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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 – ECLAC**

### **Note to Executive Board representatives**

#### Focal points:

#### Technical questions:

**Tomas Rosada**  
Regional Economist  
Tel.: +39 06 5459 2332  
e-mail: t.rosada@ifad.org

#### Dispatch of documentation:

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

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**For: Approval**

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## **Abbreviations and acronyms**

ECLAC	Economic Commission for Latin America and the Caribbean
LAC	Latin America and the Caribbean

## **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 contained in paragraph 7.

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

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\$1,490,770.

### **Part I – Introduction**

1. This report recommends the provision of IFAD support to the research and training programme of the United Nations Economic Commission for Latin America and the Caribbean.
2. The document of the grant for approval by the Executive Board is contained in the annex to this report:
 

United Nations Economic Commission for Latin America and the Caribbean (ECLAC): Programme for Inclusive Growth, Rural Productive Policy and Participatory Value Chains in Latin America and the Caribbean.
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. It will promote innovative activities and develop approaches in support of IFAD's target group (output (a)); and it will foster awareness and support advocacy and policy dialogue on issues of importance to poor rural people (output (b)).

## **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 Programme for Inclusive Growth, Rural Productive Policy and Participatory Value Chains in Latin America and the Caribbean, shall provide a grant not exceeding one million four hundred and ninety thousand seven hundred and seventy United States dollars (US\$1,490,770) to the United Nations Economic Commission for Latin America and the Caribbean for a two and a half 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

# **United Nations Economic Commission for Latin America and the Caribbean (ECLAC): Programme for Inclusive Growth, Rural Productive Policy and Participatory Value Chains in Latin America and the Caribbean**

## **I. Background**

1. This proposal aims at promoting a more dynamic participation of small rural producers, firms and cooperatives in value chains as a way to foster structural change in Latin America and the Caribbean (LAC). Rural dialogue groups will connect small and large firms, and foster dialogue between public and private stakeholders in eight value chains in four countries. Countries will be selected during the first stage of grant implementation jointly by IFAD's LAC team and by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC). Criteria for selection will be the relevance of the programme to the country and the concerned government's willingness to commit to the participatory process described in the proposal. Dialogue groups will produce strategies and action plans to address the main bottlenecks limiting the development of specific value chains from the perspective of small firms. Technical diagnostics and benchmarking will be used to analyse the relevance of local and international markets for small rural producers, taking into account the particularities of each value chain.
2. This initiative will also provide insights, instruments, training, and databases for public officials in charge of the design of rural productive policies. Public officials will develop new capabilities to promote local economic activities, especially those that show promise for small firms and cooperatives. Engagement by stakeholders in policy formulation and the design of rural productive policies and strategies will generate enhanced participation in and active commitment to their implementation. The participatory approach, and monitoring and evaluation mechanisms envisioned will foster transparency and accountability and help to avoid capture by larger, more powerful stakeholders.

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

3. The economies of LAC are "structurally heterogeneous". Huge gaps in labour productivity occur across (and within) sectors and territories. ECLAC argues that a dualistic economic structure – one in which the impulses for change and innovation are concentrated in a few firms, sectors, and territories – lies at the core of the persistent inequality in the region. Fighting poverty and inequality in LAC is therefore not just a matter of social policy; rather it also entails structural economic change that narrows productivity gaps and allows for greater participation of small producers, firms and their organizations in the economy, and the accumulation by them of earnings, capital, technology and knowledge. In ECLAC's view, decisive public policy is needed to modify the pattern of structural heterogeneity. This proposal advances a methodology for changing economic structures by linking together small producers, small and large firms, and public-private stakeholders in the formulation of productive policies and strategies for rural value chains.
4. The improvement of value chains can be a powerful approach for generating growth and closing gaps. Developing productive policies from the perspective of the barriers faced by small rural firms has the potential to tap into the "new rural dynamics" so that they can also work for small firms. This will bring about more sustained and more rapid improvements in labour productivity and employment conditions in the rural sector.

5. ECLAC is one of the leading agencies in the LAC region in terms of the gathering and dissemination of information and data relating to economic and social development and the analysis of economic processes at the country and regional levels. Its convening power at the highest levels of technical expertise and policy making in the region is unquestionable. ECLAC is a key and renowned stakeholder for policy dialogue in the LAC region – particularly dialogue on value chains and productive policy – and has originated extensive literature on these topics. The organization will lend both technical and political weight to the discussion that IFAD intends to promote on rural productive policy and participatory value chains in this region.
6. IFAD and ECLAC share a long-standing institutional commitment to fighting poverty and inequality in LAC. This proposal will foster greater synergies between the two institutions and allow them to pursue their objectives and strategies more effectively. The proposal is aligned with the objectives of the IFAD Strategic Framework 2011-2015, with the goal and outputs of the revised IFAD Grant Policy and with the LAC Division's strategic workplan.

### III. The proposed programme

7. The overall goal of the programme is to foster the participation of small rural producers, firms and their organizations in value chains in LAC. The programme's objectives are to: (i) generate strategies for value chain development, through policy dialogue processes, aiming to increase incomes, reduce risks and enhance the skills and spheres of influence of small producers, small rural firms and their organizations in LAC; (ii) strengthen the capabilities of national and local governments and stakeholders to formulate rural productive policies aimed at closing income and productivity gaps for small rural firms; and (iii) develop participatory methodologies and analytical tools for rural productive policies aimed at closing income and productivity gaps in LAC.
8. The direct target groups are (i) small rural producers of goods and services, and (ii) government officials in charge of designing, implementing and evaluating public policies. Indirect target groups are other stakeholders in rural value chains, including large firms, producers' and labourers' associations, cooperatives, financial service providers and other development organizations.
9. The programme will be of a 2 ½-year duration and will comprise three main components:
  - (a) **Participatory rural value chain development for small firms:** Small rural producers, firms and their organizations in the four countries are supported through public-private policy dialogue groups. Work on eight value chains increases rural labourers' and small firms' access and bargaining power, and enables them to forge new partnerships among themselves and with other stakeholders, to advance value chain development action plans and strategies, to receive a larger share of benefits and to confront gender bias within the value chain. Bottlenecks are met with specific public-private strategies and action plans. The efficiency, profitability and distributional equity of target value chains improve.
  - (b) **Public-sector capabilities:** Public officials and institutions receive technical support and information that increases their understanding of the barriers that small rural firms and producers face in accessing value chains. They work with ECLAC on benchmark technical studies and draft recommendations to reform administrative policies and regulations that, from the perspective of small rural producers and firms, hold back small value chains. Officials learn how to use tools for economic analysis, how to promote participatory local dialogues and how to foster transparency.

- (c) **Methods and databases:** Key stakeholders use databases and tools to identify employment, financial and other bottlenecks. Stakeholders draft strategies and action plans using methods, tools and databases developed by the programme. Communication along the value chain and with public officials improves. Dissemination of manuals, training materials and reports is widespread.

#### IV. Expected outputs and benefits

10. These are the following:

- Public-private participatory strategies and action plans to enhance eight rural value chains in four countries in LAC;
- Technical diagnosis and benchmarks to remove constraints and close gaps on eight rural value chains, including finance and insurance development for small rural producers, firms, cooperatives, labourers and their organizations;
- Evidenced-based policy recommendations for closing productivity and income gaps in the four countries in LAC, based on the results of the participatory processes (eight strategies and action plans to strengthen and upgrade selected value chains and four technical policy notes to improve access to financial inclusion in rural areas);
- Eight public-private dialogue groups preparing strategies and action plans aimed at upgrading rural value chains;
- Dissemination of work in progress, and programme outputs and outcomes through media briefs, press and policy notes, expert meetings, publications and a dedicated webpage;
- Eight training workshops on ECLAC's methodology for value added chains and related policy issues (such as financial services, labour and productive policy);
- On-the-job training of government officials in each country;
- New methodologies to identify and remove barriers to development in rural areas, with emphasis on small producers and labourers;
- Better understanding of recent trends in agricultural productivity and employment in four countries. Revision of country-specific social and labour policies with changes proposed where necessary;
- Technical manual for fostering value chains with emphasis on small rural firms and their organizations; and
- Databases on employment, backwards and forwards linkages, and financial instruments in rural areas in LAC.

#### V. Implementation arrangements

11. **Implementing organization.** ECLAC will implement this programme through its subregional headquarters in Mexico. It will be responsible for the programme's timely execution and financial management, in close coordination with IFAD, and for demonstrating results. ECLAC's work is characterized by well-coordinated relations with public authorities and participants. Allowing time for consultation, technical discussions and transfer of capacities to public officials and other local stakeholders is crucial to successful implementation. Consultations and dialogue with rural producers are also central to achieving the programme's objectives.
12. **Programme management and implementation period.** ECLAC will establish a technical group for the implementation of this programme in its subregional headquarters in Mexico City under the supervision of the Director. Collaboration with other ECLAC divisions in Santiago and with other offices in LAC is envisaged. Administrative procedures and financial regulations set out by the United Nations

will apply to programme management, including travel, hiring of consultants, meetings and publications and audits. Audits will be carried out to the satisfaction of IFAD and in agreement with the IFAD Guidelines on Project Audits. The implementation period of this programme is 2½ years.

13. **Monitoring, evaluation and reporting.** The programme’s results-based logical framework, including the indicators established therein, will guide programme monitoring and evaluation (see annex). Periodic monitoring and reporting will be the responsibility of ECLAC in coordination with IFAD. ECLAC will produce a substantive and operational (including financial) report at the end of the first and second years, and at the conclusion of the programme. Monitoring and evaluation will cover, at a minimum, the various objectively verifiable indicators detailed in the logframe.
14. Central to the implementation of this project is the participation of IFAD field-based staff and country project counterparts. Specific knowledge products – such as comparative databases on employment, technical manuals on how to foster value chains, technical notes on rural financial inclusion and labour issues in rural areas, policy briefs – will be produced as support material for policy engagement. The material produced will be shared with relevant IFAD divisions. Throughout the life of the project, and with a view to sharing both the analyses produced and the lessons learned, IFAD's LAC Division will organize knowledge and learning events in Rome and in the LAC region on the topic of value chains. Intellectual property issues relating to the analyses and publications generated by this cooperation will be discussed and agreed with ECLAC at an early stage of grant implementation.

## VI. Indicative programme costs and financing

15. The overall cost of the programme is about US\$2.4 million, for which ECLAC will provide US\$0.9 million in kind and IFAD will provide US\$1.5 million. The programme is highly knowledge- and labour-intensive, and entails demanding participatory processes. To this effect, full-time staff will be dedicated to implementing programme activities, closely following up with all concerned counterparts in the public and private sectors, and maintaining constant communication to enhance dialogue and discussion among programme groups. A general coordinator and an administrative assistant will be hired specifically for the programme, and are considered under “salaries and allowances” line in the table below. ECLAC will encourage national governments to contribute in kind, including the time of public officials, local services such as transportation, and venues for dialogue groups.

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

<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing</i>
Salaries and allowances <sup>a</sup>	303 010	802 084
Consultancies	335 000	
Travel	320 000	
Training <sup>b</sup>	262 000	5 000
Operating costs <sup>c</sup>	117 000	95 000
Overheads /management fees	153 760	
<b>Total</b>	<b>1 490 770</b>	<b>902 084</b>

<sup>a</sup> Corresponds to ECLAC staff specifically hired to work for the programme and regular ECLAC staff dedicated to the programme.

<sup>b</sup> Includes training courses, expert meetings and coordination meetings.

<sup>c</sup> Includes durable and non-durable materials (such as software, CDs), communication, office material used for the programme, and dissemination costs (distribution of publications, design of webpage, set-up of databases).



# Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<b>Goal</b>	To is to foster the participation of small rural producers, firms and their organizations in value chains in Latin America and the Caribbean (LAC)	Improved public policies and services to promote inclusive growth in rural areas, with emphasis in small producers and upgrading their insertion in value chains.	Periodic program reports; Final external evaluation.	No major external shock disturbs selected value chains. Political commitment for rural productive policy.
<b>Objectives</b>	<ol style="list-style-type: none"> <li>1. To generate strategies for value chain development, through policy dialogue processes, aiming to increase incomes, reduce risks and enhance smallholders' skills.</li> <li>2. To strengthen governments' and stakeholders' capabilities to formulate rural productive policies to close income and productivity gaps for small rural firms.</li> <li>3. To develop participatory methodologies and analytical tools aimed at closing productivity and income gaps in LAC.</li> </ol>	<p>Eight value chain strategies and action plans agreed upon by m stakeholders. Government with stakeholders, identify strategic objectives for each value chain and draft action plans.</p> <p>Government and stakeholders master the methodologies and analytical tools for rural productive policies.</p>	Periodic program reports; Final external evaluation.	Collaboration by main public and private stakeholders in each country. Availability of statistical information.
<b>Outputs</b>	<ol style="list-style-type: none"> <li>1.1 Public-private participatory strategies and action plans to enhance eight rural value chains in four countries in LAC</li> <li>1.2 Technical diagnosis and benchmarks to remove constraints and close gaps on eight rural value chains.</li> <li>1.3 Evidenced-based policy recommendations for closing productivity and income gaps in four countries.</li> <li>2.1 Eight public-private dialogue groups prepare strategies and action plans aimed at upgrading rural value chains.</li> <li>2.2 Dissemination of outputs and outcomes through media briefs, policy notes, meetings, publications and webpages.</li> <li>2.3 Eight training workshops on ECLAC's methodology for value added chains and related policy issues.</li> <li>2.4 Training of government officers in each country.</li> <li>3.1 New methodologies to identify and remove barriers to development in rural areas, with emphasis on smallholders.</li> <li>3.2 Better understanding of recent trends in agricultural productivity and employment in four countries.</li> <li>3.3 Technical manual for fostering value chains with emphasis on small rural firms and their organizations.</li> <li>3.4 Databases on employment, backward and forward linkages and financial instruments in rural areas in LAC.</li> </ol>	<p>Eight public-private dialogue groups complete the process leading to a shared strategy and an action plans for the value chain.</p> <p>Eight diagnostics on value chains to remove constraints.</p> <p>Eight strategies and action plans to strengthen selected value chains.</p> <p>Four technical policy notes.</p> <p>At least 50% of participants to dialogue groups consider very relevant or relevant the activities of those groups.</p> <p>Four technical notes to improve access to financial inclusion in rural areas.</p> <p>One comparative database on employment, backward and forward linkages and financial instruments.</p> <p>A note addressing specificities of making rural productive policy in LAC.</p>	Periodic program reports; Final external evaluation Evaluation surveys conducted after dialogue groups and experts meetings Evaluation surveys conducted after training workshops.	Staff turnover in targeted government departments is not acute. Participants are open to incorporate new knowledge and methodologies.

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	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<b>Key Activities</b>	<p>1.1 Elaborate eight in-depth diagnostics on bottlenecks faced by selected value chains.</p> <p>1.2 Produce eight value chain maps and prepare eight benchmark studies on international “best practices” to overcome bottlenecks in selected value chains.</p> <p>1.3 Prepare eight benchmark studies on international “best practices” to overcome bottlenecks in selected value chains.</p> <p>1.4 Provide technical assistance for the drafting of eight strategies, action plans, and policy recommendations.</p> <p>1.5 Organize 16 policy dialogue groups to discuss diagnostics, benchmarks, strategies and action plans.</p> <p>1.6 Prepare four technical notes on rural financial inclusion and labor issues in rural areas.</p> <p>2.1 Prepare baseline studies on rural financial inclusion in four countries in LAC.</p> <p>2.2 Prepare meeting minutes, technical notes and policy briefings and recommendations for decision-makers.</p> <p>2.3 Organize four training workshops on ECLAC’s value chain methodology (one in each selected country).</p> <p>2.4 Organize four training workshops on windows and instruments for rural financial inclusion.</p> <p>2.5 Analyze national household surveys to better understand rural employment and labor markets in LAC.</p> <p>2.6 Conduct research studies on employment and productivity in four selected countries in LAC.</p> <p>2.7 Conduct a multi-stakeholder workshop to discuss the results of the studies, and their policy implications.</p> <p>2.8 Work with public officers: identification of value chains, policy dialogue, workshops, information dissemination..</p> <p>3.1 Publish a technical manual that integrates the various methodologies, on how to foster value chains with emphasis on small rural firms and their organizations.</p> <p>3.2 Prepare comparative databases on employment, backward and forward linkages and financial instruments in rural areas in LAC.</p>	<p>Number of local dialogue groups, frequency of meetings and number of participants.</p> <p>Number of policy papers, technical studies and methodological reports.</p> <p>Number of strategies and action plans for rural value chains.</p> <p>Comparative database.</p> <p>Number of media briefs.</p>	<p>Periodic program reports;</p> <p>Final external evaluation.</p> <p>Evaluation surveys conducted after dialogue groups and experts meetings.</p> <p>Evaluation surveys conducted after training workshops.</p> <p>Programme website visits.</p>	<p>Key public officers are available to participate in technical assistance activities.</p> <p>Key stakeholders are willing to participate in the process, in particular small producers, input providers, public officers from participating agencies, among others.</p>