

**FRAMEWORK DOCUMENT**

**FOR A**

**GLOBAL AGRICULTURE AND FOOD SECURITY PROGRAM**

**DRAFT**

**November 6, 2009**

*We call on the World Bank to work with interested donors and organizations to develop a multilateral trust fund to scale-up agricultural assistance to low-income countries. This will help support innovative bilateral and multilateral efforts to improve global nutrition and build sustainable agricultural systems, including programs like those developed through the Comprehensive African Agricultural Development Program (CAADP). It should be designed to ensure country ownership and rapid disbursement of funds, fully respecting the aid effectiveness principles agreed in Accra, and facilitate the participation of private foundations, businesses, and non-governmental organizations (NGOs) in this historic effort. These efforts should complement the UN Comprehensive Framework for Action. We ask the World Bank, the African Development Bank, UN, Food and Agriculture Organization (FAO), International Fund for Agricultural Development (IFAD), World Food Programme (WFP) and other stakeholders to coordinate their efforts, including through country-led mechanisms, in order to complement and reinforce other existing multilateral and bilateral efforts to tackle food insecurity.*

(from paragraph 39 of the G20 Leaders' Statement at the Pittsburgh Summit, September 2009)

**For Discussion Only**

**This document was prepared by a World Bank Group team, with inputs from staff of the International Fund for Agricultural Development, the United Nations Food and Agriculture Organization and the World Food Programme in response to a request from the Governments of Canada, Spain, and the United States of America to set out how a multilateral funding mechanism to support significant gaps in a country-led process of agricultural development and food security might look. This is in the context of follow up to the Leaders' Statement of the Pittsburgh Summit, September 24-25, 2009, paragraph 39. It does not necessarily represent the views of the World Bank or any other agency. Comments are welcome.**

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## Executive Summary

1. The Global Agriculture and Food Security Program (GAFSP) is proposed as a multilateral mechanism to assist in the implementation of pledges made at L'Aquila in July 2009, and reaffirmed by the Summit of the G20 in Pittsburgh in September 2009. Its purpose is to scale-up support to help poor countries alleviate poverty, improve rural livelihoods, and improve food security through agriculture. GAFSP will complement ongoing efforts through other mechanisms to scale-up support to agriculture and to make such efforts more effective for food security.

2. The focus of GAFSP is on the longer-term agenda to improve the income and food security of poor people in developing countries through more and better country-led public and private sector investment in the agriculture and rural sectors, and through technical assistance. The primary objective of this new mechanism is to fill the financing gaps in existing bilateral and multilateral assistance to this longer-term agenda. It will do this by providing grants, loans, and equity investments in developing countries through a multilateral approach targeted simultaneously to the greatest needs and the best capacities to use such funding. The proposed GAFSP approach is to:

- Provide a significant and unified source of additional development partner financing to developing countries that have demonstrated their commitment to a strategic approach for increasing agricultural growth and making lasting improvements in the food security of their populations;
- Assist this approach through an aligned and harmonized multilateral and multisectoral response to country and regional requests for financing that helps ensure the successful impact of interventions; ensures coordination with other efforts at the country level; and follows a transparent and needs based process for gaining additional funding;
- Include both a public and private sector financing mechanism. The latter will provide long and short term loans, loan guarantees and equity to support private sector activities, identified and designated by developing countries as central to achieving their national priorities for agricultural development and food security.

3. The public sector window of GAFSP is intended to mobilize and consolidate concessional funding that is additional to current programs, immediately available, untied, and can support country-led or regional programs proposed as part of a CAADP Compact or other credible processes.

4. The scope of public activities that could be funded through GAFSP is largely within the confines of these objectives in keeping with a desire to provide flexibility to countries and to meet their specific needs. On the public side, priority would be given to national and regional proposals that have a credible plan to raise agricultural productivity in a sustainable way, link farmers to markets, and promote regional integration, reduce risk and vulnerability of poor people with particular regard to food, and promote remunerative employment in both farm and non-farm jobs. Particular priority is put on supporting national and regional efforts that promote the inclusion of women, the poor, and other groups that may require special attention to improve livelihoods and reduce vulnerability.

5. Investment projects would normally be recipient-executed and have a mid to long-term time horizon, and clear links to national priorities. In order to provide more rapid impact and remain consistent with the principles of harmonization and alignment, priority would be given to proposals that clearly build upon or complement existing programs and activities in the country in question. Particular emphasis

is put on supporting but not duplicating or displacing nascent national and regional efforts to develop more strategic and country-owned agricultural and food security plans. The GAFSP approach will be incremental, starting by filling the most obvious funding gaps from existing country-led strategic plans for achieving the objectives of GAFSP, and expanding as resources become available.

6. Support for technical assistance that contributes to the objectives of GAFSP and improves its efficiency would also be eligible to be financed by the program. Country-specific technical assistance could be supported as part of country-packages if so requested. GAFSP may directly fund invited technical assistance and capacity-building proposals from regional organizations (such as COMESA and ECOWAS, for example), in partnership with institutions with both technical expertise and fiduciary standards agreements with the Trustee (such as FAO, WFP, IFAD and MDBs). These partner institutions may procure services from and supervise other service providers as needed. This technical assistance will likely be cross-country in nature.

7. The scope of private activities that could be financed through the private sector window of GAFSP will be similar in end purpose and scope to the public sector ones, but will concentrate on those functions best carried out by private agents. Investments will include loans, credit guarantees and equity financing and will be guided by the norms of the implementing financial institution.

8. Funding for GAFSP will be held in a Trust Fund established as a Financial Intermediary Fund at the World Bank Group, who will also serve as Trustee. Two windows (sub-accounts) will be created under the Trust Fund to hold targeted donor contributions for either the public or private sectors. At the time of contributions, donors will specify the amount of their contribution to direct to either of the two sub-accounts.

9. A Steering Committee, comprising the donors to the Trust Fund as voting members, will have decision-making authority for both the public sector and private sector windows. The Steering Committee will also include as non-voting members a senior manager from the World Bank, the United Nations Secretary General's Special Representative for Food Security and Nutrition, and representation from United Nations food agencies, recipient organizations and civil society. All decisions will be made on a consensus basis of voting members.

10. For the public sector window, the Steering Committee will appoint and be advised by an External Technical Advisory Committee (TAC) and supported by a small Coordination Unit at the World Bank. Based on requests received through eligible processes, such as CAADP Compacts, and a screening by the TAC, the Steering Committee will assign country and regional proposals to one or more implementing agencies that have an agreed framework in place for implementing GAFSP projects, and approve a corresponding funding amount from the Trust Fund. Under the public sector window country proposals and regional proposals for investment grants will be assigned to one of the MDBs or IFAD, the Implementing Entities. The Trustee has no further supervisory capacity or responsibility once funds are transferred to an Implementing Entity for a specific purpose, and all investment activities must be supervised and reported on by an Implementing Entity following its standard procedures.

11. The TAC will provide due diligence that proposals received are the result of acceptable country-led processes, contain required information, and are commensurate in magnitude with the needs of the country or region concerned. Project appraisal, supervision and evaluation will be done by the relevant Implementing Entity, using its own internal procedures. Each Implementing Entity will be responsible for preparing reports on results and financials and providing such reports to the Steering Committee, through the GAFSP Coordinating Unit. The Coordination Unit will consolidate all GAFSP reports based on the annual submissions of the individual Implementing Entities.

12. The private sector sub-account will finance projects through loans, guarantees, and equity arrangements. It is expected that the Steering Committee will approve investment plans submitted through the Coordination Unit and thereafter the Implementing Entity would approve projects under the Investment Plan in accordance with its own guidelines and procedures. All investment plans are expected to follow the investment, social and environmental standards and criteria for the Implementing Entity. Initially, the sole eligible Implementing Entity under the private sector sub-account is the International Finance Corporation (IFC). This can be expanded as funds become more available and following donor interest.

## **Framework for a Global Agriculture and Food Security Program (GAFSP)**

*....we will partner with vulnerable countries and regions to help them develop and implement their own food security strategies, and together substantially increase sustained commitments of financial and technical assistance to invest in those strategies. Our action will be characterized by a comprehensive approach to food security, effective coordination, and support for country-owned processes and plans as well as by the use of multilateral institutions whenever appropriate. Delivering on our commitments in a timely and reliable manner, mutual accountability and a sound policy environment are key to this effort. We see a comprehensive approach as including: increased agriculture productivity, stimulus to pre and post-harvest interventions, emphasis on private sector growth, smallholders, women and families, preservation of the natural resource base, expansion of employment and decent work opportunities, knowledge and training, increased trade flows, and support for good governance and policy reform.*

(from the L'Aquila Joint Statement on Global Food Security, July 2009)

### **I. OBJECTIVES**

1. The first objective of the Global Agriculture and Food Security Program (GAFSP) is to improve the income and food security of poor people in developing countries through more and better public and private sector investment in the agriculture and rural sectors, and through technical assistance. The second objective is to fill the gaps in existing bilateral and multilateral assistance already targeted at the first objective by providing grants, loans, and equity investments in developing countries through a multilateral approach targeted simultaneously to the greatest needs and the best capacities to use such funding. It will do this by:

- Providing a significant and unified source of additional development partner financing to developing countries that have demonstrated a commitment to a strategic approach for increasing agricultural growth, in an environmentally sustainable manner, and making lasting improvements in the food security of their populations;
- Assisting this approach through an aligned and harmonized multilateral and multisectoral response to country and regional requests for financing that helps ensure the successful impact of interventions; and that follows a transparent and needs based process for gaining additional funding;
- Including a separate private sector financing mechanism that will provide long and short term loans, loan guarantees and equity to support private sector activities, identified and

designated by developing countries as central to achieving their national priorities for agricultural development and food security.

## II. VALUE ADDED

2. Consistent with the G20 Leader's Statement at the Pittsburgh Summit, the Global Agriculture and Food Security Program will add value to ongoing development partner effort in five ways:

- (i) Provide **additional resources** to scale-up agricultural and food security assistance to developing countries. Even with presently increased direct support by bilateral and multilateral agencies, there remains a financing gap to achieve the Millennium Development Goal of halving poverty and hunger by 2015. A conservative view of the estimated incremental need for public goods investment in this area is US\$14 billion annually for all developing countries (IFPRI, 2008); which cannot be met without additional resources.
- (ii) Ensure **rapid availability** of additional funds: While multilateral institutions are scaling up support for agriculture and food security, this is often done within constrained resource envelopes with specific replenishment cycles (for the World Bank and International Fund for Agricultural Development (IFAD), for example, International Development Association (IDA) replenishments occur every three years). Providing additional resources now to a multi-donor fund for agriculture and food security can ensure funds are more rapidly available than having to wait for the next replenishment cycle.
- (iii) **Country ownership** and in-country processes: GAFSP will reinforce country-led processes by limiting parallel planning and prioritizing processes to those already in place in-country. Governments will be responsible for identification of public investment programs.
- (iv) Be **complementary and reinforcing** to ongoing development partner efforts. The fund will provide resources to fill development partner financing gaps in country-led programs. If the local development partner group does not have sufficient resources to support government investment programs, the GAFSP could provide these at the request of the Ministries of Finance. Using a common framework for development GAFSP support also respects the Paris Declaration and Accra Agenda for Action.
- (v) Greater **public-private sector links**. The private sector focus offers an opportunity to mobilize a private sector response to public action in agriculture, without which countries are unlikely to achieve their rural income growth and food security objectives.

## III. STRENGTHENING MULTILATERALISM FOR AGRICULTURE AND FOOD SECURITY

3. Global commitment to improve agricultural development and food security has increased. The G8 plus at L'Aquila in July 2009 and the G20 at Pittsburgh in September 2009 agreed to advance the implementation of a Global Partnership for Agriculture and Food Security through a renewed commitment to agricultural development and food security supported by mobilization of significant additional funding. Partners agreed that this renewed approach to developing country agriculture and global food security was needed and should be characterized by the following principles: (1) effective

strategic coordination, (2) investing in country-owned plans, (3) a comprehensive approach that highlights key investment areas for agricultural productivity; access to markets; reducing risk and vulnerability; improving rural non-farm livelihoods; and technical assistance and capacity building, (4) multilateral mechanisms that deliver resources effectively, and (5) a sustained commitment to achieving global food security.

4. There is widespread recognition that emphasis needs to shift from food crisis response to scaling-up longer term agricultural and food security programs in developing countries. The response to the food price crisis of 2007-2008 was necessarily concerned with moving quickly to both mitigate harm to the poor and to assist developing countries to adapt to changing food security challenges. The speed of response was key to preventing countries from engaging in policy decisions that could undermine longer term sustainable development.

5. Participants at the L'Aquila and Pittsburgh meetings also emphasized the need to respect the aid effectiveness principles of the Paris Declaration and the Accra Agenda for Actions. These embody the principles that countries own their development strategies, and through partnership, external assistance is offered to overcome the resource gaps in the strategy necessary to create effective improvements. They were also aware that even countries that have worked to develop comprehensive agricultural development and food security strategies with corresponding commitments of their own fiscal resources were still having major problems accessing significant additional concessional finance to fund their plans.

6. In response, the G8 and other partners agreed to mobilize more than \$20 billion over three years and to program those resources in line with the five principles. Ongoing discussions at the country, regional and global levels will help donors, development institutions and potential recipient countries to implement these commitments through a variety of mechanisms. GAFSP is one such mechanism and is designed to complement bilateral and multilateral financing in support of country-owned plans with additional resources, mobilize the significant pro-poor agriculture and food security investment experience in multilateral organizations, and achieve critical mass and timeliness in providing assistance.

7. Consistent with the L'Aquila and Pittsburgh statements the GAFSP would:

- Provide additional resources, ensure rapid availability of these resources, build on country-led processes, be complementary to on-going development partner support, and strengthen public-private sector links. The Program would be implemented at the country level through Multilateral Development Banks (MDBs), IFAD, WFP and FAO supporting national and regional strategies for agriculture and food security in poor countries.
- Leverage additional resources to finance public and private sector investment and technical assistance in eligible countries.
- Ensure rapid availability of resources.
- Reinforce country led processes in support of comprehensive agricultural development and food security plans.
- Be complementary and reinforcing to ongoing development partner efforts on agriculture and food security
- Strengthen public-private investment linkages in agriculture.



8. The Program fund will solicit contributions from countries, private foundations, and multilateral institutions. A multi-donor Trust Fund will be established at the World Bank to pool donor funds; however donors may specify amounts of their contributions to be directed to the public and private sectors. The Trust Fund will be under the authority and oversight of an external Steering Committee, initially comprising sovereign donors to the Trust Fund. For the public sector component, the pooled account will transfer resources to the MDBs and IFAD to finance selected country investments and to the MDBs, IFAD, WFP and FAO for technical assistance. Implementing agencies receiving funds from GAFSP would remain directly accountable to the contributing donors for the proper handling and use of funds. The funds allocated for the private sector are expected to be implemented by the IFC, consistent with the relevant IFC guidelines and procedures.

#### **IV. SCOPE OF THE PROGRAM**

9. Seventy five percent of the world's poor live in rural areas, most depend on agriculture for their livelihoods. The first Millennium Development Goal (MDG) of halving poverty and hunger by 2015 will not be achieved without focused attention on this group of poor people. Raising their income and improving their food security will require additional investments to raise agricultural productivity, link farmers to markets, reduce risk and vulnerability, and facilitate rural non-farm income. Enhancing women's roles as agricultural producers and the primary caretakers of their families, while expanding their access to productive resources, assets and services, will be essential for maximizing the impact of agricultural development, nutrition and social protection mechanisms on food security. The GAFSP will complement existing bilateral and multilateral assistance and provide additional resources to support these investments, and build capacity around these thematic areas. This section provides more detail of the types of public and private investments to be financed.

10. GAFSP is designed to support country-led programs deriving from country priorities. Both country needs and country desires vary considerably across countries. The GAFSP approach is to include a menu of interventions where project experience exists, quality control approaches are clear, and that all address the objectives of GAFSP. It is expected that different countries will pick and choose among different elements. The menu is broad enough and given at a degree of generality high enough to avoid unnecessarily restricting country choice, but specific enough to inform clients of what can be done operationally and to reassure donors as to what they might be asked to finance.

11. The program items below are written primarily from the standpoint of public goods provision. Yet some items in agriculture clearly are delivered more efficiently and more sustainably over time by private agents working under a market system where policy and public goods have created incentives for widespread participation and investment. A prime example is input provision to small farms, but there are many more. As a leveraging and enabling activity, GAFSP is especially appropriate for seeking out and funding Private-Public Partnerships that allow larger and broader scale up of desirable interventions than would be capable with either the public or private sectors working alone.

12. Finally, technical assistance and capacity-building components addressing the items below can be embedded in development projects, and thus submitted in country-led proposals. Although GAFSP is designed to support country-led programs, it is also intended to facilitate regional integration. To this end, GAFSP will also support investment operations and technical assistance proposed by regional organizations. Stand-alone technical assistance proposals will need to involve partnership with FAO, IFAD, WFP or one of the MDBs. Investment operations proposed by regional organizations will be implemented through IFAD or one of the MDBs.

13. The five substantive components of GAFSP, all potentially addressable by public or private means in different situations, follow. Public sector approaches would be funded through the public sector sub-account “window” and private approaches would be funded through the private sector sub-account “window” of GAFSP. These topics are meant to be indicative of the sorts of operational items that countries might expect to be able to find multilateral support through GAFSP for addressing, if they cannot be fully met by other sources of funds.

#### **4.1 Raise Agricultural Productivity**

14. Raising agricultural productivity remains vital for overall economic growth, household incomes, and food security in many of the poorest countries. At a global level, by 2050 the world will have to produce enough food to feed 2-3 billion additional people. Water will be scarcer. Without further investment, climate change could reduce yields by as much as 20 percent in developing countries. The declining share of official development assistance to agriculture from 18 percent in 1979 to about 3 percent in 2008 has been matched by a slowing in global annual yield growth rates of major food grains, from around 3 percent in 1980 to 1 percent today. This trend must be reversed.

15. Higher agricultural productivity growth can lead to dramatic improvements in the incomes of the poor and can spur structural transformation. Over eighty percent of poor people in rural areas rely on agriculture as a source of livelihood. About 60 percent (1.5 billion people) of all households engaged in agriculture are on smallholder farms. Raising their productivity can boost incomes and reduce overall poverty.

16. The agricultural productivity component would finance the following investments:

##### **4.1.1 Adoption of higher yielding technologies**

17. Average crop yields in many countries are often only a third of experimental farm yields, such as for rice in many parts of Asia, and maize in Africa. Closing the gap will require improved agricultural extension services, better farm management practices, and increased use of new seed varieties and fertilizers. Similarly, significant livestock productivity gains can still be made through expanding adoption of improved breeds and reducing livestock disease. While many breeds are not suitable for developing country environments, cross-breeding has helped adaptability, with suitable breeds available for adoption. Aquaculture is a growing source of income and protein for many poor people. Use of genetically improved fish and better fisheries practices can significantly raise yields. Labor productivity can be further improved with increased use of machinery services.

18. This component will finance the following activities:

1. *Farmer advice and information.* (i) farmer empowerment through training and more farmer influence over resource allocation decisions on the types of public extension services/advice they receive; (ii) training of extension service providers; (iii) support for broader information services (e.g. radio programs, information centers, internet kiosks).

2. *Access to improved seeds and fertilizer.* (i) reform laws and regulations which inhibit the development of seeds and fertilizer markets; (ii) develop or scale up voucher, supplier credit schemes, or other grant financing programs based on ‘smart-subsidy’ principles; (iii) strengthen the agro-dealer network through training and capacity development; (iv) investments to upgrade/rehabilitate seed multiplication and distribution facilities; (v) investments to strengthen and expand the network of agricultural input distributors; and, (vi) investments to develop seed selection, multiplication and distribution enterprises.

3. *Veterinary services and improved breeds.* (i) strengthened veterinary services through improved training, including of para-veterinarians, community-based approaches, and improved equipment; (ii) expanded capacity for improved disease surveillance; (iii) improved management and access to veterinary drugs; (iv) matching grants for adoption of improved breeds; and (v) extension or advisory services to improve animal and rangeland management practices.

4. *Adoption of improved technology and aquaculture management practices:* (i) Support new strain adoption in aquaculture; (ii) extension or advisory services to improve aquaculture management practices; and, (iii) investments in aquaculture enterprises.

5. *Machinery services.* (i) legal and regulation improvements to facilitate the development of machinery leasing markets (import policies, financial sector regulation); (ii) training and capacity-building of services providers; (iii) investments in agribusiness service providers and machinery distributors; and (iii) matching grants for use of machinery services.

#### **4.1.2 Technology generation**

19. While there are significant gains to be made from adoption of existing technology, additional effort is needed to generate new technologies to better match the heterogeneous agro-ecologies, especially in Africa. There are also persistent and emerging problems with significant negative impacts on the livelihoods of the poor (e.g. banana bacteria wilt, coffee wilt disease, rift valley fever, among others) that need technological solutions. GAFSP funding will be complementary to, additional to, and separate from other forms of multilateral support to agricultural research in the low and low-middle income countries, such as funding provided through the Consultative Group on International Agricultural Research (CGIAR) to international centers.

20. This component will finance the following activities:

1. *Technology development and adaptation:* Research costs (facilities, equipment, trial operations) for: (i) adaptive research drawing on country, regional and international “best-bet” technologies; and (ii) strategic research to address emerging problems (e.g. banana and coffee wilt disease in East Africa). The dominant focus will be on food crops, livestock, and public-private partnering on traditional and non-traditional exports.

2. *Institutional development:* (i) development of national agricultural research system (NARS) strategic plans and research priorities, (ii) strengthening national agricultural research system capacity through training; (iii) support for improvements to the institutional structure of NARS to improve relevance and effectiveness (legal and regulatory changes, decentralization etc), and (iv) broader participation in national research efforts through competitive grants.

3. *Linkages with farmers and advisory services.* (i) partnerships to ensure stakeholder participation in priority setting, design and research implementation; (ii) demonstration of technologies in farmers fields and promoting their adoption, through participatory learning; and (iii) dissemination of technology adoption and management practices through partnerships with extension services and other stakeholders.

#### **4.1.3 Water management**

21. Improved water use can significantly increase productivity. About 20 percent of the world’s farmed area is irrigated, and produces 40 percent of the value of agricultural production in developing

countries. Irrigation will continue to be an important source of productivity growth, especially in Sub-Saharan Africa and parts of Latin America that still have large untapped water resources for agriculture. In other regions where the scope for further expanding irrigated agriculture is limited, more efforts are needed to increase water use efficiency and productivity by addressing the policy, technical, and governance aspects of agricultural water use. Water use also needs to be improved in rainfed agriculture, which accounts for most of agricultural production in developing countries. Especially in arid and semi-arid regions, yields tend to be relatively low. Due to highly variable rainfall and long dry seasons, as well as recurrent droughts, dry spells and floods, water management is often a key determinant for agricultural production and productivity in these regions.

22. This component will finance the following activities:

1. *Expand and rehabilitate irrigated area* (i) technical and engineering designs for irrigation schemes; (ii) investments in irrigation infrastructure (e.g. canals, pumps, etc), including through local development grants; (iii) support for water users associations; (iv) training and capacity-building for technical oversight to community based schemes, (v) reform and modernization of existing large scale irrigation; and, (vi) investments in irrigation equipment providers.
2. *Improve river basin management:* (i) institutional development, including the support for river basin management authorities (set up and operation costs); (ii) technical support for establishment of water right systems; and (iii) hydrological data capacity at basin authorities to guide water right allocation decisions.
3. *Improved water use in rainfed systems:* (i) water control and conservation, including contouring and water capture infrastructure; (ii) advice on improved farm management practices for improved soil water retention; and (iii) watershed management through forestation and similar approaches.

#### **4.1.4 Land rights and land use**

23. Security of property rights and the ability to draw on local or national authorities to enforce those rights are fundamental elements for increasing local incentives for investment and for productive land use. These can be sensitive issues politically, and a wide range of options, from full formal title to legally-backed mechanisms at the community level, can be employed to promote higher levels of tenure security. Linked to security of tenure is the transferability of land rights. Making land rights transferable not only increases investment incentives but also allows the landless to access land through sales and rental markets or through public transfers. In some countries, particularly in Latin America and southern Africa, inequality in the land ownership often leads to under-utilization and deep-rooted rural poverty. In these cases, increased access to land by the poor through targeted programs of financial assistance to enter into land markets can potentially increase productivity and promote equality. In addition to strengthened property rights, broader improvements in land management are needed. Erosion induced top soil loss, and declining soil fertility has lowered agricultural productivity. These losses affect both market-oriented farmers and those in subsistence, located in marginal lands and faced with insidious land degradation challenges. The challenges are further exacerbated by climate change impacts.

24. This component will finance the following activities:

1. *Land policy and legal reforms.* Particularly to improve women's access to land. Activities to be financed include: (i) consultations, technical support for improvements to land laws and

regulations, including on legal protection of customary tenure, women's access to land, and sales and rental markets; and (ii) dissemination of legal rights and regulation on land laws.

2. *Increasing security of existing customary or informal land tenure.* While there are still many areas, particularly in Sub-Saharan Africa, where customary tenure systems still offer enough security, there are even more areas especially peri-urban and densely utilized lands where customary tenure systems no longer offers enough security. Activities to be financed include: (i) documenting and registering customary land rights, using new low cost technologies; and (ii) issuing certificates of customary ownership and certificates of customary occupancy.

3. *Modernizing land administration.* To improve access, transparency and efficiency in land transactions: (i) Upgrading and updating land registries, including document handling and storage processes, including computerization; (ii) improving survey and mapping infrastructure, and (iii) capacity support for decentralized land administration services.

4. *Preventing and reducing land conflicts.* As a complement to legal protection and the documentation of land rights, which can significantly reduce land conflicts, additional support will include: (i) strengthening dispute resolution mechanisms, including land tribunals; and (ii) analytical work to better understand land issues in post-conflict countries, and minimize land disputes associated with return of people to their lands.

5. *Improving land use planning:* (i) promotion of land use planning, mapping and production of land management plans at national and local levels; (ii) decision support tools such as soil and vegetation modeling in light of predicted climate change scenarios; (iii) design of integrated investment frameworks for sustainable land management, (iv) promotion of use of agronomic soil conservation measures..

## **4.2. Linking Farmers to Markets**

25. Reducing transaction costs, better market information, and improving quality can all improve the share of the world market prices farmers receive for their products. In addition, well-integrated regional agricultural markets can reduce the cost of food and uncertainty of supply, improving food security. Improving market efficiency requires good governance and public policy, infrastructure, institutions and services that provide market information, establishment of grades and standards, and contract enforcement. More efficient markets alone don't promote equitable outcomes. Building the bargaining power of smallholders by providing support for strengthening producer organizations can improve prices farmers receive for their products and lower the cost of inputs.

### **4.2.1. Reduce transfer and transaction costs**

26. In the poorest countries, the cost to farmers in transacting in markets can be high. Transport costs are often 50-60 percent of total marketing costs, leading to situations where bulky food staples are non-competitive for exports from the production region in good years and expensive to import locally in bad ones. This leaves many local food markets in Africa especially vulnerable to weather shocks that translate into high local staple food price volatility. Limited access to information on the geographic distribution of market demand can lead to product wastage and lower prices. And low volume and bargaining power act to both reduce product prices and raise input prices, reducing net farm income in both cases. Better farmer-led organizations can improve product quality, market recognition, and economies of scale that translate into higher prices for producers.

27. This component will finance the following activities:

1. *Upgrading and improving management of rural infrastructure.* Support will be provided for (i) construction and rehabilitation of rural access or feeder roads to connect farmers to markets; (ii) construction and upgrading of infrastructure in agricultural retail and wholesale markets; and (iii) investments in improved market management
2. *Improve collection and dissemination of market information.* (i) Development of market information systems, including ICT, through private-public partnerships; (ii) technical assistance for provision of market-led advisory services
3. *Improve systems for grades and standards and their application.* (i) Support for design and putting in place of systems for grades and standards associated with quality; (ii) support for design and putting in place of certification schemes and branding activities.
4. *Strengthening producer organizations.* (i) Support for development and strengthening of producer organizations through technical assistance and demand driven funds.
5. *Improve skills and access through outgrower schemes and contract farming.* (i) Support the mobilization of private sector skills and capital to accomplish social objectives of incorporation of smallholder farmers, especially women, into higher value agricultural chains with more stringent quality control, skills, and input requirements.
6. *Improve regional integration of agricultural markets.* (i) Support the harmonization of regional agricultural and food standards; (ii) Support regional market information sharing systems; (iii) Support the harmonization and streamlining of trade regulations and formalities for agricultural and food products within trading regions.

#### **4.2.2. Other value addition**

28. Farmers generally lack the knowledge and skills, contacts and resources, to reduce post harvest losses and wastage, which are often significant, even for grains. Similarly, there is substantial scope for improving returns through better processing of agricultural produce, which is often undertaken by women, and improving the quality and safety of processed foods. Adding value and selling processed products offers many opportunities, ranging from an increase in productivity to the generation of extra income, and to the stimulation of the local economy. Partnering with the private sector is crucial in this. Efforts to strengthen agribusiness firms along the value chain are particularly at stake. As most value added activities are undertaken by women, interventions will need to better reflect their needs. This component will finance the following activities:

1. *Improving post-harvest management.* Activities to be financed include (i) training and capacity-building for farmers, fishers, and agro-foresters, on better post-harvest storage, transportation, and management practices; (ii) matching grants for investments in small-scale post-harvest infrastructure such as silos, small-scale processing and drying equipment, pack houses and ice plants etc.; (iii) training, technical assistance and equipment for good grain quality control inspectorate services.
2. *Food safety and quality management.* (i) training and technical assistance for risk assessments and market surveillance; (ii) training and communication to raise stakeholder awareness and promote good practices through media and advisory services; (iii) strengthening systems for pest and animal disease surveillance; and (iv) upgrading infrastructure and laboratories where justified by a large public good element.

### 4.2.3 Supporting mobilization of rural finance

29. Rural financial services are key to increasing productivity and to mitigating risk in smallholder agricultural production and poor rural households generally. The proportion of agricultural investments and inputs that can be financed directly through local financial institutions is often limited by the low returns, lack of risk management mechanisms, lack of acceptable collateral, poorly designed and inappropriate products, and absence of effective rural finance intermediaries. In addition, financing for private investment in rural infrastructure and enterprises is generally constrained by limited entrepreneurial skills, lack of specialized intermediaries and instruments, inadequate funds, and weak supporting services. These constraints need to be addressed.

30. The key is to facilitate access to adequate financial services, including through local resource mobilization, in a context of resource scarcity. This component will promote a financial systems approach to developing rural finance, based on the principle that only commercially-viable institutions can reach large numbers of clients over the long-term. Interventions will focus at all three levels of the financial system: promoting an enabling environment at the macro level; developing effective associations, credit bureaus, industry standards, and monitoring mechanisms at the meso level; and developing sound financial institutions that offer a range of financial products at the micro level.

1. *Improving farmer and marketing agent access to finance and financial intermediaries.* The component will support a variety of investments, financial models and institutions that can together reach a wide range of clients and meet their diverse needs for financial services. It will provide support for: (i) the enabling environment (legal, regulatory and policy reforms); (ii) market facilitation (e.g. asset registries and credit bureaus), and technology expansion (building on cell phone and other technology to spread access); and (iii) service provision (savings, insurance, financing), including building the capacity of retail institutions and increasing their opportunities to link with mainstream financial service providers. The latter can create resilient partnerships to serve smallholders in building their assets, resisting economic shocks, and expanding their investment opportunities.

2. *Direct financing of private enterprises (through the private sector window).* Direct financing across the capital structure in agribusiness firms along the value chain, including: (i) working capital loan facilities; (ii) long-term private sector loans; (iv) partial credit guarantees and (iii) equity capital in private sector enterprises in developing countries. The loan facilities would be provided directly to companies or through financial intermediaries to Micro, Small and Medium-sized Enterprises (MSMEs) and farmers, as part of an overall strategy to help increase farmer and MSME incomes and develop the capacity of the in-country financial sector. Financing of MSMEs would be accompanied with TA to improve capacity.

### 4.3. Reducing Risk and Vulnerability

31. This component will finance the activities focused on developing longer term resilience to income shocks. While raising productivity and improving access to markets are important to improve income levels and assets of the poor, so are investments to reduce the volatility of these incomes and ensure adequate access to sufficient nutritious food. The sudden increase in food, fertilizer and fuel prices in 2007/08 drove an estimated 100 million more people into poverty. One of the more lasting impacts of the food price crisis of 2007/08 also seems to be greater global food price volatility, added to worries about increasing variability in weather outcomes under climate change. High production and price risk can reduce adoption of higher yielding seeds, lower fertilizer use, and lead to lower levels of local food

production and income. Livestock disease outbreaks can significantly reduce household assets, increasing vulnerability. Both asset and income risk are high in many of the poorest countries. Investment to help households manage income shocks and food security related stress include support to manage price and weather risk, strengthen social protection systems, and invest in nutrition.

#### **4.3.1. Managing price and weather risk**

32. Agricultural risk is associated with negative outcomes stemming from imperfectly predictable biological, climatic, and price variables. These variables include natural adversities (for example, pests and diseases), climatic factors not within the control of agricultural producers, and adverse changes in both input and output prices. The latter is of particular concern to both governments and households. Ex-ante risk management practices should be envisaged to reduce exposure to these shocks and the negative consequences for longer-term sustainable solutions related to it.

*1. Manage food price volatility at the country-level.* (i) advisory services; (ii) physical storage and contracting tools to address physical availability of food stocks; (iii) support for import positioning for governments and the private sector (enhanced access to financial resources, guarantees); and (iv) enhancement of price discovery systems (warehouse receipt systems, commodity exchanges, etc.).

*2. Early warning and weather risk management for food crop production.* (i) investment in automatic weather station infrastructure and data reporting systems, (ii) capacity-building in agrometeorology, crop surveillance, and crop estimation systems, (iii) assessment of technical, operational, and commercial feasibility of applying weather-indexed insurance or derivatives products, (iv) technical assistance in insurance product design and implementation, and (v) support for the development of private crop insurance.

#### **4.3.2. Strengthening food-related social protection for chronic and transitory rural poverty**

33. GAFSP is a program addressing long-term structural change, and should not try to take the place of humanitarian emergency assistance. There is a growing understanding of the link between social protection and the development of productive and market-oriented smallholder agriculture in developing countries. For example, it is both hard and unwise to induce farmers faced with increasingly volatile local food markets to commit their scarce resources to market-led development of agriculture, often involving pursuits other than staple grains, if there are no reliable safety nets for when global prices spike or it catastrophically fails to rain. There is a need to manage risk and the long-term negative impacts of failure to protect households from irreversible shocks, especially regarding the deterioration of the nutritional status of pregnant women and children under two.

34. To avoid overlap with other instruments, GAFSP should target only those aspects of social protection desired by clients that clearly interact with investments in improving the productivity and reliability of agricultural production. They should seek to contribute to preventing rural households from engaging in low-risk-low-return strategies while reducing their risks from engaging in higher return activities. Some possibilities, in this context, are:

*1. Transfer programs.* (i) direct (conditional or unconditional) cash transfers; (ii) labor intensive public works, including food for work programs. Ideally these social safety net interventions would be countercyclical – increasing coverage and generosity when income or production declines – and productive – linked to asset building.



2. *Insurance schemes.* (i) support for development of unemployment and disability insurance schemes for rural workers financed by other means, and (ii) support the role of social networks in providing informal insurance.
3. *Institutional capacity strengthening.* (i) development of beneficiary identification and registration systems; (ii) improvement of governance, accountability and control; (ii) strengthening of payment delivery systems (including through supporting decentralized finance institutions).

#### **4.3.3 Improving nutrition of vulnerable groups**

35. Malnutrition undermines economic growth and perpetuates poverty through direct losses from poor physical status, and indirect losses from poor cognitive functions. Ensuring that mothers and young children--especially in the critical “window of opportunity” of the pre-school years-- have support for adequate nutrition, assistance is needed to help food insecure households where income generation cannot. If not addressed, under-nutrition can permanently stunt mental and physical growth in the first years of a child’s life. It worsens health status and can lead to chronic illnesses. Vulnerable groups include pregnant women, nursing mothers, infants and young children as well as people living with HIV/AIDS and tuberculosis. Effective and low-cost solutions exist that offer the highest possible returns to development. These include:

1. *Production of the right foods.* (i) stimulate adaptive and participatory research on high-value and bio-fortified food; (ii) support fortification in both production and processing (including through private sector engagement); and (ii) enhance food availability, production and utilization through backyard vegetable and fruit production.
2. *Women empowerment programs.* (i) support community-based programs and womens’ self-help groups that promote hygiene and growth monitoring, caring practices including exclusive breastfeeding; and (ii) develop complementary feeding systems for pregnant and lactating mothers, and young children.
3. *Essential vitamins and minerals.* (i) scale-up micronutrient supplementation; (ii) support national fortification program; and (iii) improve severe acute malnutrition management.

#### **4.4. Improving Non-Farm Rural Livelihoods**

36. Rural non-farm activities are an important source of income growth and safety net support for rural households. In Sub-Saharan Africa, for example, multiple studies show that they can account for half of farm-household income and are especially important as coping strategies of the rural poor for dealing with volatility in agricultural incomes. More prosperous agricultural households may also diversify into nonagricultural activities to take advantage of attractive opportunities driven by effective consumer demand for nonagricultural goods and services.

37. Nonagricultural goods and services produced in rural areas of low income countries—and especially by the poor and women in those areas—tend to be “nontradables” outside the local region. Examples are services, bulky local construction materials, processed local foods, drinks and handicrafts. Production and sale of these items can make a vital difference to the landless, and women in particular, but are dependent on having a vibrant, recurring source of local effective demand. The latter can only come from exports out of the local rural area (as in to cities or abroad) that bring in new income that is then re-spent over and over locally. Such income is most effective at promoting both rural growth and

rural poverty alleviation if it is widespread and goes to those who spend the highest share of their incomes on local nontradable goods and services in rural areas. These are overwhelmingly the rural poor. Agriculture is the primary source of widespread tradable income for the rural poor in low and low-middle income countries. Paradoxically, then, promoting growth in agricultural tradables—export crops, food sold to cities, horticulture, etc.—is also the key operational entry point for promoting rural nonagricultural growth in low and middle-low income countries.

38. Once tradable growth in agriculture is occurring in a given area, direct investments in promoting nonfarm income have a much higher chance of succeeding. Examples of such direct investments include: (i) access to finance through financial intermediaries and through direct enterprise financing; (ii) strengthening agricultural value chains; (iii) improving property rights, and (iv) lowering transaction costs.

#### **4.4.1. Investment climate**

39. Rural enterprises play important roles in linking rural producers and consumers to markets and in providing income and employment. The size of the sector is usually underestimated in censuses, in part because it consists mainly of micro and small enterprises, mostly household-based, and operating in the informal economy. There is growing recognition that the rural nonfarm sector is very important for growth and poverty reduction in rural areas, investments needs to be channeled, especially into expanding rural infrastructure.

1. *Improve the rural investment climate:* (i) rural investment climate assessments to develop a better and more systematic understanding of location-specific interventions needed to spur rural non-farm incomes, (ii) support to improve the local policy and regulatory environment, and (iii) mechanisms to better geographically target infrastructure investments to maximize rural employment growth.

2. *Expand rural infrastructure.* Targeted investments in electrification, water supply, and rural roads to spur non-farm enterprises growth and development.

#### **4.4.2. Promoting Entrepreneurship**

40. Promotion of an entrepreneurial orientation to agriculture and rural development in poor countries is often facilitated by community-driven projects and skills development. Innovation and new opportunities in technology adoption, value-added agriculture and marketing, are giving rise to new micro and small businesses.

1. *Community-driven approaches* to facilitate access by the rural poor to small-scale social infrastructure and services for productive activities. This includes investment in: (i) support to strengthen community group; (ii) information and awareness campaigns on economic activities; (iii) skills enhancement and capacity-building; and (iv) community investment funds (e.g. the Andhra Pradesh District Poverty Initiative).

2. *Upgrade skills.* (i) investments in vocational and enterprise training. Moving out of agriculture, whether to the rural nonfarm sector or by migrating to urban areas, depends on more and better quality basic education. Skills development and vocational training can help upgrade skills and provide much needed qualifications for on- and off-farm employment. Programs that have private participation in managing institutions (as in Brazil's National Rural Training Service SENAR) and designing curricula (as in Namibia's Community Skills Development Centers) have

been most effective in meeting labor market demands. Enterprises also provide training but usually only to those with formal jobs, usually with higher income levels.

#### **4.5. Technical Assistance, Institution-building, and Capacity-building**

41. Technical assistance and capacity-building investments of GAFSP would seek to be complementary to those undertaken by other instruments, such as the CAADP Multi-Donor Trust Fund. The latter is targeted to specific needs of individual countries in Africa that are preparing CAADP Compacts and to the use of local agencies. GAFSP activities here are addressed to broader needs inside and outside Africa that are not likely to be funded by other means. Technical assistance components may be included in country investment proposals or could be stand-alone activities proposed by regional organizations in partnership with agencies with technical expertise and a comparative advantage in the fields of agriculture and food security (FAO, IFAD, WFP and MDBs). Stand-alone technical assistance will likely to be more cross-country in scope. There is massive need in the general area of developing capacity for strategy formulation, policy advice and program development in agriculture and food security, and this is not presently being met. However it is critical to progress in aid effectiveness.

42. Within the above constraints, the areas that could be financed under this component will include:

##### **4.5.1. Capacity-building for sector strategy, investments and implementation**

- *Development of agriculture and food security policies, strategies, frameworks, and investment plans.* (i) build skills and technical expertise in program design, sectoral planning and budgeting; (ii) help strengthen the analytical capacity for policy analyses; (iii) support the design and implementation of a consultative/participatory process to update and/or formulate sector strategy and policy.
- *Improving public expenditure management.* (i) support for agricultural public expenditure reviews, (ii) analytical tools for examining spending trade-offs in food security and agriculture, (iii) involvement of farmer organizations and other rural stakeholders in agricultural public expenditure review processes.
- *Institutional reform and implementation capacity.* (i) institutional change management aimed at rationalizing and strengthening existing organizations and procedures; (ii) human resources development and training; and (iii) upgrading technology and infrastructure.

##### **4.5.2. Enhancing design, monitoring and evaluation**

- *Expanding technical expertise.* (i) promotion of innovative project design; and (ii) identification of best practices for scale-up and replication.
- *Strengthening agriculture and food security data and results monitoring systems.* (i) enhance agriculture and food security statistics; (ii) develop results monitoring frameworks; (iii) carry out development impact evaluations; (iii) establish sector data collection, monitoring and evaluation, and management information systems; (iv) build capacity for effective monitoring and evaluation.

##### **4.5.3. Knowledge development and dissemination**

- *Carry out high-impact analytical work* for the agriculture and food security agenda, linked to the thematic areas under section IV above: (i) realization of knowledge products (policy briefs, applied research reports e.g.); and (ii) their dissemination (workshops, publications and communications).

#### **4.5.4. Private Sector Advisory Services**

43. In order to further facilitate the reach of financing in the investment element of the private sector window, especially into frontier markets and countries hardest hit by the food and financial crises, there would also be a significant component of advisory services to outreach into these higher risk, and harder to reach markets. The advisory services support under this element would be expected to focus around the key GAFSP intervention areas, including improving farmer productivity and market links; reducing risks; and increasing access to agri- and farmer finance. In each of these areas advisory services will build on ongoing programs and partnerships.

## **V. ELIGIBILITY**

44. The resources of the Trust Fund shall be used exclusively to finance qualifying interventions (section IV) through either the public sector or private sector window in accordance with the respective eligibility criteria. Table 1 provides a summary of the eligibility criteria across the two financing windows.

### **5.1. Public Sector Window**

45. Under the public sector window, GAFSP may build on and support existing technical assistance and capacity-building initiatives consistent with its purpose and objectives.

#### **5.1.1 Investment**

##### *Eligible countries*

46. Eligible countries are active members of the International Development Association (IDA), including Blend countries<sup>1</sup>. The GAFSP Steering Committee may decide to allow other countries to qualify where there is compelling national poverty (such as Bolivia and Guatemala).

##### *Type of finance*

47. Grants

##### *Selection Criteria*

48. To ensure GAFSP funds support financing gaps in agriculture and food security investment plans of countries with demonstrated commitment to agriculture, the selection criteria include:

- Whether countries have developed, or are in the process of developing, comprehensive agriculture and food security strategies and investment plans. In Africa, these strategies would be

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<sup>1</sup> **Blend Countries:** IDA-eligible but credit-worthy enough to borrow from IBRD.

consistent with the framework of the Comprehensive Africa Agriculture Development Program (CAADP) where a related compact is in place or forthcoming, or with other relevant country-led processes. In other regions, it would require an objectively verifiable case certified by the TAC that the proposal stems from an inclusive consultative process and that the result demonstrates strategic coherence;

- The extent to which the country investment climate and policy environment facilitates public and private investment returns; and
- Demonstrated financial commitment toward increasing domestic investment in agriculture and food security through an increasing share of public spending on agriculture and food security.
- Clearly specified limitation of country's access to alternative concessional sources of financing.

49. Some of these criteria are easily evidenced; others will require judgment by the GASFP Technical Advisory Committee (see "Governance" section). Assessments by the Technical Advisory Committee will be conducted in a transparent manner.

#### ***Eligible regional organizations***

50. Regional organizations (e.g. ECOWAS, COMESA) would be eligible for grant funding in response to specific calls for proposals from the GAFSP Steering Committee.

#### ***Type of finance***

51. Grants

#### ***Selection Criteria***

52. To ensure GAFSP funds support financing gaps in regional agriculture and food security investment plan of regions with a demonstrated commitment to agriculture the selection criteria will include:

- Whether regions have developed, or are in the process of developing, regional agriculture and food security strategies and investment plans;
- The extent to which the regional economic groupings have highlighted the importance of developing smallholder agriculture, and have specific processes in-place to assist their membership in ensuring a policy environment which facilitates public and private investment returns; and
- Demonstrated financial commitment toward increasing regional investment in agriculture and food security, reflected in an increasing share of public spending on agriculture

### **5.1.2 Technical Assistance Funding**

53. GAFSP may build on and support existing technical assistance and capacity-building initiatives consistent with its purpose and objectives.

#### ***Eligible institutions***

54. Regional organizations (such as ECOWAS and COMESA) in partnership with agencies with technical expertise and a comparative advantage in the fields of agriculture and food security (FAO, IFAD, WFP and MDBs) would be eligible for grant funding for technical services.

55. Countries are also eligible for technical assistance embedded in their investment proposal.

***Type of finance***

56. Grants for service provision

***Selection criteria***

- (i) The proposal is submitted in response to a direct invitation from the Steering Committee
- (ii) The proposal is submitted by a regional organization (e.g. ECOWAS and COMESA)
- (iii) It includes a partnership with one of the following agencies: FAO, WFP, IFAD and MDBs to provide technical assistance

**5.2. Private Sector Window Financing**

57. The private sector window would be managed by the International Finance Corporation (IFC) and would support investments that address the core agriculture and food security objectives of GAFSP. Private firms and financial institutions doing business in eligible countries could submit proposals to the IFC for funding from the private sector window in line with the guidelines developed by IFC in consultation and agreement with participating Donors. The process for approving projects under the approved investment plan would follow the guidelines and procedures of the IFC. This streamlined approach ensures that the private sector sub-account can respond rapidly to demands of the private sector.

58. The IFC, as the authorized implementing agency of the private sector window, will submit an annual investment plan to the Steering Committee for their review and endorsement.

***Eligible Firms***

59. Private firms and financial institutions doing business in active IDA and Blend countries can apply for loans, credit guarantees or equity investments through the private sector funding window. Proposals in the agribusiness, food and beverage value chain, including input and service providers, and related infrastructure from private companies or financial intermediaries servicing the agribusiness sector in eligible countries, are eligible.

***Types of finance***

60. Loans, credit guarantees, and equity capital

***Selection Criteria***

61. Private firms and financial institutions operating in eligible recipient countries could access financing under the GAFSP private sector window, contingent upon activities satisfying the following criteria:

- (i) Business activities are broadly consistent with the Government's agricultural and food security strategy and investment plan;
- (ii) Companies have adequate financial strength, profitability, management and operational capabilities and debt service capacity; and
- (iii) Minority investors are able to eventually exit equity investments (equity capital criteria)

- (iv) Financing permits expansion of activities linked to strengthening smallholder-based supply chains, agri, food and beverage production and processing, and linked infrastructure and supply chains.

**Table 1: Eligibility Criteria**

	Public Sector Window		Private sector window
	Investment	Technical assistance	
Who's eligible	<ul style="list-style-type: none"> <li>• Countries <ul style="list-style-type: none"> <li>– Active members of IDA</li> <li>– IDA/IBRD blend countries</li> </ul> </li> <li>• Formal regional organizations (e.g. ECOWAS)</li> </ul>	<ul style="list-style-type: none"> <li>• Regional organizations (e.g. ECOWAS, COMESA) in partnership with agencies with technical expertise (FAO, WFP, IFAD and MDBs).</li> </ul>	<ul style="list-style-type: none"> <li>• Private sector firms and financial institutions.</li> </ul>
Type of finance	<ul style="list-style-type: none"> <li>• Grants</li> </ul>	<ul style="list-style-type: none"> <li>• Grants</li> </ul>	<ul style="list-style-type: none"> <li>• Loans</li> <li>• Credit guarantees</li> <li>• Equity capital</li> </ul>
Selection Criteria	<p><u>For countries</u></p> <ul style="list-style-type: none"> <li>• Clear agriculture strategy and investment plan</li> <li>• Conducive policy environment</li> <li>• Increasing share of public budget spent on agriculture</li> <li>• Limited alternative sources of concessional financing</li> </ul> <p><u>For regional entities</u></p> <ul style="list-style-type: none"> <li>• Clear regional strategy and investment plan</li> <li>• Conducive regional policy environment</li> <li>• High relative share of regional budgets spent on agriculture</li> </ul>	<ul style="list-style-type: none"> <li>• Submissions is in response to a direct invitation from the Steering Committee</li> <li>• Submitted by a regional organization (e.g. ECOWAS and COMESA)</li> <li>• Partners with one of the following agencies: FAO, WFP, IFAD and MDBs to provide technical assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Business activities are broadly consistent with the Government's agriculture strategy and investment plan</li> <li>• Firm characteristics <ul style="list-style-type: none"> <li>– Profitable</li> <li>– Adequate financial health</li> <li>– Management &amp; operational capacity</li> <li>– Debt service capacity</li> </ul> </li> <li>• Financing permits expansion of activities linked to strengthening smallholder-based supply chains, agri, food and beverage production and processing, and linked infrastructure and supply chains.</li> <li>• Minority investors are able to eventually exit equity investments (equity capital criteria)</li> </ul>

## VI. GOVERNANCE AND ACCOUNTABILITY

62. The Governance structure and arrangements of the GAFSP need to be streamlined and flexible to allow for the evolving needs of the GAFSP and its client countries. When finalizing governance arrangements in any one instance, it is critical to address intersecting needs for rapid implementation, financial oversight, country ownership, reduced transaction costs, broad-based consultation and coordination, safeguards, and monitorable results. A major innovation of GAFSP is to accomplish these functions through a separation of those functions benefitting most from broad-based external governance arrangements from those benefitting most from being able to follow time-tested internal administrative procedures of the implementing agencies concerned. A summary of how the GASFP is proposed to work with the associated accountabilities is provided in Table 2.

### **6.1. Countries, Regional Organizations, Private Firms, Financial Institutions**

63. *Countries:* Individual countries through their Ministries of Finance will submit investment and/or technical assistance proposals to the GAFSP Coordinating Unit with endorsement of the proposal from the Chair of the local donor group. This will ensure country led requests, and additionality, complementarity, and reinforcement of what government and development partners are already doing. Countries will execute programs, and be accountable for use of funds to the implementing agency selected to support execution.

64. *Regional entities:* Regional organizations (such as ECOWAS) will submit investment proposals to the GAFSP Coordinating Unit. They will execute programs, and be accountable for use of funds to the implementing agency (one of the MDBs or IFAD) selected to support execution.

65. Regional entities (such as ECOWAS) will, in partnership with one of the MDBs, FAO, IFAD or WFP, submit technical assistance proposals to the GAFSP Coordinating Unit. They will execute programs and be accountable for use of fund to the implementing agency selected to support execution.

66. *Private firms:* After endorsement by the Steering Committee of the IFC's investment plan, individual private companies and financial institutions will submit financing requests directly to the IFC. IFC will evaluate requests and extend financing under its own policies and procedures. The companies will be accountable to the IFC on repayment of loans provided.



**Table 2: Governance and accountability across the two financing windows**

	Public Sector Window		Private Sector Window
<b>Countries</b> <b>Regional organizations</b> <b>Private firms</b>	<b>Countries</b> <ul style="list-style-type: none"> <li>Countries (Ministries of Finance) submit proposals to the GAFSP Coordinating Unit with endorsement from chair of the local donor group</li> <li>Implement programs</li> <li>Accountable to MDBs and IFAD for use of funds</li> </ul> <b>Regional Organizations</b> (e.g. ECOWAS, COMESA) <ul style="list-style-type: none"> <li>Heads of regional organizations submit proposals to the GAFSP Coordinating Unit</li> <li>Accountable to MDBs and IFAD for use of funds</li> </ul>	<b>Regional Organizations</b> (e.g. ECOWAS and COMESA) <ul style="list-style-type: none"> <li>Submit proposals for technical assistance to the GAFSP Coordinating Unit. Proposals to be developed in partnership with FAO, WFP, IFAD or MDBs (in line with Steering Committee invitation for proposals)</li> </ul>	<b>Private firms and Financial Institutions</b> <ul style="list-style-type: none"> <li>Submit requests to IFC</li> <li>Accountable to IFC for funds received</li> </ul>
<b>Implementing agencies</b>	<b>Multilateral Development Banks and IFAD</b> <ul style="list-style-type: none"> <li>Assist selected countries and regional organizations design programs</li> <li>MDBs and IFAD use own internal policies and procedures</li> <li>Enter into grant agreements with client country and regional organizations</li> <li>Submit annual implementation reports to the GAFSP Coordinating Unit</li> </ul>	<b>FAO, WFP, IFAD or MDBs</b> <ul style="list-style-type: none"> <li>Partner with regional organizations on proposal development</li> <li>Manage funds allocated by Steering Committee for technical assistance</li> <li>Use own internal policies and procedures for carrying out technical assistance</li> <li>Submit annual status reports to the GAFSP Coordinating Unit</li> </ul>	<b>International Finance Corporation</b> <ul style="list-style-type: none"> <li>Select private firms and financial institutions</li> <li>Uses own internal policies and procedures</li> <li>Submit annual implementation reports to the Steering Committee with copy to the GAFSP Coordinating Unit</li> </ul>
<b>GAFSP Coordinating Unit</b>	<ul style="list-style-type: none"> <li>Receives proposal requests through Ministries of Finance and heads of regional organizations</li> <li>Compiles proposal materials in line with the eligibility criteria for</li> </ul>	<ul style="list-style-type: none"> <li>Receives proposal requests through regional organizations</li> <li>Compiles proposal materials in line with the eligibility criteria for review by the GASFP Technical</li> </ul>	

	review by the GASFP Technical Advisory Committee	Advisory Committee	
	<ul style="list-style-type: none"> <li>• Inform the Trustee Account on the Steering Committee allocation decisions to the implementing agencies.</li> <li>• Compiles annual reports based on materials submitted by the implementing agencies.</li> </ul>		
<b>GAFSP Technical Advisory Committee</b> Appointed by the Steering Committee	<ul style="list-style-type: none"> <li>• Reviews proposals against the eligibility criteria</li> <li>• Recommends to the Steering Committee indicative allocations of financial support to countries and/or regional organizations, broad topic areas, and appropriate implementing agency</li> </ul>	<ul style="list-style-type: none"> <li>• Recommends to the Steering Committee the types of broad technical assistance to be provided and indicative amount</li> </ul>	
<b>GAFSP Steering Committee</b> - Representatives of fund providers - MD of WB - Head of HLTF	<ul style="list-style-type: none"> <li>• Approves country funding proposals [allocations per selected country and/or regional organization]</li> <li>• Selects one of the MDBs or IFAD (implementing agency) reflecting both preferences of the donor group and country and regional organization</li> </ul>	<ul style="list-style-type: none"> <li>• Approves technical assistance proposals submitted by regional organizations [makes allocations per selected proposal]</li> </ul>	
<b>GAFSP Trustee (World Bank)</b>	<ul style="list-style-type: none"> <li>• Receives and manages donor funds</li> <li>• Provides financial reports to donors including annual audited financial statement</li> <li>• Signs Administration Agreements with Donors and Fund Transfer Agreement with implementing agencies</li> </ul>		

## 6.2. Implementing Agencies

67. *MDBs, FAO, IFAD and WFP*: The supporting implementing agency (MDBs and IFAD for investment operations or technical assistance; FAO and WFP for technical assistance only) selected by the GAFSP Steering Committee will assist selected countries or regional organization to design programs. The implementing agency will operate using its own policies and procedures. It will enter into a grant agreement with the client country or a regional organization. It will submit annual implementation progress reports to the GAFSP Coordinating Unit. The implementing agencies will each need to enter into a legal agreement with the Trustee to facilitate commitment and transfer of funds from the GAFSP Trust Fund to the implementing agency. The procedures and reporting requirements set out in the legal agreement are expected to be simple, flexible and designed to ensure alignment with the policies and procedures of the implementing agency.

68. *Selection of Implementing Agency*: As part of its decision-making process, the Steering Committee will make grant allocations for investment and technical assistance and assign country and regional proposals to one or more implementing agencies. Commensurate sums will then be transferred from the GAFSP FIF at the World Bank to the implementing agencies in question. The sequence of actions is detailed in section VIII on *Procedures*.

69. *International Finance Corporation*: Based on the eligibility criteria, the IFC will select private firms for financing through the private sector window. It will submit annual implementation reports to the Steering Committee with copy to the GASFP Coordinating Unit. The private sector GAFSP window to be managed by the IFC will make loans or equity investments in private companies investing in the agribusiness sector, food and beverage value chain, including input and service providers, and related infrastructure and based on accepted proposals prepared by the companies in line with IFC's investment plan as endorsed by the Steering Committee. Accepted proposals will be subject to IFC's internal governance procedures, terms, and lending criteria, embodied in the rules of an IFC trust fund set up for the purpose and acceptable to the Steering Committee. Equity investments will be managed through IFC's subsidiary, the Asset Management Company, and have an independent advisory committee and an investment committee GAFSP donors could be represented on the advisory committee to ensure transparency.

## 6.3. GAFSP Steering Committee

70. **A GAFSP Steering Committee** will be established to oversee the operations and activities of GAFSP, and **is the decision-making body of GAFSP**. The design of the governance structure is meant to be simple and flexible to allow for adjustments as the GAFSP and its needs evolve. Initially, the Steering Committee will include representatives of the main providers of funds to GAFSP, a Managing Director of the World Bank and the Head of the United Nations Administrative Unit of the High Level Task Force on the Global Food Crisis. Decision-making will be by consensus. Following inputs from the Technical Advisory Committee, the Steering Committee will allocate available donor funds to individual implementing agencies based on agreed criteria and country proposals.

- (i) *Public sector window*: (a) approve country investment and technical assistance proposals (allocations per country); (b) approve regional investment proposals (allocations per regional organization); (c) select supporting implementing agency for country investment and technical proposals and regional investment proposals; and (d) approve funding proposals for technical assistance to regional organizations.

- (ii) *Private window*: Endorsement of IFC's annual investment proposal by the Steering Committee. No decisions, as these are delegated to IFC with the transfer of funds earmarked for the private sector windows by the donors concerned.

71. The Steering Committee may approve or modify recommendations by the Technical Advisory Committee with regards to the size of country or regional allocations or the allocations to the different implementing agencies. The Steering Committee will be the recipient of the overall progress reports concerning GAFSP prepared by the GAFSP Coordinating Unit. The Steering Committee will nominate and approve all members of the GAFSP Technical Advisory Committee (see below).

#### **6.4. GAFSP Technical Advisory Committee**

72. *Technical Advisory Committee (TAC)*. An external **Technical Advisory Committee (TAC)** consisting of no more than 12 members will be appointed by the Steering Committee to reflect the combined expertise of a wide variety of agriculture and food security stakeholders with respect to the public sector components of GAFSP. Members will need to have a high level of experience and technical expertise in food security issues. The TAC will be supported by the **GAFSP Coordinating Unit which will be located at the World Bank**. The head of the GAFSP Coordinating Unit will be a member of the GAFSP TAC to ensure effective liaison. The functions of the TAC across the two financing windows are:

- (i) *Public sector window*:
- Provide due diligence to all stakeholders that proposals are consistent with the objectives, modalities and procedures of GAFSP as laid out in this document, and that allocations to countries and regional organizations are not for activities outside the scope of the activities laid out in section IV.
  - Screen country applications with regard to: (a) the quality assurance process used for the national agricultural plans of recipient countries; (b) the level and composition of public and other donor expenditures on agriculture and food security; (c) the conduciveness of national policy frameworks to broad-based agricultural development and sustainable safety nets; (d) alternative sources of support for implementing food security and agricultural investment; and (e) the relative magnitudes of need. The TAC will not appraise or review specific projects, a function best accomplished by the relevant implementing agency of GAFSP for the project concerned.
  - Recommend to the Steering Committee a set of indicative allocations of financial support to countries, broad topic areas, and appropriate implementing agency.
  - Recommend to the Steering Committee a set of indicative allocations of financial support to regional organizations in support of investment and/or technical assistance proposals submitted, as well as the implementing agency as relevant (MDBs, IFAD, WFP or FAO).
- (ii) *Private sector window*: The IFC will rely on independent advisory and investment committees to ensure due diligence on the project and consistency with GAFSP objectives. Investments will be made in line with IFC's own policies and procedures.

73. *Communication with a broader constituency of external stakeholders*. The external governance of the Financial Intermediary Fund (FIF) through the Steering Committee and the external Technical Advisory Committee is designed to ensure transparency in GAFSP allocations across countries and topics. However, an additional mechanism is also proposed for discussing GAFSP results with a broader constituency. This is that the GAFSP Steering Committee will commission an annual workshop organized by the Coordinating Unit of the Global Donor Platform for Rural Development (GDPRD). GAFSP will support this cost out of FIF resources. The workshop will typically involve about 100 participants, and

will include representation from all stakeholder groups involved in GAFSP, including recipient countries and regional organizations. The workshop will be the venue for each implementing agency to communicate progress towards results, knowledge, and lessons learnt in the projects that it manages.

#### **6.5. The GAFSP Coordinating Unit**

74. A GAFSP Coordinating Unit will comprise a small team within the World Bank that will support the GAFSP Steering Committee and Technical Advisory Committee and facilitate communications between the Steering Committee and the other partners of the GAFSP. The Coordinating Unit will also liaise between World Bank Management and GAFSP; facilitate communications among different partners of GAFSP, including the IFC; receive investment proposal requests through Ministries of Finance and regional organizations; compile investment and technical assistance proposals in line with the eligibility criteria for review by the GAFSP Technical Advisory Committee; cooperate with the Trustee; inform the Trustee of the Steering Committee decisions and funds to be transferred to implementing agencies; and compile annual progress reports based on materials submitted by the implementing agencies for the public and private sector windows.

#### **6.6. The Trustee Role of the World Bank Group**

75. The World Bank will serve as trustee of the GAFSP Trust Fund. The Trustee will act as financial intermediary with respect to the GAFSP proceeds administered by the Implementing Entities, and in this capacity, will have no responsibility to the GAFSP contributors for the use of such proceeds over and above those responsibilities contained in a trust fund administration agreement, agreements with the Implementing Entities, and relevant World Bank procedures and policies. Each Implementing Entity will be responsible for the use funds transferred by the Trustee in accordance with its own fiduciary framework, policies, guidelines and procedures. The Trustee will be accountable to the Steering Committee for the performance of its fiduciary responsibilities. The Trustee will submit regular reports to the Steering Committee on the financial status of each of the sub-accounts.

76. IBRD, in its capacity as the Trustee, will hold in trust, as a legal owner, and administer the funds, assets and receipts, which constitute the GAFSP Trust Fund.

### **VII. FINANCING OF THE GAFSP**

77. The Program will solicit contributions from donor countries, private foundations, and multilateral institutions. Donors may target their contributions to either of the two established windows (public and private) under the GAFSP Trust Fund. The Steering Committee will approve funding for GAFSP activities and administrative costs based on the level of funds held in each of the sub-accounts as informed by the Trustee. The activities supported by the GAFSP Trust Fund will be under the authority and oversight of the GAFSP Steering Committee.

#### **7.1. Trust Fund Establishment and Administration**

78. A single multi-donor trust fund supporting the multiple strategic objectives of the GAFSP will be established at the World Bank as a Financial Intermediary Fund (FIF). The World Bank would function as the Trustee for the Trust Fund, which will be managed under a single governance framework, common standard provisions, and streamlined procedures and guidelines. The financial statements would be prepared for the consolidated Trust Fund, but separate reporting will be available for each of the windows. To facilitate administrative procedures, donors would enter into a single administrative

agreement with the Trustee that would include specifications for the amounts to be directed towards either of the established windows. Under established practices for FIFs managed by the World Bank, none of the World Bank operational policies that apply to IBRD and IDA financing would apply to Trustee commitments or cash transfers from the Trust Fund.

79. The Trust Fund will pool donor funds in support of the GAFSP. As funds will be co-mingled within each sub-account, earmarking of contributions in support of specific investment plans, programs, projects, or country/regions would not be possible.

## **7.2. Access to Resources and Transfer of Funds**

80. Access to Trust Fund resources by eligible countries, regional organizations, and private firms and financial institutions will follow the procedures outlined under Section VIII “Procedures and Reporting”, below. Decision-making authority for the approval of financial resources will be held solely by the Steering Committee. The World Bank, as Trustee, will not play a role in this process.

81. For both the public sector and private sector windows, based on decisions taken by the GAFSP Steering Committee, the Trustee will transfer specific amounts to the designated implementing agency in accordance with agreed procedures as set out in an agreement between the Trustee and the implementing agency. The agreement will also set out the streamlined financial reporting requirements to the Trustee and outline accountability requirements to the Trustee regarding financial transactions (cancellations of approved amounts, financial closures and unutilized funds if any). Upon the transfer of funds, fiduciary responsibilities and legal liability will be transferred from the World Bank to the implementing agency. The World Bank, acting in its capacity as Trustee for the GAFSP Trust Fund, will no longer hold any legal obligation over the effective financial management of the funds. The rules, policies, procedures for procurement, financial management safeguards and supervision of the specific implementing agency in receipt of the GAFSP funds will apply. Accountability for the proper handling and the use of funds will thus be between the agency receiving the funds and the Donors [Steering Committee]. To allow consolidated reporting to the Donors and Steering Committee, implementing agencies will submit annual progress reports on the use of the GAFSP proceeds to the Coordinating Unit. (see Section 8.5 “Reporting”).

## **7.3. Cost Recovery**

82. The Trust Fund will operate under full cost recovery basis, including recovery of all costs associated with design and set-up of the GAFSP, including the Trust Fund. Based on practices followed for other World Bank managed FIFs, the following costs categories should be covered by the Trust Fund. It should be noted that not all costs described in the following categories will be applicable to the Trust Fund:

- a) Administrative costs of the Trustee. These costs cover staff time associated with support to the Coordinating Unit for resource mobilization efforts, if any, cash flow and liquidity analysis, management of contributions, commitment and fund transfers to implementing agencies, financial reporting to donors, investment management, legal services, accounting services, and arranging for the audit of the Trust Fund. Costs of systems (development and maintenance as applicable) and other institutional costs may also be recovered.
- b) Administrative costs of the GAFSP Coordinating Unit. These costs cover staff time associated with providing liaison services between World Bank Management and GAFSP,

facilitating communications among different partners of GAFSP, receiving investment proposal requests through Ministries of Finance and regional entities, compiling investment proposals in line with the eligibility criteria for review by the GAFSP Technical Advisory Committee, informing the Trustee of the GAFSP Steering Committee decisions to facilitate the Trustee's commitment of funds to the relevant implementing institution, and compiling reports based on materials submitted by the implementing agencies for the public sector and private sector sub-accounts.

- c) Administrative costs of implementing agencies. These costs cover all corporate expenses of agencies, such as development and general administration of the financial procedures with the Trustee, if necessary, reporting to donors, Trustee and Coordinating Unit, guidance on project proposals, vetting projects, grant management including disbursements to country recipients, accounting and financial reporting. For the private sector sub-account, IFC will charge a management fee to cover their administrative costs for administering the facility, making equity investments and supervision, in consultation with the concerned donors.
- d) Project fees. These costs cover the supervision costs of the implementing agencies—project identification, development, preparation, quality enhancement, appraisal, negotiations, supervision, monitoring and evaluation by the agencies.
- e) Administrative costs of the Technical Advisory Committee(s). These costs cover consulting costs, travel, etc.

83. Administrative costs of the Coordinating Unit and the Trustee will be covered by the Trust Fund on a full-cost recovery basis. Administrative costs and project fees for implementing agencies are covered by the Trust Fund. These are allocated by the Steering Committee following approval of investment or technical assistance grants and submission of estimated administration and project preparation and supervision costs by the relevant implementing agency to the Steering Committee.

## **VIII. PROCEDURES AND REPORTING**

84. This section highlights indicative procedures for proposal preparation, submission, review and reporting.

### **8.1. Proposal Preparation**

#### **8.1.1 Call for proposals.**

##### Public Sector Window

##### *Investment and technical assistance*

85. When funds have been made available, the GAFSP Steering Committee will issue a call for proposals to specific national governments and regional organizations (e.g. ECOWAS) for defined programs and projects. These could include proposals for both investment and technical assistance. For more details on eligibility of proposals, please see section on *Eligibility (Section V)*.

86. Based on the availability of funds, the Steering Committee may invite one or more regional organizations (e.g. ECOWAS, COMESA) to submit a proposal on a specific topic in partnership with one of the implementing agencies (FAO, WFP, IFAD, MDBs).

#### Private Sector Window

87. When funds are made available under the private sector window, International Finance Corporation (IFC) will issue a call for proposals from private firms and financial institutions doing business in eligible countries for financing or for equity capital.

#### **8.1.2 Proposal preparation.**

88. The proposals under the public sector window should include enough information to allow for an assessment by the TAC of the alignment of the proposal with the eligibility criteria (see section V) and scope of GAFSP (see section IV).

#### *Investment*

89. National authorities and regional organizations would express a preference in their proposal for a specific implementing agency (MDBs or IFAD) to assist in the preparation and supervision of the proposed projects or programs.

#### *Technical Assistance*

90. Technical assistance and capacity building components may be embedded in country investment proposals mentioned above.

91. In the case of stand-alone activities, proposals will be prepared by regional organizations (e.g. ECOWAS, COMESA) in partnerships with technical agencies with a comparative advantage in the fields of agriculture and food security (FAO, IFAD, WFP and MDBs).

#### **8.1.3 Format and coverage of proposals.**

92. Proposals should be submitted on the template circulated by the GAFSP Coordinating Unit and should be no more than 20 pages in length (excluding annexes). Proposals of projects or programs should indicate their consistency with the GAFSP scope as outlined in Section IV, and include evidence to satisfy the eligibility criteria (Section V). Proposals can include both investment and technical assistance components

#### **Public Sector Window**

93. Investment and technical assistance: Proposal template should include the following sections:

- a) Evidence of meeting the eligibility and selection criteria
- b) Objectives and expected results
- c) Targeted beneficiaries
- d) Components to be financed
- e) Budget, indicating required GAFSP financing and other co-financing arrangements



- f) Timeframe
- g) Preferred implementing agency to support preparation and implementation supervision.
- h) Potential risks and bottlenecks

94. Stand-alone technical assistance: Invited stand-alone Technical Assistance proposals from regional organizations should include:

- a) Proposed activities, budget and timeline to meet the objectives of the invited proposal
- b) Partnership with an organization with technical expertise (FAO, WFP, IFAD and MDBs)
- c) Potential risk and bottlenecks

### ***Private Sector Window***

95. Private Sector Window: Private firms and financial institutions doing business in eligible countries will be able to submit proposals directly to the IFC. Companies, Micro, Small and Medium Enterprises' (MSME) farmers, small holders etc, will be able to apply directly to local banks and MFI's selected to participate as intermediaries by IFC in eligible countries. Separate Facilities may be established for Debt and Equity. Each participating financial intermediary will use its criteria for accepting proposals and on lending, but will enter into agreements and framework with IFC to ensure GAFSP objectives are met in order to be able to participate. There is no specific format for submission of proposals, but should include information customarily needed for financial, operational, environmental and social, and management capability review. As specific guidelines are developed by IFC for these Facilities, they will be presented to the Donors for discussion and agreement, and will be subject to the approval of the IFC Board of Directors and the Donor Agencies contributing.

## **8.2. Proposal Submission**

### **8.2.1 Public Sector Window:**

#### ***Investment and technical assistance***

96. Finance Ministries of eligible countries, will submit proposal applications for grant funding to the GAFSP Coordinating Unit. Every proposal should be signed by the Ministry of Finance as well as the relevant technical ministry (e.g. agriculture, rural development, social welfare, etc) and endorsed by the chair of the local donor group or equivalent. Technical assistance components may be embedded in country investment proposals.

97. For regional organization, the head of the organization will submit proposal applications for grant funding to the GAFSP Coordinating Unit.

98. The Coordinating Unit will circulate the proposal application to the GAFSP Technical Advisory Committee.

#### ***Stand-alone Technical Assistance***

99. On invitation by the GAFSP Steering Committee proposals will be submitted on a specific topic by the head of a regional organization (e.g. ECOWAS and COMESA) to the GAFSP Coordinating Unit. The Coordinating Unit will circulate the proposal application to the GAFSP Technical Advisory Committee.

### **8.2.2 Private Sector Window:**

100. Private firms and financial institutions doing business in eligible countries would submit proposals to the private sector window, which would be managed by the International Finance Corporation as part of specific Facilities developed for debt and equity financing in the agribusiness sector. The Facilities could provide financing in the form of equity investments, long-term debt, partial credit guarantees, short-term liquidity, and other appropriate instruments. The Facilities could also provide financing for public-private infrastructure projects that support agriculture. After an initial approval of an investment plan by the Steering Committee, funding decisions would be made by the IFC trust fund/Facilities, consistent with IFC's normal lending criteria and with the country's national food and agriculture plans. For more details on eligibility of proposals, please see section on *Eligibility (Section V)*.

### **8.3. Proposal Review and Due Diligence by TAC**

101. The GAFSP Technical Advisory Committee would review each proposal application within a reasonable time period. The purpose of the technical review is to provide due diligence to the GAFSP Steering Committee with regard to whether the application meets GAFSP criteria for eligibility and need - see *Eligibility (Section V)* and *Governance and Accountability (Section VI)*.

102. The Technical Advisory Committee at the same time would develop a recommendation on an indicative amount for the application concerned. Periodically, the Technical Advisory Committee would propose to the Steering Committee for approval a series of prioritized recommendations on allocations to specific proposal applications. It would draft a recommendation to the Steering Committee on amounts and implementing agencies. The Steering Committee would promptly approve, modify or decline the recommendations in whole or in part.

### **8.4. Implementation**

103. Once a proposal has been approved by the Steering Committee, an implementing agency is selected, and its internal policies and procedures will be used for design, implementation, and evaluation of the projects or programs. Similarly, in the case of stand-alone proposals for Technical Assistance, following approval by the Steering Committee, an implementing agency is selected, and its internal policies and procedures will be used for design, implementation, and evaluation of the projects or programs. For both investment and technical assistance, CSOs and private sector actors could have a role as third party implementing agents or service providers dependent on program scope and design.

104. For proposals under the private sector window, IFC will use its internal policies and procedures for implementation, and evaluation of the private sector investments.

### **8.5. Reporting**

105. *Financial Reporting Requirement.* To allow consolidated reporting to the Donors to the GAFSP Trust Fund and the Steering Committee, each implementing agency is required to submit a progress report to the GAFSP Coordinating Unit on the use of received funds. The World Bank, acting in its capacity as a Trustee to the GAFSP Trust Fund, will prepare periodic financial reports to the Steering Committee on the finances of the GAFSP Trust Fund. All the implementing agencies of the GAFSP will be required to submit periodic reports to the Trustee who will submit the reports to the GAFSP Steering Committee.

106. *Results Reporting Requirement.* Each implementing agency (and executing entity) that receives funding under the GAFSP Trust Fund will report annually to the GAFSP Steering Committee, with copy to the Technical Advisory Committee on progress and results for all activities. The GAFSP Coordinating Unit at the World Bank will compile these reports into an annual progress report for the Steering Committee. All programs and activities supported under the GAFSP will carry explicit commitments to monitoring and evaluation during implementation following the standards, procedures and requirements of the implementing agencies directly concerned, and with regard to willingness to share information for evaluation purposes after implementation. The format and contents of the reports will be agreed upon with Steering Committee. A proposed draft of results indicators is included in Annex 1.

107. For the private sector window, IFC will report directly to the Steering Committee, on an annual basis, on progress and use of the private sector window funds. The format and contents of this report will be agreed upon with contributing donors when the IFC debt and equity Facilities are developed

**Table 3: Procedures and reporting across the two financing windows**

	Public Sector Window		Private Sector Window
	Investment	Technical Assistance	
<b>Call for Proposal</b>	Call for proposals will be issued by the GAFSP Steering Committee to national governments and regional organizations. The call for proposal may be more specific reflecting donor priorities	Direct invitation for proposals on a specific topic will be made by GAFSP Steering Committee to one more regional organization (e.g. COMESA, ECOWAS)	International Financial Corporation (IFC) will issue a call for proposal. The call for proposal may be more specific reflecting donor priorities
<b>Who submits?</b>	<ul style="list-style-type: none"> <li>• Countries (Ministries of Finance) submit proposals to the GAFSP Coordinating Unit with endorsement from chair of the local donor group. Countries partner with MDBs and IFAD to submit proposals</li> <li>• Heads of regional organizations submit proposals to the GAFSP Coordinating Unit. Regional organizations partner with MDBs and IFAD to submit proposals</li> </ul>	<p>Regional Organizations (e.g. ECOWAS and COMESA) submit proposals for technical assistance to the GAFSP Coordinating Unit.</p> <ul style="list-style-type: none"> <li>• Proposals to be developed in partnership with FAO, WFP, IFAD or MDBs (in line with Steering Committee invitation for proposals)</li> </ul>	Private firms and financial institutions doing business in eligible countries submit proposals to the IFC as part of specific Facilities developed for debt and equity financing.
<b>What will be included in the proposal submission package?</b>	<ul style="list-style-type: none"> <li>• A completed proposal template (see section 8.1.3)</li> <li>• An executive summary of the national or regional agricultural strategy and an analysis of public expenditure on similar or complementary items</li> <li>• Documentation that package has been vetted through a country or regional process (such as CAADP Compact) and endorsed by chair of local donor group</li> </ul>	<ul style="list-style-type: none"> <li>• A completed proposal template (see section 8.1.3)</li> <li>• A clear demonstration of partnership by a regional organization with one of the following agencies with comparative advantage in the fields of agriculture and food security: FAO, IFAD, WFP and MDBs.</li> </ul>	There is no specific format for submission of proposals, but should include information customarily needed for financial, operational, environmental and social, and management capability review.
<b>Who receives the submission package?</b>	GAFSP Coordinating Unit receives proposals and compiles proposal materials in line with the eligibility criteria for review by the GASFP Technical Advisory Committee	GAFSP Coordinating Unit receives proposals and compiles proposal materials in line with the eligibility criteria for review by the GASFP Technical Advisory Committee	IFC receives proposals from private firms and financial institutions doing business in eligible countries
<b>Who reviews and</b>	GAFSP Technical Advisory	GAFSP Technical	After an initial approval

<p><b>approves the submission package?</b></p>	<p>Committee</p> <ul style="list-style-type: none"> <li>• Reviews proposals and provide due diligence to the GAFSP Steering Committee;</li> <li>• Recommends to the GAFSP Steering Committee indicative allocations, broad topic areas and appropriate implementing agency</li> </ul> <p>GAFSP Steering Committee</p> <ul style="list-style-type: none"> <li>• Approve, modify or declines the recommendations of the GAFSP Technical Advisory Committee</li> </ul>	<p>Advisory Committee</p> <ul style="list-style-type: none"> <li>• Reviews proposals and provide due diligence to the GAFSP Steering Committee;</li> <li>• Recommends to the GAFSP Steering Committee types of broad technical assistance to be provided and indicative amounts</li> </ul> <p>GAFSP Steering Committee</p> <ul style="list-style-type: none"> <li>• Approve, modify or declines the recommendations of the GAFSP Technical Advisory Committee</li> </ul>	<p>of an investment plan by the Steering Committee, funding decisions would be made by the IFC trust fund/Facilities, consistent with IFC’s normal lending criteria and with the country’s national food and agriculture plans.</p>
<p><b>How are funds transferred?</b></p>	<p>For financing of country and/or regional programs</p> <ul style="list-style-type: none"> <li>• Funds are transferred from GAFSP Trust Fund to the MDB or IFAD and all responsibility is devolved to the MDB or IFAD</li> <li>• MDBs or IFAD use own internal policies and procedures and enters into grant agreements with country and/or regional organization to implement program</li> </ul>	<p>For financing of stand-alone technical assistance</p> <ul style="list-style-type: none"> <li>• Funds are transferred from GAFSP Trust Fund to FAO, IFAD, WFP or MDBs and all responsibility is devolved to these implementing agencies</li> <li>• Implementing agencies use own internal policies and procedures and partner with regional organizations to implement activities</li> </ul>	<p>IFC will make loans, guarantees or equity investments in private companies and financial institutions based on accepted proposals prepared by the companies and deemed to be in line with the national or regional agricultural development or food security strategies of the countries concerned.</p>
<p><b>Who implements?</b></p>	<p>For country investment programs,</p> <ul style="list-style-type: none"> <li>• MDBs and IFAD in partnership with national entities or regional organizations implement activities endorsed by the GAFSP Steering Committee.</li> <li>• MDBs and their country partner, in turn, can partner with public, civil society, and private actors for implementation of programs. However, the overall implementation responsibility will</li> </ul>	<p>For financing of stand-alone technical assistance</p> <ul style="list-style-type: none"> <li>• FAO, IFAD, WFP or MDBs in partnership with regional organizations implement activities endorsed by the GAFSP Steering Committee.</li> <li>• FAO, IFAD, WFP or MDBs and the regional organization, in turn, can partner with public, civil society, and private actors for implementation of activities. However,</li> </ul>	<p>Private firms and financial institutions doing business in eligible countries selected by IFC. Companies, Micro, Small and Medium Enterprises’ (MSME) farmers, small holders etc, will be able to apply directly to local banks and MFI’s selected to participate as intermediaries by IFC in eligible countries. Each participating financial intermediary will use its criteria for accepting proposals and on lending, but will enter into</p>

	remain with the MDB.	the overall implementation responsibility will lie with the implementing agency.	agreements and framework with IFC to ensure GAFSP objectives are met in order to be able to participate.
<b>Results Reporting</b>	All implementing agencies submit reports on: <ul style="list-style-type: none"> <li>• Annual audited financial statement</li> <li>• Annual report on progress and results of all activities financed through the GAFSP Trust Fund</li> </ul>	All implementing agencies submit reports on: <ul style="list-style-type: none"> <li>• Annual audited financial statement</li> <li>• Annual report on progress and results of all activities financed through the GAFSP Trust Fund</li> </ul>	IFC submits reports on: <ul style="list-style-type: none"> <li>• Annual audited financial statement</li> <li>• Annual report on progress and results of all activities financed through the GAFSP Trust Fund</li> </ul>

## **ANNEX 1: GAFSP Results Framework**

### **Program Goal**

The Global Agriculture and Food Security Program (GAFSP) aims to improve the income and food security of poor people in developing countries through more and better public and private sector investment in the agriculture and rural sectors that is country-owned and led; by filling existing financing gaps in ongoing bilateral and multilateral assistance.

### **Program level indicators**

Additional financing provided through GAFSP

Number of people (disaggregated by gender) directly benefitting from investments to improve income and food security funded by the GAFSP

### **Component level indicators**

The following set of core indicators are intended to provide a basis for monitoring results under the GAFSP. This set of suggested indicators for each of the five pillars of the GAFSP can be measured and reported at the country level and aggregated to assess results of the overall Program. In addition to the indicators suggested below, it is envisaged that an expanded set of core indicators would be developed to capture intermediate outcomes and outputs of the different investments envisaged under the GAFSP. Baseline values and targets are not specified as these will depend on the specific country-level programs implemented under the GAFSP.

#### **Component I: Raise agricultural productivity**

- Number of farmers (disaggregated by gender) benefiting from improved technology, improved access to agricultural inputs and services and improved irrigation and land tenure security

#### **Component 2: Linking farmers to market**

- Number of farmers (disaggregated by gender) benefiting from improved market access, improved market information and investments to increase value addition

#### **Component 3: Reducing risk and vulnerability**

- Number of households benefiting from direct transfer programs
- Number of children benefiting from school feeding programs
- Number of people (disaggregated by gender) benefiting from labor intensive public works programs
- Number of pregnant and lactating women receiving food and micronutrient supplements
- Number of children under 2 receiving food and micronutrient supplements

#### **Component 4: Improving rural non-farm livelihoods**

- Number of people - enterprise owners and workers – (disaggregated by gender) benefiting from targeted investments in rural non-farm enterprises and vocational and enterprise training.
- Number of households benefiting from improved rural infrastructure (electricity, water supply and roads)