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Investing in rural people

## **President's report on a proposed grant under the global/regional grants window to SNV Netherlands Development Organisation**

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**For: Approval**

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## Abbreviations and acronyms

4Ps	public-private-producer partnership
SNV	Stichting SNV Nederlandse Ontwikkelingsorganisatie (SNV Netherlands Development Organisation)

## Recommendation for approval

The Executive Board is invited to approve the recommendation for a grant under the global/regional grant 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 SNV Netherlands Development Organisation

I submit the following report and recommendation on a proposed grant for agricultural research and training to SNV Netherlands Development Organisation for the programme Partnering for Value: Promoting Public-Private-Producers Partnerships (4Ps) in IFAD-funded Value Chain Development Projects in the amount of US\$2.3 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: SNV Netherlands Development Organisation.
2. The document of the grant for approval by the Executive Board is contained in the annex to this report:
 

SNV Netherlands Development Organisation: Partnering for Value: Promoting Public-Private-Producers Partnerships (4Ps) in IFAD-funded Value Chain Development Projects
3. The objectives and content of this 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 all the outputs of the revised IFAD grant policy. Specifically, this grant contributes to jump-starting an innovative way of brokering and implementing pro-poor public-private-producers' partnerships (4Ps) in agriculture value chains supported by IFAD-funded projects (outcome (a)). In addition, it will increase the capacity of all stakeholders involved (governments, private companies, small-scale producers and the financial services/investment sector) to more systematically engage in pro-poor 4P business models (outcomes (b) and (c)). Finally, the programme's strong knowledge management component will ensure that knowledge and learning are captured and disseminated

in a systematic way. This will feed policy development, improve 4P practices and support mechanisms and enable replication and scaling up (outcome (d)).

## **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, Partnering for Value: Promoting Public-Private-Producers Partnerships in IFAD-funded Value Chain Development Projects, shall provide a grant not exceeding two million three hundred thousand United States dollars (US\$2,300,000) to the SNV Netherlands Development Organisation 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

# **SNV<sup>1</sup> Netherlands Development Organisation: Partnering for Value: Promoting Public-Private- Producers Partnerships (4Ps) in IFAD-funded Value Chain Development Projects**

## **I. Background**

1. Governments have traditionally seen the smallholder sector as part of a poverty alleviation mandate, mainly because this segment was not deemed profitable by the formal private sector. However, diminishing state intervention in agriculture has opened the way for a free play of market forces and encouraged the private sector to invest in agriculture. Particularly since the 2008 food price crisis, more and more private companies have been looking to gain sustainable access to raw materials and supplies, and expand their outreach to poorer rural consumers as well as a growing number of urban consumers in developing countries, as part of their long-term business strategy.
2. However, mostly due to market failures, companies face often a viability gap in reaching out to small-scale producers in a sustainable and mutually beneficial way. Non-conducive policy and regulatory environments, high transport costs, lack of basic post-harvest facilities, producers' low level of organizational capacity and scale, inadequate technology and farming practices, limited access to credit, vulnerability to market and natural shocks continue to make this segment of the market very costly and risky.
3. Both the public sector and the corporate private sector have come to realize that their own efficiency, in delivering public goods and in expanding their business respectively, depends on their ability to work in a complementary way with a network of organized citizens and producers with access to markets and assets. This partnership approach reduces the underlying transaction costs and risks.
4. Building trust among the three main actors (government, private companies and producers) is a key element in pursuing effective public-private-producers partnerships (4Ps). It is IFAD's role to strengthen the capacity, voice, scale, social capital, institutions and basic infrastructure of smallholders to enable them to obtain better governance and public service delivery from the public sector, become viable and more attractive business partners/suppliers, and negotiate truly mutually beneficial (win-win) agreements with companies.

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

5. For some time now, through its projects and programmes at country level, IFAD has been seeking to build pro-poor 4Ps. While some of these 4Ps are showing promising results, there are still significant challenges to mainstreaming this approach in IFAD country programmes. First, governments are increasingly aware of the potential benefits of enabling 4Ps but the management systems in place are often ill-equipped to respond in a timely manner to the private sector's needs and expectations, or to adequately manage and monitor 4Ps. Second, the majority of 4Ps forged so far were the result of favourable and exceptional circumstances and of the personal proactivity of IFAD staff rather than of a coherent and systematic strategy. Third, because individual 4Ps are often the result of country-specific conditions, IFAD's experience in developing 4Ps has not been easy to replicate.

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<sup>1</sup> Stichting SNV Nederlandse Ontwikkelingsorganisatie.

6. Therefore, further work is required in: (i) matching the needs of private companies with those of smallholder producers, especially women and more marginalized groups, and brokering truly “win-win” deals; (ii) selecting private companies committed to building long-term partnerships with IFAD’s target groups; (iii) engaging in policy dialogue with governments to promote a more enabling environment for private-sector development and business-oriented solutions for rural poverty reduction; and (iv) improving systems to better monitor, evaluate and measure results and impact.
7. Given the above, IFAD believes there is a need for a 4Ps mechanism to support the emergence of pro-poor 4Ps along value chains on a more systematic basis. Partnering with the private sector allows IFAD to leverage private-sector resources in order to scale up its development interventions and reach out to a greater number of poor rural people. The 4Ps model applied to value chain financing would play the role of a “pull mechanism” in an effort to facilitate private investments and partnerships with the smallholder sector, by reducing the viability gap and making the bottom of the pyramid market more attractive and accessible to private companies.
8. One key innovative feature of the IFAD 4Ps mechanism will be the 4Ps brokerage and facilitation function proposed under this grant-funded programme. This is aimed at building the capacity and know-how of donors, and public and private partners in facilitating the development and negotiation of truly pro-poor 4Ps and in monitoring their implementation and measuring results. The 4P mechanism fits squarely within the framework of the IFAD Private-Sector Strategy approved by the Executive Board in 2011.

### **III. The proposed programme**

9. The basic idea of the programme is to hire on a competitive basis the services of a service provider (4Ps broker) with proven expertise in 4Ps facilitation to support the development and monitoring of 4Ps in the context of IFAD-funded projects. The grant will support the application of the 4Ps mechanism in five selected countries and a number of agricultural value chains (covering both cash and food crops) during the next three years in order to assess and validate this approach in various contexts and maximize the scope for learning, replication and scaling up.
10. The grant will finance the 4Ps facilitation, monitoring and knowledge management (KM) function. The capacity-building and investment needs for the 4Ps business plans selected in each country will be financed by other sources of funds, including the 4Ps private-sector partners, IFAD-funded project budgets and the financial sector. To this end 4Ps brokers will work in close coordination with the implementing agencies and project management units of the relevant projects during the whole process of identification, selection, negotiation and monitoring and evaluation (M&E) of 4Ps.
11. The value added of the programme is to generate structured learning across countries based on a consistent approach to 4Ps and engagement with the private sector. For this reason, the grant has a strong focus on KM, exchange of experiences and lessons from the 4Ps brokering cycles that will be undertaken in five different contexts.
12. The overall goal of the programme is to promote effective pro-poor 4Ps that will contribute to rural development. Specific objectives are: (i) to jump start the application of the 4Ps approach by facilitating the identification, development and monitoring of 4Ps business plans in the context of IFAD-funded projects in five selected countries; and (ii) to build capacity and develop knowledge on successful 4Ps best practices for future use, replication and scaling up by all stakeholders involved.

13. The target group includes 20,000 smallholder farmers, 100 private companies, five national governments, five financial service providers, as well as IFAD and other donors. The programme will also strengthen the capacity of five local service providers to supply 4Ps brokering services.
14. The selection of five countries will be based on the following criteria: (i) market demand for commodities (food and cash); (ii) private companies' interest in sourcing from smallholders; (iii) small producers' comparative advantage in selected value chains; (iv) governments' interest in and synergy with IFAD-funded projects; and (v) an enabling policy, economic, institutional and regulatory environment.
15. The programme will comprise two main components:
  - (i) **4Ps brokering** will entail identification of value chains for 4Ps development, identification and selection of companies and producer organizations (scouting and/or call for proposals), identification of possible investors, selection and M&E of 4Ps business plans; and
  - (ii) **Knowledge and learning** will entail awareness-raising and capacity-building of country stakeholders; knowledge exchanges and cross-learning within and among the five countries; development and dissemination of 4Ps knowledge products including guidelines, best practices, policy briefs that identify 4Ps enabling factors related to the policy and regulatory environment, and case studies.

#### IV. Expected outputs and benefits

16. The project will have four main outputs:
  - (i) **4Ps brokered and implemented:** 4Ps business deals brokered and implemented resulting in mutually beneficial relationships, funds for 4Ps business plans leveraged from the public, private and financial sectors;
  - (ii) **4Ps best practices:** the 4Ps approach implemented in selected countries and projects generate a coherent and systematic set of best practices in different countries and commodities to support 4Ps in the future;
  - (iii) **Strengthened awareness and capacities:** all stakeholders involved have increased understanding and capacity to support 4Ps; and
  - (iv) **4Ps knowledge products:** knowledge products to support the design, implementation, monitoring and evaluation of 4Ps developed and disseminated.
17. Key output indicators are as follows:
  - The 4Ps approach successfully implemented in five countries resulting in 15 4Ps brokering cycles (three in each country successfully completed);
  - Twenty thousand small farmers are provided with increased income from 20 brokered 4Ps business deals;
  - Five national governments have increased capacity for effective policy and operational support of 4Ps;
  - One hundred companies, five financial service providers as well IFAD and other donors have increased knowledge and capacity for successful 4Ps development and support; and
  - The capacity of five local service providers is strengthened to provide 4Ps brokering services.

## V. Implementation arrangements

18. The grant recipient was selected through a competitive process (call for proposals). The proposals were reviewed and compared on the basis of four evaluation criteria: (i) quality and relevance; (ii) proven relevant technical expertise of the applicant(s) team; (iii) proven successful experience in project management, administration of donors funds and M&E; and (iv) financial proposal (proposed budget allocation) including level of cofinancing.
19. SNV, an NGO founded in the Netherlands nearly 50 years ago, is currently operating in 38 countries in Asia, Africa and Latin America. SNV manages grants and tenders from a number of donors (Government of the Netherlands, MasterCard Foundation, the European Union, the Swiss Agency for Development and Cooperation, and the Bill & Melinda Gates Foundation) and has extensive experience in the development and application of inclusive business models.
20. SNV will be the programme implementing agency at global and country level through its team and local service providers (approximately 5,000 working days over three years). Based on a memorandum of understanding, SNV will also outsource the services of TheRockGroup in selected areas (selection of 4Ps business cases, brokering at global level, identifying international investors and knowledge products).
21. The M&E framework will be based on SNV's Managing for Results system, which is modelled on the Donor Committee for Enterprise Development internationally recognized standard for a private-sector development monitoring system and online planning, monitoring and evaluation tool.
22. SNV will ensure that the entire implementation period is covered by audit, by providing a copy of its audited financial statements within six months from the end of each financial year, and an audit opinion letter on statements of expenditure submitted to IFAD. Financial reports will be programme-wise and consolidate expenditures incurred by subgrantees.

## VI. Indicative programme costs and financing

23. The programme will be implemented over a three-year period, with a total cost of US\$2,743,008. The IFAD grant is US\$2.3 million, and SNV cofinancing totals US\$443,008. Cofinancing – which comes mainly from the SNV-managed Inclusive Business Accelerator Programme in Viet Nam and Mozambique – will be used to (i) directly support the identification, development and monitoring of 4Ps business plans; and (ii) share office and facilities costs.

Table 1  
**Programme costs by component and financier**  
 (United States dollars)

<i>Components</i>	<i>IFAD</i>	<i>SNV</i>	<i>TOTAL</i>
1. 4Ps brokering	1 037 138	281 170	1 318 308
2. Knowledge and learning	1 078 862	161 838	1 240 700
Subtotal	2 116 000	443 008	2 559 008
Management fee	184 000		184 000
<b>Total</b>	<b>2 300 000</b>	<b>443 008</b>	<b>2 743 008</b>



Table 2  
**Programme costs by expenditure category and financier**  
 (United States dollars)

<i>Expenditure Category</i>	<i>IFAD</i>	<i>SNV</i>	<i>TOTAL</i>
1. Salaries and allowances	870 345	77 307	947 652
2. Operating costs	244 426	110 095	354 521
3. Consultancies	254 975	84 392	339 367
4. Travel and allowances	208 422	28 688	237 110
5. Equipment and material	2 842	13 265	16 107
6. Goods, services and inputs	208 056	129 261	337 317
7. Workshops	326 934		326 934
8. Management fee	184 000		184 000
<b>Total</b>	<b>2 300 000</b>	<b>443 008</b>	<b>2 743 008</b>

Notes: Salaries and allowances: time actually devoted to the programme by SNV staff.

Operating costs: only those directly incurred for the execution of the 4Ps programme in five countries.

Consultancies: international and local service providers hired by SNV.

Travel and allowances: costs incurred by SNV staff and service providers.

Equipment and materials: computers and phones.

Good, services and inputs: TheRockGroup, M&E, publications and audit costs.

Workshops: venue, food and beverages, facilitation.

# Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	To promote effective pro-poor Private-Public-Producer Partnerships (4Ps) that will contribute to rural development	Increase income level of participating smallholders Increase produce marketed by participating smallholders	Survey of IFAD projects IFAD project reports	
Objectives	To jump start the application of the 4P approach by brokering and facilitating the identification, development and monitoring of 4P business plans in the context of IFAD-funded projects in five selected countries  To build capacity and develop knowledge on successful 4P good practices for future use, replication and scaling up by all stakeholders involved.	100 high-potential 4Ps opportunities identified; 20 4P business deals brokered (matched, developed and monitored) in 5 countries providing 20,000 small producers with increased income and marketed produce  5 national governments, IFAD, 100 companies, 5 local service providers and 5 financial service providers have increased knowledge and capacity on successful 4P development	Regular P4V project reports and final evaluation report Records of businesses and small producers involved with 4Ps  IFAD project reports, survey among relevant stakeholders	General economic situation and enabling environment is conducive for 4Ps  Improved knowledge and capacity of government, private sector, producer organizations and IFAD will have a positive effect on the implementation of the 4P approach
1 Outputs	1.1 <i>4Ps brokered and implemented</i> : 4P business deals brokered and implemented between public sector, private sector and producers, resulting in mutually beneficial relationships, funds for 4P business plans leveraged. 1.2 <i>4P good practices</i> : the 4P partnership approach implemented in five countries generated a set of good practices for future replication by Governments, other donors and IFAD-funded projects. 2.1 <i>Strengthened capacities</i> on successful 4P development: all stakeholders involved from the public sector, the private sector, the producer organizations and the financial services / investment sector will have increased understanding of 4P business models and are better able to support their implementation. 2.2 <i>4P knowledge products</i> : 4P knowledge products to support the design, implementation, monitoring and evaluation of 4Ps developed and disseminated	15 4P brokering cycles (3 in each country successfully completed) More than 50% of the brokered 4P business plans will have third party financing 4P approach successfully implemented in 5 IFAD countries  Stakeholders able to apply 4P approach  Level of adaptation of knowledge products in this project and other projects, at least 5 governments and 5 local service providers adopt products	Regular P4V project reports and final evaluation reports 4P business plans Reports on monitoring visits, stakeholder workshops, trainings and studies IFAD country reports	Interest of the private sector and producer organisations to engage in 4Ps Willingness of IFAD projects and of partner governments to provide access to projects, support V4P business case implementation and co-finance 4P business plans  Project cofinancing can be obtained in an effective and efficient way  Interest of non-project investors to invest in 4Ps  Feasibility collaboration with other key projects (e.g. PPP knowledge lab and IB Accelerator)

Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<p><i>4P Brokering component</i> (Scoping of opportunities and matchmaking, Business case development, Supervise implementation, Monitoring and evaluation)</p>	<p>20 4Ps selected for support in IFAD-funded value chain projects            20 4Ps business plans developed and investment secured            20 4Ps baseline and monitoring plans            At least 4 support visits per 4P per year            At least 4 monitoring visits per 4P per year, monitoring reports prepared</p>	<p>Call for proposals            Screening and selection reports            Business plans            Baseline and monitoring plans            Support visit reports            Scorecard reports</p>	<p>Interest expressed by IFAD country offices and projects            Signed project agreement            Skilled project staff must be in place</p>
<p><i>Knowledge and Learning component</i> (Dedicated innovation and studies, Policy/strategy analysis and advice, Awareness and capacity building of country stakeholders, Exchange and learning, Development and dissemination case studies, Development and dissemination 4P guideline / product, Development and dissemination policy brief, Communication)</p>	<p>3 studies conducted on selected themes            5 policy / strategy workshops (1 in each country) and 1 international policy / strategy workshop at IFAD            5 4P workshops with basic concepts, strategies and experiences (1 in each country)            5 private sector and producer organization training and matchmaking event (1 in each country)            Training / on the job coaching of local service provider provided            5 4P exchange and learning events at country level            20 case studies developed and disseminated            4P guideline / product developed and disseminated            4P policy brief developed and disseminated            # items shared on the websites            3 webinars conducted            2 presentations at international events</p>	<p>Study reports            Workshop reports            Matchmaking reports            Training report            Exchange and learning report            Case studies            4P Guideline / product            Policy brief            Website publication / articles            Webinar reports / presentations            Presentation and reports</p>	