

Document: EB 2015/LOT/G.25
Date: 30 November 2015
Distribution: Public
Original: English

E



Investing in rural people

President's report on a proposed grant under
the global/regional grants window to
Heifer International for
Dairy-Hub-Model Integration into IFAD-
funded Projects

Note to Executive Board representatives

Focal points:

Technical questions:

Francisco Pichon
Country Director
Tel.: +39 06 5459 2128
e-mail: f.pichon@ifad.org

Aimable Ntukanyagwe
Country Programme Officer
Tel.: +250 788 389 898
e-mail: a.ntukanyagwe@ifad.org

Dispatch of documentation:

Alessandra Zusi Bergés
Officer-in-Charge
Governing Bodies Office
Tel.: +39 06 5459 2092
e-mail: gb_office@ifad.org

For: Approval

Contents

Part I – Introduction	1
Part II – Recommendation	2
Annex	
Heifer International: Dairy-Hub-Model Integration into IFAD-funded Projects	3
Appendix	
Results-based logical framework	1

Abbreviations and acronyms

ASDP	Agriculture-Sector Development Programme
DFBA	dairy farmer business association
DH	dairy hub
DHI	Dairy-Hub-Model Integration into IFAD-funded Projects
EADD	East Africa Dairy Development
FFS	farmer field school
IFAD	International Fund for Agricultural Development
KWAMP	Kirehe Community-based Watershed Management Project
PASP	Post Harvest and Agribusiness Support Project
PSC	programme steering committee

Recommendation for approval

The Executive Board is invited to approve the recommendation for a proposed grant under the global/regional grants window to Heifer International for Dairy-Hub-Model Integration into IFAD-funded Projects, as contained in paragraph 5.

President's report on a proposed grant under the global/regional grants window to Heifer International for Dairy-Hub-Model Integration into IFAD-funded Projects

Part I – Introduction

1. This report recommends the provision of an IFAD grant in the amount of US\$2 million under the global/regional grants window to Heifer International for Dairy-Hub-Model Integration into IFAD-funded Projects. 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 rural transformation, thereby contributing to rural poverty eradication, sustainable agricultural development, and global food security and nutrition. In order to achieve this goal, 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 fulfil 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 grant policy. It will improve sustainable practices and new technologies through advanced training offered to both farmers and service providers through dairy hubs. This training will enable farmers to increase their capacity and share their opportunities for collaboration, affording farmer organizations the capacity to influence policy affecting the dairy industry. The results of these initiatives will be documented and shared through the programme's knowledge management strategy to enable scaling up and utilization of best practices in other areas.

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, Dairy-Hub-Model Integration into IFAD-funded Projects, shall provide a grant of two million United States dollars (US\$2 million) to Heifer International for a 36-month programme, and 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

Heifer International: Dairy-Hub-Model Integration into IFAD-funded Projects

I. Background

1. Smallholder farming is constrained by various factors, including low production and productivity; limited access to market, credit, technology, input and output resources; and limited or lack of extension services. The dairy sector has been negatively impacted by these barriers, which inhibit linkages among producers, service providers, processors and markets. For the dairy sector to be successful in the region, an innovative approach that tackles these problems and connects the diverse value chain actors is essential.
2. Heifer International has been at the forefront of identifying sustainable solutions to these challenges through design and implementation of projects throughout East Africa. One example is the East Africa Dairy Development (EADD) project, which has been implemented in four East African countries over the past seven years. The EADD established a unique dairy hub (DH) model that empowers communities to own and manage profitable dairy-related businesses. According to the project's final impact assessment (2013), dairy farmers associated with dairy hubs had an average 76-per-cent increase in income per annum (from US\$476 to US\$839 per farmer, per year). The rise is attributed to dairy farmers' improved access to productive inputs, services and markets.
3. Dairy-Hub-Model Integration (DHI) into IFAD-funded Projects will draw on EADD successes in improving the effectiveness of current IFAD-funded projects through replication of the successful DH model in Rwanda (the Kirehe Community-based Watershed Management Project [KWAMP] and the Post-Harvest and Agribusiness Support Project [PASP]) and in the United Republic of Tanzania (the Agricultural Sector Development Programme – Livestock: Support for Pastoral and Agro-Pastoral Development [ASDP]). The proposed programme complements ongoing IFAD projects by creating synergies that enable scaling up. It will target new districts not covered by the EADD, which will provide fertile ground for both IFAD and Heifer to replicate the successful DH model.

II. Rationale and relevance to IFAD

4. The dairy hub is a new model that Heifer has been implementing in East Africa over the past seven years. The programme will introduce this new, comprehensive concept to the dairy sector of these two countries. It will also provide an opportunity to transfer knowledge and experience to grass-roots dairy farmers and IFAD/government-implemented dairy projects. Properly implemented, it will provide a foundation to the governments of Rwanda and United Republic of Tanzania for revitalizing the dairy sector and making it profitable. Moreover, the programme will be an avenue for national/regional learning and experience-sharing in dairy value chains.
5. Drawing on best practices of the EADD, the DHI will add significant value in addressing current challenges related to farmer organization, market linkage and capacity-building issues. It will specifically focus on mobilizing farmers and building social capital for dairy hub establishment, which would in turn be used as a vehicle for market linkages, access to improved production, and financial and business services. Moreover, the DHI will constitute a bridge to two future IFAD investments on dairy value-chain development in both countries, presently at the concept note stage. Strategically, once these two projects are operational, it will be instrumental in providing them with insightful lessons learned and good practices in implementation of the dairy hub model.
6. The dairy sector in these countries is suffering from lack of economies of scale due to disenfranchised smallholder farmers. The programme will facilitate

establishment of dairy business hubs that will connect producers to markets and enable reliable access to input services and technologies. As hubs and business development services are made available, entrepreneurs will thrive and opportunities for economies of scale will arise. In addition, the hub model, which is based on dairy-farmer business associations, will create space and opportunity for collective bargaining power.

7. Heifer is an ideal implementing agency for this programme, due to its experience in implementing the innovative EADD programme, which managed to improve dairy value chains in East Africa. In implementing the EADD programme, Heifer established strong relationships with key players in the dairy industry in East Africa and identified best practices that will benefit the DHI. Moreover, it has a well-established partnership with IFAD globally and regionally in East Africa. This partnership has proved mutually beneficial by creating synergies, while at the same time leveraging resources and avoiding duplication of efforts in alignment with IFAD's Strategic Framework and its Policy for Grant Financing. The DHI will serve as a model of dairy-sector development for the Governments of Rwanda and the United Republic of Tanzania. In the long term, governments will be able to replicate this approach on a much larger scale.

III. The proposed programme

8. The overall goal of the programme is to contribute to the sustainable livelihoods of smallholder dairy farmers in Rwanda and United Republic of Tanzania (Zanzibar). The programme's objectives are to: (i) strengthen farmers' organizations in contributing to increased dairy farm production and productivity; and (ii) improve access to markets, thereby contributing to increased household income.
9. The target group consists of 3,850 smallholder households (19,250 people) as direct beneficiaries: 2,100 in smallholder households in Rwanda (10,500 people) and 1,750 in United Republic of Tanzania (Zanzibar) (8,750 people). This target group includes youth (at least 20 percent), women (at least 30 percent), and men living on less than two dollars a day. The target groups noted here have benefited from past IFAD-funded projects focused solely on primary production. The groups will be concentrated in two districts of Rwanda (Kayonza and Kirehe) and in two districts of Zanzibar (Unguja and Pemba). These areas are known to be drought-prone and have high levels of poverty. The size of the initial groups is also expected to increase as mobilization efforts move forward and functional dairy hubs are formed. The number of indirect beneficiaries is estimated at 46,200 people.
10. The 36-month programme will comprise four main components:
 - Component 1: Mobilize and organize farmers;
 - Component 2: Establish 11 dairy hubs;
 - Component 3: Facilitate access to inputs and services; and
 - Component 4: Provide effective knowledge management, monitoring and evaluation.

IV. Expected outputs

11. The expected outputs are the following:
 - 60 per cent of participating farmers organized into dairy farmer business associations (DFBAs), mobilized and actively engaged in and benefiting from dairy value chains;
 - Participating farmers' groups increased milk production by 30 per cent through the use of improved extension services;

- Knowledge of DH management is captured, documented and shared, enabling scaling up and replication by governments (of Rwanda and United Republic of Tanzania) and other IFAD-funded projects;
- 11 functional dairy hubs established and effectively connecting rural farmers with business services, industry knowledge and, most critically, new and improved alternative markets; and
- Interest in the DH model increased among IFAD's dairy project implementers, particularly relevant government entities of Rwanda and United Republic of Tanzania.

V. Implementation arrangements

12. Heifer will implement all DHI activities. It will also collaborate with a variety of local public and private entities, including government bodies (i.e. Ministry of Agriculture and Animal Resources in Rwanda and Ministry of Livestock and Fisheries Development in United Republic of Tanzania), private-sector actors (i.e. national dairy boards, farmers' unions, processors, and livestock and artificial-insemination training agencies) and development organizations acting as advisory partners.
13. Heifer is assuming overall responsibility for financial and programme reporting to IFAD under the specified agreement. It is fully responsible for implementation of the programme and will provide the following capacity and implementation arrangements:
 - Implementation modalities. The grant will be implemented by Heifer through its branch offices in Rwanda and United Republic of Tanzania. The Rwanda country office will oversee achievement of programme outcomes in both countries. The implementation period is 36 months from the date of approval.
 - Heifer International management. Heifer will be responsible for overall programme management and financial administration. It will be responsible for providing key full-time staff dedicated solely to the programme. There will be a total of 13 staff members, including a programme coordinator, two programme managers (one per country), two accountants, community mobilizers (three in Rwanda and two in United Republic of Tanzania), one administrative assistant, and a driver in each country. The programme coordinator will act as a link between the countries to create synergies between the two implementation teams and will report to the Heifer country director for Rwanda and United Republic of Tanzania. The country programme managers will report to the country director and to the programme coordinator.
 - Programme steering committee (PSC). The PSC will meet every six months, and will include representatives of Heifer, farmer representatives (4), private-sector representatives (Rwanda National Dairy Board and Zanzibar Dairy Farmers' Association), one representative of line ministries per country, and the DHI project coordinator. The committee will be responsible for approval of annual workplans and budgets and assessment of programme implementation progress and reports. It will also serve as an advisory body to the programme implementation team on strategic matters.
 - Financial management. The recipient will submit six-monthly unaudited statements of expenditure (SOEs) to IFAD and will ensure that the entire programme implementation period is covered by audit, through the submission of separate audit opinion letters on SOEs submitted to IFAD, duly completed by independent auditors. SOEs and audit reports will cover the entire programme and consolidate expenditures incurred by the recipient and implementing partners, if any. However, the recipient will be solely and

ultimately responsible for grant funds management and financial reporting to IFAD. In addition, the recipient will have its institutional accounts audited annually by independent auditors in accordance with International Standards on Auditing, and will deliver a copy of its audited financial statements to IFAD, inclusive of a reference to the IFAD grant, within six months of the end of each fiscal year.

- Supervision. The grant manager (country programme officer for Rwanda) will directly supervise the grant – given his experience in supervising livestock/ dairy projects in the region – with backstopping by the lead advisor for livestock development in the Policy and Technical Advisory Division and by the country director for Rwanda and United Republic of Tanzania.

VI. Indicative programme costs and financing

14. Overall cost of the 36-month programme is approximately US\$4 million, with a 1:1 cofunding arrangement between IFAD and Heifer International. IFAD and Heifer will contribute US\$2 million each, both in cash and in kind, with US\$151,000 in community contributions.

Table 1

Programme costs by component and financier
(Thousands of United States dollars)

<i>Component</i>	<i>IFAD funding</i>	<i>Cofinancier</i>	<i>Total</i>
1. Mobilize and organize farmers	264	1 079	1 343
2. Establish 11 dairy hubs	529	696	1 225
3. Facilitate access to inputs and services	852	25	877
4. Provide effective knowledge management, monitoring and evaluation	355	351	706
Total	2 000	2 151	4 151

Table 2

Programme costs by expenditure category and financier
(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD funding</i>	<i>Cofinancier</i>	<i>Total</i>
Equipment	225	233	458
Operational costs	194	420	614
Personnel	-	1 204	1 204
Professional services and consultancy	719	85	804
Training and capacity-building	680	13	693
Overhead	182	196	378
Total	2 000	2 151	4 151

Appendix: Results-based logical framework

	Objectives-Hierarchy	Objectively Verifiable Indicators	Means of Verification	Assumptions	Risks
Goal	Contribute to sustainable livelihoods amongst 3850 dairy farming households in Rwanda and United Republic of Tanzania (Zanzibar)	Percentage of households with improved livelihoods	Impact monitoring and evaluations (Baseline surveys, mid-term and end-term evaluations)	<ul style="list-style-type: none"> • Regional political stability • Favorable policy environment • No outbreak of animal epizootics • Stable climatic conditions/ No recurrent droughts • Functioning and efficient markets 	Recurrent droughts
Objective 1	Strengthen farmers' organizations to contribute to increased dairy farm production and productivity	<ul style="list-style-type: none"> • Number of farmers organized in DFBA's • Number of farmers with increased dairy production 	<ul style="list-style-type: none"> • Impact monitoring surveys • Project progress reports & Farm records 	<ul style="list-style-type: none"> • Farmers (youth, women and men) loyalty to DFBA's • Farmers have adequate collateral to access finance services 	Changing business environment
Output 1.1	60% of participating farmers organized into dairy farmer business associations (DFBAs)_disaggregated by sex	<ul style="list-style-type: none"> • Number of farmers organized in dairy farmers business association (DFBAs) • Number of DFBA's accessing productive inputs and service 	<ul style="list-style-type: none"> • Project progress reports • Impact monitoring surveys • DFBA service/input access records 	<ul style="list-style-type: none"> • Farmers (youth, women and men) loyalty to DFBA's 	<ul style="list-style-type: none"> Political instability Price volatility
Key activities	<ol style="list-style-type: none"> 1. Mobilizing farmers (youth, women and men) to form DFBA's 2. Conduct social capital trainings/coaching and ensure group cohesion 	<ul style="list-style-type: none"> • Number of farmers mobilized (by gender and age categories) • Number of farmers attending trainings and applying skills 	<ul style="list-style-type: none"> • Mobilization reports • Training lists and reports • Farmers database 	<ul style="list-style-type: none"> • Mobilization strategy is well understood and supported 	<ul style="list-style-type: none"> Political instability
Output 1.2	Participating farmers increased their milk production by 30 percent through utilization of improved extension services.	<ul style="list-style-type: none"> • Number of farmers with increased dairy production and productivity 	<ul style="list-style-type: none"> • Impact monitoring surveys • Project progress reports • Farm records 	<ul style="list-style-type: none"> • Drought and epidemics controlled • Quality/affordable extension services 	<ul style="list-style-type: none"> Low milk price might be a disincentive to farmers Disease outbreak
Key activities	<ol style="list-style-type: none"> 1. Conduct technical and thematic trainings 2. Organize and conduct exchange visits 3. Provide technical support to FFS 	<ul style="list-style-type: none"> • Number of FFS established • Number of exchange/learning events conducted 	<ul style="list-style-type: none"> • Training lists and reports • Exchange reports and event attendance lists 	<ul style="list-style-type: none"> • Capacity needs assessment finalized involving farmers 	<ul style="list-style-type: none"> Low milk price might be a disincentive to farmers Disease outbreak
Objective 2	Improve access to markets thereby contributing to increased household income	<ul style="list-style-type: none"> • Number of functional dairy hubs established to facilitate market access • Number of dairy hubs operated in partnership with the government (TZ & RW) 	<ul style="list-style-type: none"> • Project progress reports • Field monitoring visits • Formal partnership agreement with the 	<ul style="list-style-type: none"> • Functional and efficient Markets and conditions • Regional Stability Good regulatory framework 	Inflation may erode purchasing power of consumers

	Objectives-Hierarchy	Objectively Verifiable Indicators	Means of Verification	Assumptions	Risks
			government (RW&TZ)	Affordable transaction costs	
Output 2.1	Eleven functional dairy hubs established	<ul style="list-style-type: none"> Number of functional dairy hubs established to facilitate market access Number of dairy hubs accessing financial services 	<ul style="list-style-type: none"> Project progress reports Field monitoring visits DFBA service access records Impact monitoring surveys 	<ul style="list-style-type: none"> Chilling plants available Farmers ownership 	<ul style="list-style-type: none"> Fluctuating market prices may affect loan repayment Changing business environment
Key activities	<ol style="list-style-type: none"> Support start-up producer organizations Procure and install chilling plants' equipment Facilitate the establishment of linkages between DFBA and BDS providers 	<ul style="list-style-type: none"> Number of CP equipment installed and functioning Number of linkages operationalized (serving farmers) 	<ul style="list-style-type: none"> Project progress reports Field monitoring visits DFBA records 	<ul style="list-style-type: none"> A directory of suppliers of quality CP equipment established BDS providers directory updated 	<ul style="list-style-type: none"> Fluctuating market prices may affect loan repayment Changing business environment
Output 2.2	Knowledge on dairy hub management captured, documented and shared	<ul style="list-style-type: none"> Number of Learning materials produced and shared Lessons learned documents produced and shared 	<ul style="list-style-type: none"> Secondary data sources Study and survey reports 	<ul style="list-style-type: none"> Resources and systems are available for knowledge capturing and sharing 	<ul style="list-style-type: none"> Illiteracy level for some farmers
Key activities	<ol style="list-style-type: none"> Design and conduct DH feasibility studies Conduct strategic planning sessions for knowledge production & dissemination 	<ul style="list-style-type: none"> Number of feasibility studies conducted Number of partners participating in a sharing/dissemination sessions 	<ul style="list-style-type: none"> Study/survey reports Event reports and attendance lists 	<ul style="list-style-type: none"> Project sites are identified and selected 	<ul style="list-style-type: none"> Illiteracy level for some farmers
Output 2.3	Increased interest of the DH model by IFAD's dairy project implementers, particularly relevant government entities of Rwanda and United Republic of Tanzania	<ul style="list-style-type: none"> Increased awareness and understanding of the Hub model by the governments Number of DH operated in partnership with the government (RW & TZ) 	<ul style="list-style-type: none"> Interviews/qualitative assessments Observations Partnership Agreement 	<ul style="list-style-type: none"> Governments' willingness / participation 	<ul style="list-style-type: none"> Turnover in Government staff may delay implementation
Key activities	<ol style="list-style-type: none"> Identify and nurture partnerships for future government projects 	<ul style="list-style-type: none"> Number of government partnerships identified Number of partnerships formalized by an agreement/MoU Level of trust between partners 	<ul style="list-style-type: none"> Partners directory Number of partnership agreements signed Number of partnership agreements actioned 	<ul style="list-style-type: none"> Partners understand the DH approach and rally behind the model Strategic alignment of partnerships 	<ul style="list-style-type: none"> Turnover in Government staff may delay implementation