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Investing in rural people

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

The Registered Trustees of Kilimo Trust

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For: Approval

Contents

Abbreviations and acronyms	i
Recommendation for approval	1
Part I – Introduction	1
Part II – Recommendation	2
Annex	
The Registered Trustees of Kilimo Trust: Regional East African Community Trade in Staples (REACTS) – Graduating Smallholders to “Farming as Business” through Inclusive Regional Food Markets	3

Appendix

Results-based logical framework

Abbreviations and acronyms

CGIAR	Consultative Group on International Agricultural Research
EAC	East African Community
EACM	East African Common Market
GIS	Geographic Information System
KSP	knowledge-sharing product
KT	The Registered Trustees of Kilimo Trust
KM&L	knowledge management and learning
M&E	monitoring and evaluation
PSD	programme start date
REACTS	Regional East African Community Trade in Staples
ToT	training of trainers

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-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: The Registered Trustees of Kilimo Trust

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\$920,000.

Part I – Introduction

1. This report recommends the provision of IFAD support to a research and training programme of The Registered Trustees of Kilimo Trust (KT). The document of the grant for approval by the Executive Board is contained in the annex to this report:

The Registered Trustees of Kilimo Trust: Regional East African Community Trade in Staples (REACTS) – Graduating Smallholders to "Farming as Business" through Inclusive Regional Food Markets
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: (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.
5. The proposed programme is in line with the goal and outputs of the revised IFAD grant policy. The REACTS programme contributes to the goal to see that "poor rural women and men in developing countries are empowered to achieve higher incomes and improved food and nutrition security". It will do this by promoting innovative approaches to supporting smallholder farmers in the East African Community (EAC) in focusing more on regional cross-border markets and trade. REACTS will facilitate awareness raising, advocacy and policy dialogue on issues of importance to poor smallholder farmers and traders (women, men and youth) employed in the food sector, regarding key obstacles to regional cross-border trade. The focus will be on influencing actions by key actors with respect to the "operational" obstacles that go

against approved policy, legislative and regulatory frameworks. As a contribution to IFAD's priority of seeing the capacity of partner institutions strengthened to deliver a range of services in support of poor rural people, REACTS will develop training packages and a critical mass of trainers to support relevant projects funded by IFAD and others. This will enhance the work of building the capacity of key service providers (such as financial institutions, business service providers, clearing and forwarding agents, and officials enforcing compliance with food safety and quality standards) to enable them to support regional cross-border trade in staple foods.

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 programme Regional East Africa Community Trade in Staples (REACTS) – Graduating Smallholders to "Farming as Business" through Inclusive Regional Food Markets, shall provide a grant not exceeding nine hundred and twenty thousand United States dollars (US\$920,000) to The Registered Trustees of Kilimo Trust 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

The Registered Trustees of Kilimo Trust: Regional East African Community Trade in Staples (REACTS) – Graduating Smallholders to “Farming as Business” through Inclusive Regional Food Markets

I. Background

1. The EAC has articulated policies and strategies to develop markets and structured trade in staple foods, such as the EAC Food Security Action Plan. However, within the East African Common Market (EACM), regional cross-border food trade is mostly informal – limiting the markets available to the majority of poor people employed in the production of food commodities. Formal trade in food staples accounts for only 13 per cent of total traded volume.¹
2. Currently, regional markets are left out of national strategies for food security by both surplus and deficit countries. Consequently, development of food markets is given very little attention in agricultural development programmes – limiting opportunities for: (i) enhanced incomes for producers; (ii) good nutrition at prices low-income earners in rural and urban areas can afford; and (iii) the commercial viability of those programmes. Despite large investment by IFAD and others, agricultural productivity continues to be low and/or fluctuating. This is driven by a “low-yields trap”, itself driven by inadequate access to markets because of limited regional trade in food commodities/products.
3. IFAD is being asked for a “starter” grant to support a 36-month programme that will use the network of IFAD-funded projects in EAC states to build a foundation for a long-term programme to leverage investment by others to effectively link small-scale farmers (women, men and youth) producing food commodities to regional (especially urban) markets in East Africa. The REACTS programme will be part of a long-term Kilimo Trust (KT) programme to support the transformation of food and nutrition security in the EAC region away from high-risk subsistence farming to lower-risk trade-based systems.

II. Rationale and relevance to IFAD

4. The REACTS programme contributes to realizing the goal that: “poor rural women and men in developing countries are empowered to achieve higher incomes and improved food and nutrition security”. It will promote innovative approaches to supporting smallholder farmers in the EAC in focusing more on regional markets and trade. REACTS will enable IFAD-funded and other projects to: (i) reorient support to enable smallholder farming enterprises to competitively target regional market opportunities; (ii) support the development of efficient linkages of smallholders to regional markets; and (iii) link and work more effectively with government, private-sector organizations, service providers and large programmes (e.g. TradeMark East Africa) responsible for facilitating trade in the EAC.
5. In response to regional and national agricultural development and food security strategies of all EAC states, REACTS will facilitate awareness-raising, advocacy and policy dialogue – on issues of importance to poor smallholder farmers and traders employed in the food sector – regarding key obstacles to regional trade. The focus will be on influencing actions by key actors with respect to “operational” obstacles that go against approved policy, legislative and regulatory frameworks.
6. As a contribution to IFAD’s priority on strengthening the capacity of partner organizations to deliver a range of services in support of poor rural people, REACTS will develop training packages and a critical mass of trainers to support IFAD-

¹ Kenya Institute for Public Policy Research and Analysis (KIPPRA), *Accelerating Growth through Improved Intra-African Trade* (Nairobi, 2012).

funded and other projects in enhancing their capacity-building of service providers (e.g. financial institutions, business service providers, clearing and forwarding agents, and officials enforcing compliance with food safety and quality standards) to enable them to support regional trade in staple foods.

7. KT is positioned to implement REACTS because it is a home-grown, independent regional development organization working in agriculture for development on a regional scale. Since 2005, KT has supported and/or implemented more than 50 projects across EAC states and South Sudan.
8. In preparing the grant application – and to determine REACTS contribution to the East and Southern Africa (ESA) divisional strategic workplan – KT assessed 26 IFAD-funded projects in the five states of EAC through review of documentation and consultation meetings with country programme managers, country presence officers and managers/staff of most ongoing projects. Most reviewed projects are working on aspects of market access, but the work being done, as reflected in supervision reports, is rarely driven by an understanding of regional markets. Smallholders are encouraged to produce a surplus first, before starting to investigate markets and build value chains and business linkages to markets – while it should be the other way round; that is, production of marketable surplus should be in response to a well-understood market. Often, markets targeted are limited to local and national markets. This could be sufficient where there is deficit supply, but national markets are not sufficient to drive profitability for producers of a commodity for which national self-sufficiency has been attained.

III. The proposed programme

9. The overall goal of the programme is to see “enhanced incomes and accelerated wealth creation for smallholder producers of food commodities targeted by programmes supported by IFAD and others in the EAC region”.
10. The purpose is to enable agricultural development projects funded by IFAD and others in EAC to align, build core skills, and work with relevant partners in enabling business enterprises of smallholder producers of food commodities² to respond effectively to regional markets for food products.
11. The primary target group is smallholders (youth, women and men living on less than two dollars a day) that are: (i) farmers undertaking production and/or primary processing of key food commodities; and/or (ii) rural-based traders undertaking collection, consolidation and primary processing of commodities – in areas served by IFAD-funded and other projects in EAC. The secondary target group includes, but is not limited to: IFAD-funded projects in Burundi, Kenya, Rwanda, Uganda and the United Republic of Tanzania; market actors specializing in regional trade; service providers necessary to support cross-border food trade; and government agencies responsible for facilitating and administering this trade.
12. The three-year programme will comprise two main components:
 - (i) **Component 1.** Knowledge-driven targeting of EAC’s regional markets by all IFAD-funded projects in the five East African countries. The expected outcomes are:
 - (a) Improved implementation of IFAD-funded projects to support their targeted small-scale farmers in “farming as business” in response to demand from specific segments of national and regional markets for food commodities;
 - (b) IFAD, other funders and relevant government departments are working together to factor-in regional markets and regional supply into their agricultural strategies and programmes for enhancing the incomes of

² “Rice or beans” (proxy for all grains) and “fruits and vegetables” (proxy for all perishables).

producers. This three-year programme (phase I) will assess key actors, work with them to appreciate the importance of their role in promoting cross-border trade (from analyses of opportunities and constraints) and obtain their commitment to plans to overcome these obstacles. Capacity assessment will also lead to the design of training packages, which will be piloted with a few key stakeholders and rolled out to the rest in phase II of the programme.

- (ii) **Component 2.** Improvement in the structuring and efficiency of private-sector business linkages to integrate smallholders targeted by IFAD-funded and other projects into cross-border markets. The expected outcomes are:
 - (a) Projects are: developing the capacities of staff and beneficiaries; leveraging partnerships with trade-promotion institutions; and “crowding-in”³ investment and services from the private sector – in order to develop inclusive business linkages to cross-border markets.
 - (b) Platforms enhanced for sharing lessons and practices towards improved market linkages, with specific focus on cross-border trade in food commodities/products.

IV. Expected outputs and benefits

- (i) **Increased understanding by the projects and their partners** of the opportunities and characteristics of national and regional markets for target food commodities;
- (ii) **Increased capacity and skills among the projects and their service providers** to assist targeted smallholders in adapting “farming as business” approaches for enhanced competitiveness in regional markets;
- (iii) **New and/or enhanced business linkages** between smallholders targeted by the projects and the main “off-takers” (contractual buyers) and actors in key value chains stretching across borders;
- (iv) **Platform for knowledge management and learning (KM&L) on best practices** for effective linkages to regional markets – involving the projects, relevant trade institutions and EAC partners.

V. Implementation arrangements

13. KT is registered in Uganda, and its leadership, management, project team and operational structure are governed by its Board of Trustees. The board is composed of outstanding EAC leaders in agricultural development and business. It holds three regular meetings (April, July and September) each financial year. The management team has core staff in three divisions: finance and administration, programme implementation, and analysis and planning. The core staff has been planned and is being built up to provide the skills sets needed to enable KT to undertake hands-on implementation of interventions along food value chains and in their support services.
14. KT will work with at least one partner in each of the five countries in order to complement its core capacities. Activities to be conducted by partners will be specified during the development of the detailed annual workplans. Five of the partners have already been confirmed through memorandums of understanding and/or letters of intent. These are: Intermedia Development Consultants of Kenya, the Tanzania Horticultural Association, Rwanda’s National Agricultural Export Development Board, the Regional Centre for Mapping of Resources for Development (headquartered in Nairobi, Kenya), and the Burundi Agribusiness Programme.

³ Crowding-in: An economic principle in which private investment increases as debt-financed government spending increases. This is caused by government spending boosting the demand for goods, which in turn increases private demand for new output sources.

15. IFAD will make the grant resources available to KT under the grant agreement, and KT will have overall responsibility for providing satisfactory financial reporting to IFAD on the use of REACTS grant funds as specified in the grant agreement. The financial management arrangements of the programme have been evaluated and have been deemed satisfactory. KT will enter into subcontract agreements with its partners for implementation of specific programme activities.

VI. Indicative programme costs and financing

16. Overall costs of the three-year programme amount to US\$1,217,772, with IFAD's contribution being US\$920,000 (75.5 per cent of total programme costs). Cofinancing and baseline costs are confirmed by KT. To ensure commitment and buy-in, the private sector and IFAD-funded projects in the five countries will be asked to meet the costs of participating in capacity-building activities.
17. Disbursements of the grant will be made in advance, with advances being limited to the equivalent of six months of expenditure as specified in the annual workplan and budget. Unaudited financial reports will be provided to IFAD within 45 days of the half-year end, and disbursement of subsequent advances will be conditional on the Fund having received these financial reports for previous periods.

Summary of budget and financing plan

(Thousands of United States dollars)

Cost category (3 years)	Proposed IFAD grant	Cofinancing: private sector and The Registered Trustees of Kilimo Trust (KT)		Total
Goods, works and services	93	-		93
Operating costs	-	34		34
Equipment and material ^a	-	9		9
Salaries ^b	327	52		379
Workshops	166	39		205
Training	129	43		172
Travel and allowances	131	36		167
Total	846	231		1 059
Programme management costs	74	85		159
Grand total	920	298		1 218

^a Five laptops required for the programme will be purchased from the KT contribution. The laptops will be the property of the programme until its end, at which time ownership will revert to KT.

^b Staff salaries will be paid to staff directly and assigned exclusively to the programme.

Proposed IFAD grant – yearly budget

(Thousands of United States dollars)

Description of output	Year 1	Year 2	Year 3	Total	% by output
Increased understanding by the projects and their partners of regional markets	118	97	66	281	31
Increased capacity and skills among the projects and their service providers	84	67	43	194	21
New and/or enhanced business linkages between smallholders and the main off-takers and actors in key value chains stretching across borders	110	105	53	268	29
Platform for KM&L on best practices for effective linkages to regional markets	45	40	19	104	11
Total	356	309	181	846	92
Programme management costs	31	27	16	74	8
Grand total	387	336	197	920	100%

Results-based logical framework

Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
GOAL Enhanced incomes and accelerated wealth creation for smallholder (women, men and youth) producers of food commodities, targeted by programs supported by IFAD and others in the EAC Region.	An increase by 20% the incomes of at least 10,000 of the small-scale farmers (women, men and youth) targeted by the IFAD-Projects in the EAC	Ex-Post Evaluation Reports of the Projects against REACTS baseline TBD in PSD+6	
OBJECTIVE To enable agricultural development Projects of IFAD and others in the EAC Region to align, build core skills, and work with relevant partners in enabling business enterprises of smallholder producers of target food commodities, to respond effectively to regional markets for food products.	At least 15,000 of the small-scale farmers targeted by the IFAD-Projects in the EAC, are part of inclusive business linkages to cross-border markets At least one of the Projects per EAC Partner State, has oriented its interventions towards responding to well understood cross-border markets	<ul style="list-style-type: none"> Annual reports of the IFAD-Projects IFAD's Supervision Mission Reports IFAD'S ESA Portfolio Review Reports 	EAC Common market agreements are enforced Peace and security is maintained across all the Partner States of the EAC
OUTPUTS			
1. Increased understanding by the projects and their partners , the opportunities and characteristics of regional markets for the target food commodities	Revision of Projects' intervention to expand focus on assisting smallholders to target competitiveness in cross-border regional markets	<ul style="list-style-type: none"> REACTS M&E database and 6 monthly reports Progress and M&E reports of the Projects IFAD-ESA Project Appraisals and Designs 	The EAC Food Security Action Plan continue to be implemented
2. Increased Capacity and Skills among the projects and their service providers to assist the smallholders to adapt "farming as business" for enhanced competitiveness in regional markets	Projects, their partners and beneficiaries use packages and trainers for scaling-out capacity building, at own costs		Continued reduction of the most binding infrastructural and institutional bottlenecks to cross-border trade
3. New and/or enhanced business linkages between the smallholders targeted by the Projects and main off-takers and actors in key value chains stretching across-borders	Projects & BDS partners are brokering business linkages for their beneficiaries at own initiative and costs.		
4. Platform for KM&L on best practices for effective linkages to regional markets - involving the Projects & relevant trade institutions/partners in the EAC	A regional knowledge base on options, practices and experiences in linking smallholders to regional markets is in place - (with up-dates every 6 months thereafter)	<ul style="list-style-type: none"> Relevant business and policy briefs on the knowledge base 	
Key Activities			
(1.1) Produce simplified information packages on consumer segments (1.2) Produce GIS database and diagnostics of major market segments, their geographies & comparative advantages for the smallholders (1.3) Develop within-Projects' capacities to continuously update the data and the analysis (2.1) Enable the Projects to design/modify the interventions they support to enhance market-responsiveness and competitiveness. (2.2) Develop Training of Trainers (ToT) packages on best practices in production and post harvest handling in response to markets. (2.3) Implement sufficient ToTs, and pilot training of project's staff and key service providers, and public and private sector partners. (3.1) Identify and profile key off-takers to engage with the projects for linking smallholders to regional cross-border trade (3.2) Undertake coaching and mentoring on tools for business linkages in cross-border trade (3.3) Build awareness, justification and agree on plans for dealing with operational obstacles in cross-border trade (3.4) Support formation of strong network of champions for cross-border trade within the ministries and other institutions responsible for trade (4.1) Develop and implement a plan for communication & knowledge sharing (4.2) Develop tools and procedures for "Process Documentation". (4.3) Develop, prepare and publish/produce KSPs, using participatory tools involving staff of the project and the target stakeholders (4.4) Implement communication and knowledge sharing activities as per plan		Milestones (PSD = project start date + months) PSD+34: Final series of training and learning-by-doing completed for projects and their service providers PSD+3: Countries and Projects financed by IFAD and commodities selected and capacity assessments for regional trade conducted PSD+33: Validated Training & Reference Guides produced PSD+30: Final edition "market characteristics reports" available PSD+24: Training of traders and other VC actors on how to deal with operational obstacles, finalized PSD+20: Series of joint learning events to raise capacity for Process Documentations among partners - completed PSD+18: First edition GIS Database completed PSD+18: First batch of ToTs completed PSD+18: First series of training and learning-by-doing completed PSD+15: Signed MoUs /agreements for the 1 st batch of business linkages PSD+15: Required changes of interventions of the Projects in response to market characteristics - articulated and validated PSD+15: First edition "market characteristics reports" available PSD+6: Simplified information packs on what is already possible under existing trade rules PSD+12: Communication and Knowledge Sharing Plan has been validated with stakeholders PSD+12: Plans on how to deal with operational obstacles, prepared and validated	Assumptions Off-takers will respond positively to collaborate with the Projects Continued willingness of the Projects of IFAD and others to: <ul style="list-style-type: none"> Prioritize access to markets - in objectives and fund allocation Adjust interventions to support focus on cross-border food markets Invest with REACTS in building the business linkages and capacity for cross-border trade in food commodities