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Enabling poor rural people  
to overcome poverty

## **President's report on a proposed grant under the private-sector grants window to Mali Biocarburant SA**

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**For: Approval**

## **Contents**

Part I – Introduction	1
Part II – Recommendation	1

### **Annex**

Building farmers' income and safety nets while securing local energy supply in West Africa	2
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### **Appendix**

Logical framework	
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## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for a proposed grant under the private-sector grants window, as contained in paragraph 7.

## **President's report on a proposed grant under the private-sector grants window to Mali Biocarburant SA**

I submit the following report and recommendation on the proposed grant to the private-sector entity Mali Biocarburant SA in the amount of US\$500,000.

### **Part I – Introduction**

1. This report recommends the provision of IFAD support to the private-sector entity Mali Biocarburant SA (MBSA).
2. The programme to be funded under the grant being submitted for approval by the Executive Board is outlined in the annex to this report.
3. The programme objectives and content are in line with the Fund's evolving strategic objectives and the Revised IFAD Policy for Grant Financing (EB 2009/98/R.9/Rev.1).
4. The overarching strategic goal that drives the revised policy, which was approved by the Executive Board in December 2009, is to promote successful and/or innovative approaches and technologies, together with enabling policies and institutions, that will support agricultural and rural development, empowering poor rural women and men in developing countries to achieve higher incomes and improved food security.
5. The policy aims to achieve the following outputs: (a) innovative activities promoted and innovative technologies and approaches developed in support of IFAD's target group; (b) awareness, advocacy and policy dialogue on issues of importance to poor rural people promoted by, and on behalf of, this target group; (c) capacity of partner institutions strengthened to deliver a range of services in support of poor rural people; and (d) lesson learning, knowledge management and dissemination of information on issues related to rural poverty reduction promoted among stakeholders within and across regions.
6. The proposed programme is in line with the goal and outputs of the revised policy. The proposal directly supports output (a) of the revised policy: innovative activities promoted and innovative technologies and approaches developed in support of IFAD's target group; and objective 1 of the IFAD Strategic Framework 2011-2015: A natural resource and economic asset base for poor rural women and men that is more resilient to climate change, environmental degradation and market transformation.

### **Part II – Recommendation**

7. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Building Farmers' Income and Safety Nets while Securing Local Energy Supply in West Africa programme, shall make a grant not exceeding five hundred thousand United States dollars (US\$500,000) to Mali Biocarburant SA (MBSA) for a four-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

# **Building farmers' income and safety nets while securing local energy supply in West Africa**

## **I. Background**

1. Food security in the Sahelian and North Guinea Savannah areas of West Africa – the front lines of climate change impact in the region – is increasingly dependent on diversified production systems that can ensure both food security and cash income to smallholder farmers. However, the cash crop options are limited, particularly in the context of significant distances to markets and poor quality transport infrastructure. Accordingly, innovative approaches are required. Since 2007, Mali Biocarburant SA (MBSA), a joint-venture company whose main shareholders are the Royal Tropical Institute of the Netherlands, the Dutch Railway Company pension fund, the Mali Farmer's Union and two private-sector companies – Power Pack Plus and Interagro Malian Transport – has been developing a smallholder-focused approach. The aim is to increase beneficiaries' access to food and incomes based on innovative production patterns utilizing agroforestry models that combine cereals (sweet sorghum and maize) with trees (Jatropha), both traditionally grown in the region. The new agroforestry patterns will result in: (i) higher cereals yields thanks to decreased soil erosion and increased retention of surface and ground water, accompanied by a larger supply of by-products (sorghum and maize stalks) to be fed to animals; (ii) availability of new products (Jatropha nuts) for which there is steady demand on local markets and which generate by-products (fertilizers, animal feed, biodiesel and glycerine); and (iii) potential additional income from the sale of carbon credits earned from growing Jatropha trees within smallholder production units. In order to make the best possible use of the potential side benefits offered by the implementation of this experience, MBSA has set up one fully operational biofuel processing plant in Mali while another is under construction in Burkina Faso, and has entered into supply contracts with companies in Mali for the sale of its biodiesel products.
2. MBSA has already introduced its innovative production patterns to approximately 11,000 farmers in Burkina Faso and Mali.
3. In the context of developing its smallholder-focused supply approach, MBSA has worked with farmer organizations and research institutions in Western Africa to introduce improved, drought-tolerant varieties of sorghum and corn – the principal staple crops – while concurrently assessing the economic, environmental and social impact of different intercropping approaches to maximize both food and cash crop smallholder production. Partnerships with private operators have also been developed. In addition, MBSA has been supporting smallholders in gaining access to carbon offset markets as an additional source of income.
4. The broad range of activities to support smallholder organization and capacity-building, agricultural research and extension, technology and offshoot business innovation and development, as well as carbon market access, go well beyond the core business of MBSA as a biofuel producer, and are generating a significant number of public goods for local farmers and rural communities. Accordingly, in order to ensure that these public goods are also available to smallholder farmers who are not MBSA suppliers, and to facilitate a broader funding base for activities with a public goods nature, MBSA established the Mali Biocarburant and Faso Biocarburant Foundations in 2010. Based on interest expressed by smallholder farmer organizations in Guinea, Côte d'Ivoire and Senegal, MBSA intends to set up foundations in those countries as well.
5. MBSA has been in contact with IFAD-financed projects in the current and proposed operating areas, and has recognized the consistency of objectives in terms of improving smallholder livelihoods through sustainable public-private partnerships. However, there are significant costs associated with supporting smallholders to organize effectively, gain familiarity with options and innovations in the value chain

and offshoots, and develop business skills and planning to a level needed to permit project support to the smallholders under a public-private partnership arrangement. Accordingly, a grant is proposed to support a regional partnership development unit (RPDU) to accelerate the consolidation and formation of foundations in the five target countries (Burkina Faso, Guinea, Côte d'Ivoire, Mali and Senegal), in conjunction with the national IFAD-financed projects and with other technical and financial partners.

6. MBSA's experience in Mali and Burkina Faso would therefore be scaled up to best serve the interests of smallholder farmers, to enable them to benefit from improved food production, biofuel production and the carbon credit market. Furthermore, the grant is particularly important in the context of large-scale land grabs for production of biofuel crops, in that it will demonstrate alternative approaches that can directly benefit, rather than alienate, smallholders and their organizations.

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

### **Link to outputs of the Revised IFAD Policy for Grant Financing and corporate priorities**

7. The proposal directly supports output (a) of the Revised IFAD Policy for Grant Financing: innovative activities promoted and innovative technologies and approaches developed in support of IFAD's target group; and objective 1 of the IFAD Strategic Framework 2011-2015: A natural resource and economic asset base for poor rural women and men that is more resilient to climate change, environmental degradation and market transformation.
8. MBSA participated in the Consultation on Pro-poor Jatropha Development organized by IFAD and the Food and Agriculture Organization of the United Nations (FAO) in Rome in April 2008, and also collaborated with the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) in Mali to introduce and test new varieties of both Jatropha and sweet sorghum under the research grant Linking the Poor to Global Markets: Pro-poor Development of Biofuel Supply Chains, supported by IFAD and carried out by ICRISAT.

### **Contribution to divisional strategic workplan (DSWP) (for global/regional grants)**

9. Development of local rural energy solutions and exploration of the opportunities and risks of biofuel production by smallholders are priorities identified in the Western and Central Africa Division DSWP for 2011. In particular, the programme addresses priority seven: production of local renewable energy for rural communities integrated with agricultural systems.

### **Rationale for programme, for grant financing and for selection of implementation agency**

10. The quest for diversified farming and production systems to enable smallholder farmers in the Sahelian and North Guinea savannah areas of West Africa to achieve food security and cash income is increasingly guiding development efforts in this part of Africa. However, the cash crop options are limited, particularly in the context of the countries targeted with this grant, where distances to markets are significant and transport costs are very high. However, MBSA has demonstrated that it is able to increase both food availability and income opportunities for smallholders in Mali by introducing new farming systems and pursuing alternative new income sources other than food crops – such as biofuel, soap, animal feed inputs and carbon credits.
11. IFAD funds are being requested to make the initial investment to develop an alternative farming model and a sustainable biofuel sector, including strengthening smallholder farmers' organizations. The reason for the request is that there is a fundamental need to establish a platform – national foundations – to introduce and

demonstrate the proposed new systems to final beneficiaries in the five target countries. MBSA has in fact already started this process in two countries using their own funds. However, this has been done with the risk that initial investments might not be recovered at maturity – as farmers are, and would always remain, free to sell crops supported under the new approach (including *Jatropha* nuts) to the highest bidder. Another company could potentially buy the nuts and pay a better price simply because it does not need to earn back the initial investment made by MBSA. In addition, as noted above, the activities of the foundations are expected to continue to generate significant public goods, which are difficult to sustain under for-profit financing.

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

12. The overall goal of the programme is to build farmers' income and safety nets while securing local energy supply in West Africa.
13. The programme's objectives are as follows:
  - Introduce sustainable diversified farming and production systems to achieve food security and cash income opportunities for smallholder farmers;
  - Secure local energy supply in Western Africa through the production of biofuel by the same communities growing the *Jatropha* nuts;
  - Through the RPDU, strengthen existing foundations in Burkina Faso and Mali, and set up three new national foundations with the aim of reinforcing the capacity of smallholders to integrate *Jatropha* in their farming systems, assisting all five foundations in acquiring funding from IFAD-supported projects and other private sources;
  - Foster sustainable agroforestry farming systems to reduce soil erosion, improve soil fertility, increase water infiltration and increase yields of traditional food crops by up to 20 per cent;
  - Add value to expected revenues by producing reliable carbon credits, thus channelling additional income to smallholder farmers;
  - Create access to rural energy, both fuel and electricity; and
  - Promote learning among the five foundations on food and sustainable biofuel production.
14. The target group is composed of more than 50,000 smallholder farmers in the target countries covered by the five foundations.
15. The programme will have a duration of four years and will comprise four main components:
  - (a) Setting up of one RDPU and three new national foundations, and provision of managerial support to the five national foundations;
  - (b) Implementation of a new agroforestry system to produce food security and other cash crops (including *Jatropha* nuts) in five countries of the western and central Africa region. This includes initial orientation and awareness-raising work with farmer organizations and IFAD-funded projects in each of the target countries, including field visits, study tours, seminars and workshops, media campaigns, etc.;
  - (c) Monitoring and evaluation (M&E) of results; and
  - (d) Stock-taking and sharing of knowledge, good practices and results generated.

#### **IV. Expected outputs and benefits**

16. The grant-financed activities of the RPDU to set up and consolidate the five foundations are expected to result in structures that are able to sustainably support smallholder farmers in establishing and innovating agroforestry systems to improve food security, incomes and local energy access. This is also expected to facilitate complementary public and private investment. Grant outcomes will be as follows:
- An estimated total of 50,000 smallholder farmers targeted (10,000 per foundation);
  - An estimated total of 10 million trees per country by the end of 2015 planted/under production;
  - An estimated total of 30,000 metric tons of Jatropha nuts produced by the end of 2018;
  - Farmers' revenues increased by 100 per cent through the sale of: (i) Jatropha nuts and by-products; (ii) sweet sorghum/maize stalks; and (iii) carbon credits;
  - Farmers' food security improved through increased sweet sorghum, maize and vegetable production and increased availability of cash from sales of biofuels and carbon credits to buy food;
  - Increased supply of animal feed in the form of sweet sorghum/maize stalks and Jatropha cake;
  - Lower risk of climate change through the fixing of carbon by Jatropha shrubs; and
  - Publication of a book and presentation of project results at the West African Economic and Monetary Union and IFAD headquarters.

#### **V. Implementation arrangements**

17. In order to leverage existing infrastructure, technical and managerial capacities, the RPDU is to be hosted by MBSA, with a regional coordinator based in Mali and overall supervision by the Chief Executive Officer (CEO) of MBSA.
18. However, RPDU will have separate financial records and bank accounts, and will prepare quarterly technical and financial reports for submission to IFAD. The yearly financial and technical report will be audited by an independent auditor.
19. The regional coordinator will: (i) provide national not-for-profit foundations with strategic advice and represent MBSA on their boards; (ii) assist, as a board member, in approving foundations' yearly budgets and workplans; (iii) support smallholder organizations in setting up new foundations and acquiring funding; and (iv) organize yearly meetings with the foundation directors to share acquired knowledge.
20. While foundations are already functional in Burkina Faso and Mali, new ones will be set up in Guinea, Côte d'Ivoire and Senegal. The CEO of MBSA currently chairs the two existing foundations; this function will be transferred to the regional coordinator. The founding members of the foundations are/will be: MBSA (represented by the regional coordinator) and the farmers. During the first General Assembly (GA) of the foundations, decisions will be made on the following: (i) foundation charters; (ii) board membership and chairmanship; (iii) appointment of foundation directors; and (iv) workplans and budgets for 2012-2015.
21. The GAs are expected to meet once a year to decide on the financial statements of the foundations and to approve the yearly workplans and budgets proposed by their directors. The GA decides on the investment plan for carbon credit revenues, ensures that foundation management complies with the charter and regulations, and provides strategic advice to the director.

22. Each foundation appoints a director. The director's main tasks involve: (i) management of the foundation; (ii) financial, administrative and technical reporting to the GA; and (iii) development and implementation of the carbon credit certification scheme. The director is assisted by a financial controller who manages the Saari Sage accounting system and two Global Positioning System (GPS) agents for M&E of *Jatropha* planting and development of other crops. There will be two agricultural managers, each with a team of 20 field staff and 30 village field staff, to manage the farmer field schools and their farmers. The foundation in Burkina Faso has already started its certification process and the other foundations will benefit from the results of this experience.
23. **M&E arrangements.** The regional coordinator will submit quarterly technical and financial reports to the CEO of MBSA. These reports will then be submitted to the IFAD task manager and shared with IFAD-funded projects. The regional coordinator will use the reporting guidelines from MBSA to present results.

## VI. Indicative programme costs and financing

24. The total programme cost is US\$4.3 million. IFAD's total contribution to the program will be US\$500,000. Cofinancing amounts to US\$3,800,000.

### Summary of budget and financing plan

(Thousands of United States dollars)

<i>Number</i>	<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing<sup>a</sup></i>
1	Personnel <sup>b</sup>	270	950
2	Travel costs	29	-
3	Equipment <sup>c</sup>	88	2,250
4	Operational costs, reporting and publications	40	600
5	Training/capacity-building	73	-
	<b>Total</b>	<b>500</b>	<b>3,800</b>

<sup>a</sup> Where applicable, from Trees for Travel (non-profit organization) and Mali Biocarburant SA.

<sup>b</sup> Includes only personnel directly assigned to the project.

<sup>c</sup> Includes expendable equipment and assets (production facilities).



# Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<b>Goal</b>	A natural resource and economic base for poor rural women and men that is more resilient to climate change, environmental degradation and market transformation	Incomes of participating farmers and soil quality and management practices in participating fields	Comparison of baseline and end of program period interviews, farm budgets and field assessments	
<b>Objectives</b>	<p>Smallholder focused foundations in Mali and Burkina Faso, Cote d'Ivoire, Guinea and Senegal able to attract and retain members through provision of key services to farmers(members), while meeting contractual obligations in terms of Jatropha supply;</p> <p>Foster sustainable agroforestry farming systems that reduce soil erosion, improve soil fertility, increase water infiltration and increase yields of basic food crops</p> <p>Add additional incomes to smallholder farmers by producing reliable carbon credits.</p> <p>Operational knowledge acquired by smallholders, farmer organizations, government and other stakeholders for pro-poor biofuel value chains development.</p>	<p>Foundations able to attract and retain an average of 10,000 farmers per foundation. Yields of basic food crops increased by up to 20%. Total amount of carbon credit transfers to each foundation and per farmer.</p> <p>50,000 ha of Jatropha plantations established as per good agronomic and environmental practices recommended; number of Jatropha shrubs/ha planted; total surface planted with sweet sorghum/maize and quantity of sweet sorghum/maize yearly harvested</p> <p>100% increase in current income levels at Y4 thanks to additional incomes from: nuts sale, biofuel production, cereals stalks sale, glycerine sale, carbon credit sale.</p> <p>Policies reflect sustainable approaches to biofuel production and processing</p>	<p>Administrative procedures and records of Foundations</p> <p>Annual field assessments.</p> <p>Annual field assessments.</p> <p>New policies enforced by national Cabinets.</p>	<p>Prices paid for Jatropha and carbon credits received by farmers exceed costs of production and value of any production displacement by Jatropha</p> <p>Agroforestry approach does not result in lower food crop yields due to impacts on water or soils</p>
<b>Outputs</b>	<p>Foundations established in Cote d'Ivoire, Guinea and Senegal</p> <p>Financing plans developed for each foundation to support funding mobilization from IFAD-financed projects and other sources</p> <p>Technical guidance tools produced for Foundations</p>	<p>Foundations registered as per national laws.</p> <p>Financing plans prepared with positive response from IFAD-funded projects and other financiers</p> <p>A Jatropha based farming systems production manual is produced</p>	<p>Legal registration documents.</p> <p>Quarterly and Annual reports.</p> <p>Quarterly and annual reports/field visits reports</p> <p>Copy of the manual</p>	Funding can be mobilized to support implementation of Foundation business plans from IFAD-funded projects and other sources
<b>Key Activities</b>	<p>Orientation/awareness raising with farmer organizations and IFAD-financed projects</p> <p>Establish RDPU</p> <p>Provision of management support to national foundations for organization, administration, business planning, fund raising, marketing, technical back-stopping, etc.</p> <p>Monitoring and Evaluation of Progress of Foundations</p> <p>Knowledge Sharing</p>	<p>One workshop in each country and study visit to Mali</p> <p>RPDU established</p> <p>Number of visits to national foundations by RDPU management;</p> <p>Evaluation/monitoring reports elaborated</p> <p>Material prepared</p>	<p>Workshop reports</p> <p>RPDU up and running</p> <p>Quarterly and annual reports</p> <p>Reports available</p> <p>Materials available</p>	Sufficient interest on part of smallholder farmers and their organizations to join foundations