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Investing in rural people

President's report

Proposed grant under the global/regional grant window to the International Centre for Research in Agroforestry (ICRAF) for the Sustainable Farming in Tropical Asian Landscapes project

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant as contained in paragraph 14.

President's report on a proposed grant under the global/regional grant to the International Centre for Research in Agroforestry (ICRAF)¹ for the Sustainable Farming in Tropical Asian Landscapes (SFITAL)

I. Background and compliance with IFAD Policy for Grant Financing

1. Several international commodity buyers have manifested a firm intention to source their raw material from farmers that voluntarily adopt stringent sustainability standards. Yet, compliance with such standards is proving costly for the large majority of smallholder farmers. In response, multi-stakeholder sustainability platforms and partnerships focusing on specific commodities or subnational jurisdictions have been launched, including in Asia, to foster the adoption of suitable technologies and production practices (i.e. the Cocoa Sustainability Partnership [CSP] and the Coalition for Sustainable Livelihoods [CSL]). On the other hand, some governments in the region have responded by developing voluntary standards of agricultural practices that are consistent with broader industry requirements, but whose adoption by smallholders remains problematic. In some cases, governments are considering the introduction of mandatory sustainability standards, whose enforcement risks driving smallholder farmers out of the market. Indonesia for instance has enacted mandatory standards for oil palm and is considering similar initiatives for cacao, coffee and other commercial crops.
2. Within this context, one way forward lies in bridging the gap between national and privately set standards through the identification of innovative technologies and traceability systems, a careful analysis and documentation of their implied compliance costs, and by benchmarking these against market exclusion or opt-out alternatives. Knowledge-sharing, advocacy and consensus-building by leveraging existing multi-stakeholder platforms can assist governments in developing policies and regulations as part of inclusive scaling-up pathways, enabling them to deliver on their commitments to conserve natural resources and mitigate CO₂ emissions from agriculture.
3. A second way forward consists in shifting the focus of sustainability management systems and/or standards from the farm to the landscape and identifying the required institutional mechanisms and policies required for compliance and verification. Such a shift builds on the scientific progress made in measuring and tracking environmental quality and ecosystem services at the landscape level with the support of participatory monitoring systems, while recognizing the high costs incurred by smallholder farmers to adopt these sustainability management systems and/or standards. The development of participatory and tailored sustainable landscape management systems and/or standards holds potential for enabling transformative change at scale by spreading sustainable cultivation practices while keeping smallholders' agricultural systems competitive. At present, the commercial value of such landscape approaches can only be addressed empirically. Given the role that producers' organizations, local civil society associations and governments

¹ ICRAF is a member institution of the CGIAR System Organization.

would play in operationalizing such schemes, innovative opportunities for government interventions and programmes will need to be experimented with and assessed.

4. The Sustainable Farming in Tropical Asian Landscapes project is directly aligned with the four objectives of the IFAD Policy for Grant Financing (2015) (i.e. technology, institutional and policy capacity, advocacy and policy engagement, and generation and sharing of knowledge). Specifically it aims to promote innovative, pro-poor approaches and technologies with demonstrated scaling-up potential; strengthen partners' institutional and policy capacities; enhance policy engagement; and generate and share knowledge.² The proposed activities also support IFAD's global strategic objectives (SOs): components 1 and 3 will contribute to the achievement of SO2 and SO3, while components 2 and 4 will contribute to SO1.
5. The recipient was directly selected after a competitive process was launched and only one proposal was received.

II. The proposed project

6. The overall goal of the project is to facilitate the emergence of smallholders who are both entrepreneurs and environmental stewards benefiting from well-functioning agriservice providers and from enabling environments for sustainable value chains in Asia. The objectives are to (i) leverage and properly frame environmental and social management systems and/or standards to achieve both sustainability and strategic positioning in the global market; (ii) increase smallholders' participation in value chains based on sustainably sourced commodities in the targeted landscape; (iii) scale up sustainable commodity value chains by strengthening enabling environments through the inclusive involvement of local governments and stakeholders; and (iv) facilitate integrated and effective knowledge management.
7. The target group will be composed of 6,150 smallholders and micro-, small and medium-sized enterprises operating in environmentally sensitive landscapes of south-east Asia where cultivation of cocoa and oil palm are major sources of livelihood, employment and business opportunities. These landscapes are characterized by mosaics of alternative land uses (e.g. cultivated lands, forests, waterways and human settlements). A further 26,351 smallholder farmers are expected to be reached through the diffusion of best practices and technologies within neighbouring communities. National and local policy makers will also be targeted through an evidence-based approach to knowledge management.
8. The project will be implemented over five years and will have the following components: (i) strengthen the enabling environment for leveraging environmental and social management systems and/or standards for sustainable, inclusive and broad transformation of smallholder-based commodity value chains; (ii) pilot and evaluate sustainable technologies, environmental and social management systems and/or standards and traceability systems in targeted landscapes; (iii) develop road maps to scale up and mainstream inclusive, sustainable and transparent smallholder commodity chains; (iv) coordinate global partnerships and knowledge management for awareness-raising, scaling up and replication; and (v) project management.

III. Expected outcomes/outputs

9. The project is expected to have the following outcomes: (i) strengthened institutional, policy and regulatory frameworks to improve sustainable, inclusive and broad transformation of smallholder-based commodity value chains by mobilizing investment from the public and private sectors; (ii) smallholders'

² See EB 2015/114/R.2/Rev.1.

adoption of innovations and technologies for sustainable farming systems that meet global demand; (iii) strengthened technical, regulatory and political enabling environments to scale up sustainable commodity value chains in the targeted landscapes and/or jurisdictions; and (iv) integrated and effective knowledge management.

IV. Implementation arrangements

10. ICRAF has been directly selected as the grant recipient. The following will be subgrantee and implementing partner within the target countries: Rainforest Alliance/UTZ (RA). A project steering committee (PSC) and a technical advisory committee (TAC) will be established. The potential members of the PSC are ICRAF, Mars Incorporated (Mars), RA and IFAD (as observer). The potential members of the TAC are CSL for oil palm in Indonesia, and CSP for cocoa in Indonesia and the Philippines. Other possible TAC members are: government agencies working on research and development, the planning and coordinating ministries; representatives and directors of IFAD investment projects (the Rural Agro-Enterprise Partnership for Inclusive Development and Growth Project [RAPID] and Rural Empowerment and Agricultural Development Scaling-up Initiative [READ-SI]); and IFAD country programme directors or country programme officers for Indonesia and the Philippines.
11. The ICRAF country office will liaise with the following implementing partners for each target country, commodity and component:

	Indonesia Oil palm (North Sumatra)	Indonesia Oil palm (Aceh)	Indonesia Cacao (South Sulawesi)	Philippines Cacao (Mindanao)
Component 1:	<u>Conservation International (CI) & ICRAF Indonesia, CSL</u>	<u>CI & ICRAF Indonesia, CSL</u>	<u>RA & ICRAF Indonesia, READ-SI, CSP</u>	<u>RAPID and ICRAF Philippines, Cacao Council.</u>
Component 2	<u>CI, ICRAF Indonesia</u>	<u>Earthworm, ICRAF Indonesia</u>	<u>RA, ICRAF Indonesia</u>	<u>Triple 20 Foundation, RAPID and ICRAF Philippines</u>
Component 3	<u>ICRAF Indonesia, CSL</u> Landscape options to test the component 3	<u>ICRAF Indonesia, CSL</u>	<u>ICRAF Indonesia, RA, CSP</u>	<u>ICRAF Philippines and regional office, RAPID</u>
Component 4	<u>ICRAF Indonesia and regional office</u>	<u>ICRAF Indonesia and regional office</u>	<u>ICRAF Indonesia and regional office, RA</u>	<u>ICRAF Philippines and regional office, RAPID</u>

Note: Underlined organizations are the proposed focal points for each country, commodity and component.

12. There are no deviations from the standard procedures for financial reporting and audits.

V. Indicative project costs and financing

13. The IFAD grant amounts to US\$2.5 million. Total cofinancing amounts to US\$2.09 million and will be provided in kind by ICRAF (US\$0.28 million), and Mars (US\$1.81 million).

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

<i>Components</i>	<i>IFAD</i>	<i>ICRAF</i>	<i>MARS</i>	<i>Total</i>
1. Strengthen the enabling environment for leveraging environmental and social management systems and/or standards for sustainable, inclusive and broad transformation of smallholder-based commodity value chains	460	-	601	1 061
2. Pilot and evaluate sustainable technologies, environmental and social management systems and/or standards and traceability systems in targeted landscapes	703	-	944	1 647
3. Develop road maps to scale up and mainstream inclusive, sustainable and transparent smallholder commodity chains	781	70	265	1 116
4. Coordinate global partnerships and knowledge management for awareness-raising, scaling up and replication	218	39	-	257
5. Project management	108	172	-	280
Overheads/management costs (8 per cent)	180	-	-	180
CSP (2 per cent)	50	-	-	50
Total	2 500	281	1 810	4 591

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

<i>Expenditure category</i>	<i>IFAD</i>	<i>ICRAF</i>	<i>MARS</i>	<i>Total</i>
1. Consultancies	43	-	-	43
2. Equipment and materials	21	-	-	21
3. Goods, services and inputs	247	-	394	641
4. Operating costs	161	40	339	540
5. Salaries and allowances	745	241	464	1 450
6. Workshops	53	-	324	377
7. Training	28	-	289	317
8. Travel and allowances	125	-	-	125
9. Subgrants	847	-	-	847
Overheads/Management fees (8 per cent)	180	-	-	180
CSP (2 per cent)	50	-	-	50
Total	2 500	281	1 810	4 591

VI. Recommendation

14. 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 Sustainable Farming in Tropical Asian Landscapes project, shall provide a grant of two million five hundred thousand United States dollars (US\$2,500,000) to the International Centre for Research in Agroforestry (ICRAF) for a period of five years upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Gilbert F. Hougbo
 President

Results-based logical framework

	Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	Facilitate the emergence of smallholders who are both entrepreneurs and environmental stewards benefiting from well-functioning agri-service providers and enabling environments for sustainable commodity value chains in Asia	<ul style="list-style-type: none"> Smallholders are entrepreneurs with profitable business portfolios that comply with agreed sustainability practices along value chains. Reforms in institutional and regulatory frameworks towards sustainable commodity value chains. 	<ul style="list-style-type: none"> Results from impact assessment study. Memoranda of Understanding, written agreements for joint activities/ 	
Objectives	<ol style="list-style-type: none"> Environmental and social management systems/and or standards leveraged and properly framed to meet sustainability and strategic positioning in the global market. Increased participation of smallholders in value chains based on sustainably sourced-commodities in the targeted landscape. Scaling up of sustainable commodity value chains through strengthening the enabling environments by inclusive involvement of local governments and stakeholders. Integrated and effective knowledge and project management. 	<ul style="list-style-type: none"> Secured collaboration between relevant governmental agencies in two countries to invest in joint projects with civil society and private and public sector actors to implement resilient smallholder value chains by Q4. Number of smallholders that, by Q4, have adopted sustainable land management systems and standards. Number of small and medium enterprises that accelerate growth of socially and environmentally conscious business. Number of innovative approaches, good practices, lessons in supported policies and well-functioning institutions at local, provincial and national levels in two countries. 	<ul style="list-style-type: none"> Workshop reports. Documentation of roadmaps. Policy briefs. Manuals. Results from field-level Impact assessment study. Project reports, policy briefs and printed booklets describe innovations and good practices. Peer-reviewed publications and project reports. Government policy briefing notes, peer-reviewed publications and project reports. 	<ul style="list-style-type: none"> Governments, smallholding farmers and investors are willing to expand sustainable management systems and/or standards. Local communities are not averse to major shifts in their livelihoods' and value-chain systems. Changes in government policy support sustainable management systems and/or standards in the agricultural sector
Outcomes/ Outputs	<ol style="list-style-type: none"> Supportive and operational policies and regulatory environments towards sustainable, inclusive and broad-scale transformation of smallholders through well-functioning national multi-stakeholder platforms. Technologies, business and innovative financing models, with specific focus on the needs of smallholders, youth and female entrepreneurship designed and field tested. Roadmaps to scale up and mainstream inclusive, sustainable and transparent smallholder commodity chains at subnational level developed. Landscape-level monitoring and evaluation systems, leveraging technology and data, developed and field tested. 	<ul style="list-style-type: none"> Number of multi-stakeholders working groups established to work on roadmaps to mainstream inclusive, sustainable and transparent smallholder commodity chains at national and subnational levels. Number of roadmaps with financial mechanisms and policy options developed and agreed. Number of behaviour-centred incentive mechanisms designed, and field tested for adoption of sustainable oil palm and cacao practices. Number of technical tools developed, and field tested to support effective planning, monitoring and evaluation of sustainable and inclusive value chains. 	<ul style="list-style-type: none"> Simplified and distilled information packages derived from research. Agreement on the implementation of ecosystem services' co-investment schemes. Measured level of participation of targeted stakeholders. 	<ul style="list-style-type: none"> Interact and participate in the process. Beneficiaries identified, willing to invest and providing accurate data. Governments and communities willing to collaborate with the project and share and learn knowledge.
Key activities by component	<ol style="list-style-type: none"> 1.1. Identify and analyse the potential for leveraging environmental and social management systems and/or standards to upgrade and position the targeted commodity value chains on global markets. 1.2. Identification and design of supportive value-chain governance arrangements, policy and regulatory environments at regional, national and local levels. 1.3. Support in developing and further facilitating multi-stakeholder sustainability platforms to develop road maps and strategies. 	<ul style="list-style-type: none"> A synthesis report on upgrading and positioning sustainable commodity value chain. 10 documents for policy advocacy, including technical advisory notes (TANs). 18 seminars and/or training at district, provincial and national levels. 2 regional Asia-wide workshops initiating and synthesizing the project's findings and lessons. 2 national multi-stakeholder/national chapters facilitated. 	<ul style="list-style-type: none"> Documentation of training programmes and list of attendance at each training. List of officials from policy-formulating institutions trained. 	<ul style="list-style-type: none"> No foreseen changes in communities' structure and management. There will be a demand for such information and that would depend on the continuity of the government and development institutions' foci and programmes.

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	Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
	1.4. Provide technical assistances to regional cooperation bodies, national and subnational governments.			▪ Recommendations prepared and IFAD available for engagement.
	<p>2.1. Stocktake and identify production management approaches and technologies, and assess farmers groups' and local governments' capacity to adopt and monitor sustainable practices along value chains in selected sites within the targeted landscapes.</p> <p>2.2. Facilitate and build capacity of smallholders to pilot and prepare business plans compliant with agreed sustainability systems and/or standards, and improve their resilience, and support in access to financing for main commodity, its by-product, and other commodities under agroforestry systems.</p> <p>2.3. Establish and test a traceability system that meets the requirements of sustainability standard verification and develop participatory monitoring systems coordinated by farmers' groups.</p> <p>2.4. Pilot and measure impact compliant with agreed sustainability management systems and/or standards.</p>	<ul style="list-style-type: none"> ▪ 6,150 targeted smallholder adopters in 2 countries. ▪ 100 focus-group discussions conducted to investigate local knowledge. ▪ 24 community training sessions to sensitize business perspectives. ▪ 5 participatory and site-specific prototypes of business cases developed in each country with 50 focus-group discussions prior to the process. ▪ 500 smallholders with access to public and private investments. 	<ul style="list-style-type: none"> ▪ Documentation of training programmes. ▪ List of attendance at each training, differentiated by gender and age. ▪ List of females and males accessing funds. ▪ Documentation of smallholder business cases for cocoa and oil palm. 	
N	<p>3.1. Collect participatory data to feed into the development of appropriate land-use scenarios that match</p> <p>3.2. Develop land-use suitability maps and scenarios for targeted commodities and landscapes.</p> <p>3.3. Develop, test and evaluate sustainable landscape-level sourcing management systems.</p> <p>3.4. Conduct intervention planning and partnership building in developing and implementing sustainable and inclusive green growth plans for targeted landscapes.</p> <p>3.5. Pilot co-investment for ecosystem services and reward mechanisms to incentivize compliance at scale the scaling-up tools at the targeted landscape/jurisdictional level.</p>	<ul style="list-style-type: none"> ▪ Information on drivers-pressure-state-impact-response to identify appropriate land-use scenarios. ▪ Spatial and tabular information on landscape commodity typologies for at least 6 jurisdictions. ▪ 30 consultative meetings with local stakeholders from government, academics, NGOs and private sector. ▪ 6 documents of agreed roadmaps and strategies in targeted jurisdictions. ▪ 2 traceability systems and tools developed (cocoa, oil palm). 	<ul style="list-style-type: none"> ▪ Working papers and scientific manuscripts. ▪ Documentation of meetings. ▪ List of meeting participants disaggregated by gender and age. ▪ Documentation of roadmaps and strategies. ▪ Guidelines for applying traceability systems. 	
	<p>4.1. Conduct and disseminate impact studies on the drivers of sustainable value-chain transformation.</p> <p>4.2. Establish a knowledge management system to effectively capture, distil and disseminate the knowledge generated from the project to target audiences and for internal learning.</p>	<ul style="list-style-type: none"> ▪ A knowledge management system established and functioning well. ▪ A communication and outreach strategy established and functioning well. ▪ A knowledge and data portal established and functioning well, including a complete database of publication materials, media, events. 	<ul style="list-style-type: none"> ▪ Recommendations on action plans provided to COSOP in the project's countries ▪ Project staff present at IFAD workshops and meetings. ▪ Documentations of events in writing and audiovisual. ▪ Documentation of knowledge-sharing events and webinars, including list of participants disaggregated by gender. 	
	5.1. Develop M&E system, manage and monitor project progress in a timely and effective manner.	<ul style="list-style-type: none"> ▪ Management and monitoring system established and functioning well. 	<ul style="list-style-type: none"> ▪ M&E system established ▪ Supervision Missions and related Aide Memoires and Grant Status Reports (GSRs) 	