment results (a minimum of two in at least two countries) 	Reports and publications Impact studies	Access to databases ensured
	Comp. 2: Promotion of innovative livelihood strategies <ul style="list-style-type: none"> Diversification of livelihood options through promotion of new value chains Identifying opportunities for fostering synergies between producers and non farm sector by harnessing remittances Developing a framework to assess sustainability of value chains 	<ul style="list-style-type: none"> Pilot project and value chain analysis reports (at least 3) Number of studies, pilot demonstrations, trainings and publications (at least 4 pilots and equal no of studies, trainings and publications)) A conceptual framework to assess sustainability of for value chain interventions 	Partners reports, monitoring reports	Partners ready for cooperation
	Comp. 3 Enhancing capacities & integrated knowledge management <ul style="list-style-type: none"> Strengthening capacities of partners to better design and implement targeted development interventions Development of knowledge products for refinement of mountain specific pro-poor policies and practices. Facilitate cross-learning and exchange of experiences though networks 	<ul style="list-style-type: none"> Number of strategies of IFAD partners to design and monitor targeted development interventions improved (for at least 4 partners) Number of partner institutions and mountain communities with strengthened capacity (at least one per country) Number of policy analyses, knowledge products and knowledge sharing workshops (at least 6 sharing events and knowledge product) 	M&E Reports and partner Reports	National Institutions prepared to cooperate