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Investing in rural people

President's report on a proposed grant under the global/regional grants window to CGIAR-supported international centres to the International Food Policy Research Institute for Agricultural Transformation and Market Integration in the ASEAN Region: Responding to Food Security and Inclusiveness Concerns

Note to Executive Board representatives

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For: Approval

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## Abbreviations and acronyms

ASEAN	Association of Southeast Asian Nations
AMAF	ASEAN Ministers of Agriculture and Forestry
ASEC	ASEAN Secretariat
CSO	civil society organization
FO	farmers' organization
IFPRI	International Food Policy Research Institute
PSC	programme steering committees
SEARCA	Southeast Asian Regional Center for Graduate Study and Research in Agriculture
SOM	Senior Officials Meeting (of the ASEAN Ministers of Agriculture and Forestry)
SSRP	small-scale rural producers

## Recommendation for approval

The Executive Board is invited to approve the recommendation for a proposed grant under the global/regional grants window to the International Food Policy Research Institute for Agricultural Transformation and Market Integration in the ASEAN Region: Responding to Food Security and Inclusiveness Concerns, as contained in paragraph 5.

## President's report on a proposed grant under the global/regional grants window to CGIAR-supported international centres to the International Food Policy Research Institute for Agricultural Transformation and Market Integration in the ASEAN Region: Responding to Food Security and Inclusiveness Concerns

### Part I – Introduction

1. The present report recommends the provision of an IFAD grant in the amount of US\$2.5 million under the global/regional grants window to Consultative Group on International Agricultural Research (CGIAR)-supported international centres to the International Food Policy Research Institute for Agricultural Transformation and Market Integration in the ASEAN Region: Responding to Food Security and Inclusiveness Concerns. The grant proposal document is contained in the annex to this report.
2. The goal of IFAD grants is to significantly broaden and add value to the support provided to smallholder farming and small-scale agro-enterprises in the Association of Southeast Asian Nations (ASEAN) region, thereby contributing to rural poverty eradication, sustainable agricultural development and global food security and nutrition. In order to achieve these goals, IFAD grants should adhere to three basic principles: (i) make a significant contribution to a global, regional or national public good related to IFAD's mandate; (ii) focus on interventions where grant financing has clear added value and a comparative advantage over regular loans; and (iii) not be used as a substitute for resources from IFAD's administrative budget.
3. The objectives of IFAD grant financing are to: (i) promote innovative, pro-poor approaches and technologies with the potential to be scaled up for greater impact; (ii) strengthen partners' institutional and policy capacities; (iii) enhance advocacy and policy engagement; and (iv) generate and share knowledge for development impact. Rural poor people and their organizations should be squarely positioned at the centre of each grant submission to fulfill IFAD's mandate to enable poor rural people to improve their food security and nutrition, raise their incomes and strengthen their resilience.
4. The proposed programme is in line with the goal and objectives of IFAD grant financing as stated in the IFAD Policy on Grant Financing. In particular, it is well aligned with the goal of promoting enabling policies and institutions in support of agricultural development, thereby contributing to higher incomes and improved food security for the rural poor, including smallholders.

## Part II – Recommendation

5. 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, Agricultural Transformation and Market Integration in the ASEAN Region: Responding to Food Security and Inclusiveness Concerns, shall provide a grant not exceeding two million five hundred thousand United States dollars (US\$2,500,000) to the International Food Policy Research Institute for a five-year programme and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President

# Agricultural Transformation and Market Integration in the ASEAN Region: Responding to Food Security and Inclusiveness Concerns

## I. Background

1. Policymakers and stakeholders are concerned that the establishment of the Association of Southeast Asian Nations (ASEAN) Common Market may undermine national food security efforts and reinforce the pressure on small-scale rural producers (SSRPs), including smallholders and small-scale agro-enterprises, towards an accelerated exit from agriculture. Growing urban populations make food security a sensitive policy area in ASEAN countries. At the same time, the inclusion of SSRPs in the region's transforming agrifood systems remains a key pillar in the effort to achieve sustainable development.
2. Given these complexities, it is important for evidence-based policymaking to be informed by a full understanding of the challenges facing SSRPs in the context of changing agrifood systems in South-East Asia and how they can in fact be part of the solution. This is also a prerequisite for providing clearer guidance on the implementation of the ASEAN Food Security Strategic Plan of Action 2015-2020.
3. An ASEAN Ministers of Agriculture and Forestry-Civil Society Organization/Farmers' Organizations (AMAF-CSO/FO) Annual Forum is being established to: (i) strengthen collaboration on priority and emerging issues concerning SSRPs, food security and nutrition; (ii) catalyse a broad-based multistakeholder regional platform for learning and sharing on policy and programming inputs; and (iii) optimize the potential for resource pooling and mobilization in support of a common agenda. The Forum will include representatives from the Senior Officials Meeting of the ASEAN Ministers of Agriculture and Forestry (SOM-AMAF), CSOs working on rural and agricultural development, FOs and the ASEAN Secretariat (ASEC).
4. ASEAN also aims to improve the enabling environment for investment in strategic regional agrifood value chains through the development of market information, the harmonization of food safety standards, cooperation in research and development, and the development of an integrated regional seed market.

## II. Rationale and relevance to IFAD

5. The proposed five-year programme will assist the AMAF-CSO/FO Annual Forum and the SOM-AMAF in: (i) developing a long-term vision and strategy to make the establishment and strengthening of the ASEAN Common Market an opportunity to strengthen the food security of its nations; and (ii) developing policies and partnerships for greater investment in agrifood industries to enhance food security and strengthen the competitiveness of SSRPs.
6. The programme is well aligned with the goal of the IFAD grant policy of promoting enabling policies and institutions in support of agricultural development, thereby contributing to higher incomes and improved food security for the rural poor, including smallholders. It is also consistent with the objective of the Asia and Pacific regional grant strategy of supporting institutional innovations that reduce poverty and improve the food security of rural men and women through policy dialogue, knowledge management and capacity-building to scale up best practices. Finally, it addresses the Asia and Pacific regional goal of strengthening partnerships with regional organizations, such as ASEAN.

## III. The proposed programme

7. The overall goal of the grant is to promote the role of SSRPs, including smallholders and small-scale agro-enterprises, in agrifood market integration and the

- transformation of agrifood systems in South-East Asia. The programme's objectives are to ensure: (i) that the ASEAN Food Security Strategic Plan of Action 2015-2020 includes policies and programmes promoting the role of SSRPs; and (ii) that investments for the expansion of agrifood industries in the ASEAN Common Market provide opportunities for SSRPs to participate and benefit from the integration of regional agrifood markets and the transformation of agrifood systems.
8. The programme will link with the Medium-term Cooperation Programme with Farmers' Organizations in the Asia and Pacific Region – Phase II, which supports the implementation of the Asian Farmers' Association's ASEAN FO Support Programme and includes the objectives of supporting FO platforms at the regional, subregional and national levels, and creating institutional linkages between these platforms and ASEC.
  9. The grant aims to strengthen the capacity of the AMAF-CSO/FO Annual Forum to evolve into an ASEAN advisory body on SSRPs. More directly, the grant will benefit: (i) regional bodies representing the interests of FOs and SSRPs in the ASEAN region; (ii) selected ASEAN-member governments and their technical agencies responsible for agricultural and rural development and for strengthening national food systems; and (iii) AMAF and ASEC, which are responsible for the implementation of the ASEAN Food Security Strategy.
  10. The programme will cover a five-year period and comprise three main components:
    - (i) policy studies and expert workshops; (ii) high-level policy forums and roundtables; and (iii) technical assistance for planning and policy development.
    - Component 1: Policy studies and expert workshops will include: (i) the preparation of regional and national inception workshops; (ii) analysis of the long-term implications for food security and SSRPs of the structural transformation of rural ASEAN economies; (iii) analysis of national strategies and policies promoting SSRP competitiveness and inclusion in regional agrifood markets, not necessarily limited to ASEAN's most strategic such markets; and (iv) annual reviews of ASEAN multi-country cooperation initiatives to promote SSRPs in relation to strategic regional agrifood value chains, focusing in particular on the role of policies such as agricultural trade, agricultural and food standards, food security policies and investment regulations.
    - Component 2: High-level policy forums and roundtables will include: (i) organizing high-level policy forums with the objective of developing a shared vision on the inclusion of SSRPs in the process of regional market integration, including the ASEAN Common Market, and the structural transformation of the agrifood system; and (ii) organizing round tables aimed at developing national strategic plans of action to promote SSRPs in the context of the forthcoming ASEAN Common Market.
    - Component 3. Technical assistance for planning and policy development will include: (i) technical assistance to the AMAF-CSO/FOs for: the preparation of road maps for the development of strategic agrifood regional value chains (ASEAN Value Chain Road Maps); the inclusion of SSRPs; the dissemination of investment opportunities; information on engaging small and medium enterprises in downstream processing and transformation, and facilitation for the coordination of investments based on public-private and public-community partnerships along regional agrifood value chains; and (ii) technical assistance to ASEAN member states and national platforms under the AMAF-CSO/FO Annual Forum for the preparation of national strategic plans of action to promote SSRPs in the process of regional integration (including, but not limited to, the ASEAN Common Market) and the transformation of agrifood systems.

## IV. Expected outputs and benefits

11. The expected programme outputs/outcomes are:
  - An improved capacity of the AMAF-CSO/FO Annual Forum and its members to identify and design ASEAN policies, programmes and regional agrifood value chain investment initiatives that benefit SSRPs; and
  - An improved capacity of the targeted ASEAN member states to identify and design, in coordination with FOs, the private sector and other stakeholders, national strategies, policies, programmes and agrifood value chain investment initiatives that benefit SSRPs and improve their competitiveness in the context of ASEAN agrifood market regional integration.
12. The expected long-term benefits of the programme include an improved policy framework for SSRPs in ASEAN member states, greater income and employment opportunities in rural areas, and improved food security for poor households.

## V. Implementation arrangements

13. The International Food Policy Research Institute (IFPRI) will be the lead implementing agency of the programme and the sole grant recipient. IFPRI will partner with the Southeast Asian Regional Center for Graduate Study and Research in Agriculture Southeast Asian Centre for Graduate Study and Research in Agriculture (SEARCA) of the Philippines to carry out analytical work and organize high-level policy dialogue and capacity-building programmes.
14. IFPRI will establish a programme coordination unit at its regional office in New Delhi, led by a programme coordinator, with oversight and coordination support from the policy facilitator. SEARCA will establish a programme support unit at its headquarters in Los Baños, Manila, to manage the programme activities for which it is responsible and collaborate with IFPRI in organizing round tables and workshops to be held in SEARCA's headquarters.
15. IFPRI and SEARCA will establish strong coordination with other stakeholders. Regional and national programme steering committees (PSCs) will be established and meet annually. The PSCs will include representatives from AMAF, ASEC, the Asian Farmers Association, the Asian Partnership for the Development of Human Resources in Rural Asia, and the selected ASEAN member states. IFAD will participate as an observer in the regional PSC, which will also include members of the ASEAN technical working groups leading the implementation of the ASEAN Strategic Plan of Action on Food Security.
16. Supervision missions will be carried out at least once a year to complement ongoing dialogue with ASEAN and the governments of the target ASEAN member states. Inception workshops will be organized by IFPRI to ensure that the annual workplans and budgets (AWPBs) are consistent with the provisions in the grant agreement and design document.
17. IFPRI will monitor programme implementation progress regularly and submit to IFAD semi-annual progress reports including technical and financial components, annual progress reports and a final completion report, in accordance with the provisions of the grant agreement.
18. The programme will be implemented in compliance with IFAD financial management procedures and guidelines on procurement, financial reporting and flow-of-funds requirements.
19. IFPRI will ensure that:
  - (i) The entire programme implementation period is covered by audit;
  - (ii) Its institutional accounts are audited annually, in accordance with international audit standards and IFAD financial guidelines, and a copy of its

audited financial statements is submitted to IFAD within six months following the end of each fiscal year;

- (iii) An audit opinion letter on the statement of expenditures submitted to IFAD is duly completed by its independent auditors, disclosing the amount and source of funds received and spent under this operation; and
- (iv) The annual audit report submitted to IFAD includes IFAD funds and any cofinancing, and consolidates expenditures incurred by sub-grantees, if any, which will be accountable for the use of sub-grant funds and subject to normal audit oversight.

## VI. Indicative programme costs and financing

- 20. The total IFAD grant will be US\$2.5 million, with cofinancing from IFPRI and SEARCA, partly in kind and partly in cash, amounting to US\$201,000 and US\$201,135, respectively.
- 21. All funds will be channelled through the World Bank as Trustee of the CGIAR Fund upon signing of an implementation agreement between IFPRI and IFAD. Disbursements from IFAD to IFPRI will be based on AWPBs, with advances of up to 75 per cent of the approved budget for activities to be carried out.

Table 1  
**Costs by component and financier**  
(Thousands of United States dollars)

<i>Components</i>	<i>IFAD</i>	<i>Cofinancing</i>	<i>Total</i>
1. Policy studies and expert workshops	761 264	37 660	798 924
2. High-level policy forum and round tables	600 392	131 390	731 782
3. Technical assistance for planning and policy development	907 771	45 500	953 271
<b>Subtotal</b>	<b>2 269 427</b>		<b>2 269 427</b>
Overheads	180 573	186 585	367 158
CGIAR trust fund cost – 2 per cent sharing	50 000		50 000
<b>Grand total</b>	<b>2 500 000</b>	<b>401 135</b>	<b>2 901 135</b>

Table 2  
**Costs by expenditure category and financier**  
(Thousands of United States dollars)

<i>Number</i>	<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing</i>
1.	Salaries and allowances	704 995	18 635
2.	Consultancies and research	630 000	52 500
3.	Travel costs	182 200	
4.	Equipment and office space	74 159	8 000
5.	Training	100 750	
6.	Workshops/policy roundtables	577 323	135 415
	<b>Subtotal</b>	<b>2 269 427</b>	<b>214 550</b>
	Overheads/management fees	180 573	186 585
	CGIAR trust fund cost – 2 per cent sharing	50 000	-
	<b>Grand total</b>	<b>2 500 000</b>	<b>401 135</b>



## Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<b>Goal</b>	To promote the role of small-scale rural producers (i.e. smallholders and small-scale agro-enterprises) in transforming agrifood system and strengthening market integration in South-East Asia	The implementation of the ASEAN Food Security Strategic Plan of Action 2015-20 responds to the concern of strengthening small-scale rural producers among ASEAN Member States.	<ul style="list-style-type: none"> <li>Official minutes of the SOM-AMAF;</li> <li>ASEAN Secretariat periodic reports on the implementation progress of the FS-SPA 2015-20;</li> <li>Press articles and other public evidence.</li> </ul>	<ul style="list-style-type: none"> <li>Policy makers of ASEAN nations are aware of the key role smallholder agriculture plays in the success of the ASEAN Common Market and Food Security agendas.</li> </ul>
<b>Objectives</b>	<ol style="list-style-type: none"> <li>Policies and programs promoting the role of small-scale rural producers are included in the ASEAN Food Security – Strategic Plan of Action 2015-20;</li> <li>Investments for the expansion of agrifood industries in the ASEAN Common Market provide opportunities for small-scale rural producers to participate and benefit from the integration of regional agrifood markets and the transformation of agrifood systems.</li> </ol>	<ul style="list-style-type: none"> <li>The ASEAN Food Security Strategic Plan of Action 2015-20 is updated with programs and measures that strengthen the capacity of small-scale rural producers to benefit from the ASEAN market integration;</li> <li>By the end of the project the Roadmaps for the development of strategic agrifood regional value chains are accounted for in the implementation progress monitoring of the ASEAN Food Security Strategic Plan of Action 2015-20.</li> </ul>	<ul style="list-style-type: none"> <li>ASEAN Secretariat periodic reporting on the implementation progress of the FS-SPA 2015-20;</li> <li>Official minutes of the SOM-AMAF;</li> </ul>	<ul style="list-style-type: none"> <li>Key stakeholders including policy makers in AMS, CSOs, FOs, and private sector perceive that investment initiatives involving partnerships between FOs, private investors, and governments to expand and modernize regional agrifood markets are feasible and consistent with broader food security objectives.</li> </ul>
<b>Outcomes</b>	<ol style="list-style-type: none"> <li>The AMAF-CSO/FO Annual Forum and its members develop the capacity to identify and design ASEAN policies, programs, and regional agrifood value chain investment initiatives that benefit small-scale rural producers;</li> <li>The targeted ASEAN Member States develop the capacity to identify and design - in coordination with FOs, private sector, and other stakeholders - national strategies, policies, programs, and national agrifood value chain investment initiatives that benefit small-scale rural producers and improve their competitiveness in the context of the ASEAN regional integration of agrifood markets.</li> </ol>	<ul style="list-style-type: none"> <li>The implementation of the ASEAN Food Security Strategic Plan of Action 2015-20 is informed by, and updated on the basis of, the indications and recommendations deliberated during the AMAF-CSO/NGO Annual Forums;</li> <li>Starting with Year 2 and thereafter the AMAF-CSO/FO Annual Forum endorses the Annual Reviews of ASEAN cooperation to promote small-scale rural producers (see Output 1.4);</li> <li>By Year 3 of the Programme the AMAF-CSO/FO Annual Forum will endorse the report on Small-scale Rural Producers in the ASEAN (see Output 1.2);</li> <li>By Year 4 national platforms/stakeholders of the AMAF-CSO/FO in the five targeted AMS will endorse the national strategies and policies that promote the</li> </ul>	<ul style="list-style-type: none"> <li>Official records of the AMAF-CSO/FO Annual Forums and of its related national platforms in the targeted AMS;</li> <li>ASEAN Secretariat periodic reporting on the implementation progress of the FS-SPA 2015-20;</li> <li>Official minutes of the SOM-AMAF.</li> </ul>	<ul style="list-style-type: none"> <li>The PCU implements successfully the Programme's knowledge management plan, targeting in particular FOs and CSOs that are members of the AMAF-CSO/FO Annual Forums and of the national platforms in AMS.</li> <li>The AMAF-CSO/FO Annual Forum is established and convenes regularly;</li> <li>The National Platforms area established and convene regularly;</li> <li>The R-PSC and the N-PSCs successfully involve in the workshops, High-Level Policy Forums, Roundtables, the stakeholders that are also members of the Annual Forum</li> </ul>

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
		<p>competitiveness of small-scale rural producers and its inclusion in regional/ASEAN agrifood markets (see Output 1.3);</p> <ul style="list-style-type: none"> <li>• By Year 5 the national platforms/ stakeholders of the AMAF-CSO/FO in the five targeted AMS will endorse the corresponding National Strategic Plan of Action (N-SPA, i.e., Output 3.2);</li> <li>• By Year 5 the AMAF-CSO/FO Annual Forum endorses five Roadmaps for strategic agrifood regional value chains (ASEAN Value Chain Roadmaps, i.e., Output 3.1).</li> </ul>		<p>and the national platforms;</p> <ul style="list-style-type: none"> <li>• The PCU and the R-PSC/N-PSCs ensure that the preparation of outputs under Components 1 and 2 are carried out in a participatory form in order to fully reflect the priorities at all levels of policy making and at the grass-root level.</li> </ul>
<p><b>Key Activities</b></p>	<p><b>Component 1: Policy Studies</b></p> <ol style="list-style-type: none"> <li>1. Establishment of Programme Coordination Unit;</li> <li>2. Analysis of long-term implications of structural and rural transformation of the ASEAN economies for small-scale rural producers;</li> <li>3. Analysis of national strategies and policies that promote the competitiveness of small-scale rural producers and their inclusion in regional agrifood markets;</li> <li>4. Annual reviews of ASEAN multi-country cooperation initiatives in support of small-scale rural producers.</li> </ol> <p><b>Component 2: High-level Policy Forums and Roundtables</b></p> <ol style="list-style-type: none"> <li>1. Organizing High-Level Policy Forums;</li> <li>2. Organizing roundtables aimed at developing national strategic plan of actions on small-scale rural producers and ASEAN.</li> </ol> <p><b>Component 3: Technical Assistance for Planning and Policy Development</b></p> <ol style="list-style-type: none"> <li>1. Technical assistance to the AMAF-CSO/FOs for the preparation of Roadmaps for the development regional value chains;</li> <li>2. Technical assistance to the AMS and national platforms under the AMAF-CSO/FO Annual Forum for the preparation of National Strategic Plans of Action (N-SPA).</li> </ol>	<ul style="list-style-type: none"> <li>• Regional and national inception workshops reports approved by IFAD and published (i.e. Output 1.1);</li> <li>• Strategic Report on challenges faced by smallholder agriculture in South-East Asia process of market integration (i.e. Output 1.2);</li> <li>• Five studies focusing national strategies and policies are published (Output 1.3);</li> <li>• Four Reviews of ASEAN multi-country cooperation initiatives to promote smallholder agriculture Output 1.4;</li> <li>• Two High-Level Policy Forums are organized on Years 3 and 5 and proceedings are published;</li> <li>• Ten Roundtables are organized between Years 2 and 5 and proceedings published (i.e. Output 2.2);</li> <li>• By Year 5, a package of Technical Assistance to the AMAF-CSO/FO for the preparation of ASEAN Value Chain Roadmaps are delivered and the Roadmaps published (i.e., Output 3.1);</li> <li>• By Year 5, five packages of Technical Assistance to the targeted AMS and national platforms to prepare National Strategic Plan of Action are delivered and the N-SPA is published.</li> </ul>	<ul style="list-style-type: none"> <li>• Proceedings of workshops, policy forum and roundtables;</li> <li>• Monitoring reports;</li> <li>• Supervision missions;</li> <li>• Programme web-site;</li> <li>• Published reports, studies, and other Programme material;</li> <li>• Op-eds published and blogs up-loaded in web-site;</li> <li>• Annual and semi-annual monitoring reports;</li> <li>• Supervision missions.</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient and accountable use of financial and other resources;</li> <li>• Regular convening of RPSC and NPSCs;</li> <li>• Adherence to agreed annual work plans;</li> <li>• Cooperation from governments, ASEAN Secretariat, and other stakeholders;</li> <li>• No emergency situations, e.g. cyclone, earthquake etc.</li> </ul>