

**FRAMEWORK DOCUMENT**

**FOR A**

**GLOBAL AGRICULTURE AND FOOD SECURITY PROGRAM  
(GAFSP)**

**SUSTAINABLE DEVELOPMENT NETWORK**

**DECEMBER 7, 2009**

**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, the World Food Programme and many other agencies and individuals in response to a request contained in the G20 Leaders' Statement at the Pittsburgh Summit on September 25, 2009, to design a multilateral funding mechanism to support significant gaps in a country-led process of agricultural development and food security. It has in particular benefitted from extensive consultations with donor, recipient, UN agency, and civil society stakeholders.**

## Table of Contents

ABBREVIATIONS AND ACRONYMS .....	2
EXECUTIVE SUMMARY .....	4
I. OBJECTIVES .....	8
II. VALUE ADDED .....	9
III. STRENGTHENING MULTILATERALISM FOR AGRICULTURE AND FOOD SECURITY .....	10
IV. SCOPE OF THE PROGRAM.....	11
4.1 Component One – Raising Agricultural Productivity.....	13
4.2 Component Two – Linking Farmers to Markets.....	16
4.3 Component Three – Reducing Risk and Vulnerability.....	19
4.4 Component Four – Improving Non-Farm Rural Livelihoods.....	20
4.5 Component Five – Technical Assistance, Institution-Building, and Capacity Development.....	22
V. ELIGIBILITY .....	24
5.1 Public Sector Window .....	24
5.2 Private Sector Window .....	26
VI. GOVERNANCE AND ACCOUNTABILITY .....	29
6.1 Countries, Regional Organizations, Civil Society Organizations, Private Firms, Financial Institutions.....	29
6.2 Supervising Entities .....	33
6.3 GAFSP Steering Committee .....	34
6.4 GAFSP Technical Advisory Committee.....	35
6.5 GAFSP Coordination Unit.....	36
6.6 The Trustee Role of the World Bank .....	36
VII. FINANCING OF THE GAFSP .....	37
7.1 Trust Fund Establishment and Administration .....	37
7.2 Access to Resources and Transfer of Funds .....	37
7.3 Cost Recovery .....	38
VIII. PROCEDURES AND REPORTING.....	39
8.1 Proposal Preparation .....	39
8.2 Proposal Submission.....	41
8.3 Proposal Review and Due Diligence by the Technical Advisory Committee .....	42
8.4 Implementation .....	43
8.5 Reporting.....	43
ANNEX 1: GAFSP Results Framework.....	47



## ABBREVIATIONS AND ACRONYMS

CAADP	Comprehensive Africa Agricultural Development Programme
CGIAR	Consultative Group on International Agricultural Research
COMESA	Common Market for Eastern and Southern Africa
CSO	Civil Society Organization
ECOWAS	Economic Community Of West African States
FAO	Food and Agriculture Organization
FIF	Financial Intermediary Fund
GAFSP	Global Agriculture and Food Security Program
GDPRD	Global Donor Platform for Rural Development
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technologies
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFPRI	International Food Policy Research Institute
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MSMEs	Micro, Small and Medium-sized Enterprises
NARS	National Agricultural Research System
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
RVP	Regional Vice President
SENAR	National Service for Rural Apprenticeship (Brazil)
SWAp	Sector-wide Approach
TAC	Technical Advisory Committee
UN	United Nations
USA	United States of America
WFP	World Food Programme

### Core Task Team

Juergen Voegelé (ARD – Sector Director), Christopher Delgado (ARD – Task Manager), Pamela Crivelli (CFPMI), Robert Townsend (ARD), Pauline Zwaans (ARD), Fareeba Mahmood (CFPTP), Maria Dakolias (LEGCF), Chie Ingvaldstad (CFPMI), Wen-Jun Tan (LEGCF), Anke Reichhuber (SDNVP), Mona Sur (EASNS), Saswati Bora (ARD), Vipul Prakash (CAGDR), Rajesh Behal (CAGDR), Pamposh Razdan (CPATF) in close collaboration with representatives of IFAD, FAO, WFP and the governments of Canada, Spain and the United States.



## EXECUTIVE SUMMARY

*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 Africa Agricultural Development Programme (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)

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 by raising agricultural productivity, linking farmers to markets, reducing risk and vulnerability, and improving non-farm rural livelihoods, and through technical assistance. GAFSP will complement ongoing efforts through other mechanisms to scale-up support to agriculture and 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 raising agricultural productivity, linking farmers to markets, reducing risk and vulnerability, and improving non-farm rural livelihoods, and through technical assistance. The objective of this new mechanism is to fill the financing gaps in country and regional agriculture and food security strategies, thereby contributing to the achievement of the MDG1 to cut hunger and poverty by half by 2015. 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 comprehensive approach for increasing agricultural growth and making lasting improvements in the food security of their populations;
- Assist this approach through a country-led, 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 window. The latter will provide long and short term loans, credit guarantees and equity to support private sector activities to improve agricultural development and food security.

3. The public sector sub-account “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. The proposed programs should be part of a country-owned and donor-endorsed agriculture and food security investment plan, including existing successful Sector Wide Approaches (SWAs), or other program based approaches, and --in the case of Africa-- include programs proposed as part of a CAADP Compact.

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. 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 security; 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, food security and reduce vulnerability.

5. Investment projects would normally be recipient-executed and have a mid to long-term time horizon, and demonstrate 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. The GAFSP Steering Committee may invite regional organizations with legal personality (such as COMESA and ECOWAS) to submit technical assistance and capacity-building proposals in partnership with agencies with technical expertise and a comparative advantage in the fields of agriculture and food security, and fiduciary standards agreements with the Trustee (such as the Food and Agriculture Organization (FAO), the World Food Programme (WFP), the International Fund for Agricultural Development (IFAD) and Multilateral Development Banks (MDBs)). These partner agencies may procure services from and supervise other service providers, including CSOs, as needed.

7. The scope of activities that could be financed through the private sector sub-account “window” of GAFSP will have the same 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 policies, procedures and guidelines of the supervising financial institution. As appropriate, the private sector window will seek to finance local and regional private sector agents.

8. Funding for GAFSP will be held in a Trust Fund established as a Financial Intermediary Fund (FIF) at the World Bank Group, who will also serve as Trustee. Two sub-accounts (“windows”) 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 or both of the two windows. All contributions made by the donors to the public sector window of the GAFSP Trust Fund will be on a grant basis without any repayment obligations. Arrangements for reflows from private sector equity and capital investments under the private sector window will be negotiated subsequently among the IFC, the donors and the Trustee.

9. The initial governance framework has been set out below and in other parts of this document, and the constitutive documents providing further details of the partnership and its governance will be developed following establishment of the GAFSP Trust Fund. The Steering Committee once constituted will decide on any constitutive documents and further developments of the governance structure. As other donors join, they and the other existing members of the Steering Committee will be part of subsequent decisions.

10. A Steering Committee, initially comprising the three initial donors to the Trust Fund (Spain, Canada, USA) and an equal number of representatives from recipient countries, from two to three regions of the world (of which at least one would represent Africa), as voting members, will have decision-making authority for the public sector window. The selection process for recipient country representatives will be done on a self-selection basis through the Executive Directors of the World Bank. In selecting the recipient country representatives the Executive Directors will take into account appropriate geographic balance, with at least one representative from Africa. The Steering Committee will also include as non-voting members: a senior manager or designate from the World Bank, identified by the World Bank, as the representative of the Trustee, and the United Nations Secretary General's Special Representative on Food Security and Nutrition. The Steering Committee may also include as observers representatives from supervising entities (including IFAD, the World Bank, other MDBs, FAO and WFP) and civil society organizations. All decisions will be made on a full consensus basis of voting members. As the number of donors increases, the Steering Committee will decide on the appropriate size of the Steering Committee, and mechanisms for rotation, as needed.

11. 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 in the case of Africa, and a screening by the TAC, the Steering Committee will assign country and regional proposals to one or, if needed, more supervising entities, and approve a corresponding funding amount from the Trust Fund. Supervising entities will need to include in their reporting to the Steering Committee via the Coordination Unit an attestation backed by evidence that funds provided through GAFSP were used in a manner that is clearly additional to what the entities were already doing and will not divert or substitute for their ongoing sector financing commitments. The Trustee has no further supervisory capacity or responsibility once funds are transferred to a supervising entity for a specific purpose, and all investment and technical assistance activities must be appraised, supervised, evaluated and reported on by the selected supervising entity following its own policies, procedures, and guidelines. Where the World Bank is the supervising entity, the approval authority would be with the relevant Regional Vice President (RVP) and would not need to be presented to the World Bank's Board for approval, unless GAFSP funds are used to co-finance an IDA/IBRD operation.

12. 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. In the case of Africa, in order to benefit from the investment of African countries and regional organizations in the technical networks and procedures of the CAADP process, TAC will be asked to ensure documented evidence that proposals submitted by such African countries and regional organizations have been through a CAADP or CAADP-like due diligence process, and are aligned to the four technical CAADP pillars. In other regions, it would require an objectively verifiable case certified by the TAC that the proposal stems from an inclusive consultative process, that it demonstrates strategic coherence, that it is of a scope and magnitude consistent with the need of the

country when compared to other GAFSP recipients, and that it is not likely to be funded in the absence of funding from GAFSP. Each supervising entity, including the International Finance Corporation (IFC), will be responsible for preparing reports on results and financials and providing such reports to the Steering Committee, through the GAFSP Coordination Unit (for results reporting) or the Trustee (for financial reporting). The Coordination Unit and the Trustee will respectively compile the annual implementation results reports and the periodic financial reports (including an annual audited financial statement) submitted by the individual supervising entities, and then submit such compiled reports to the Steering Committee.

13. The private sector window will finance projects through loans, credit guarantees, and equity arrangements. Initially, the IFC will be the sole eligible supervising entity for the private sector window. It is expected that the Steering Committee will endorse the IFC's annual investment plan submitted through the Coordination Unit and thereafter the IFC would approve projects under the Investment Plan in accordance with its own guidelines, policies and procedures. All investment projects will follow the investment, social and environmental standards and criteria of the IFC. The procedures for allocating resources from the private sector window will be determined by the IFC. As more funds become available and following donor interest, there may be other eligible supervising entities for the private sector window.

14. Eligible countries for all GAFSP financing will be members of the International Development Association (IDA) that are eligible to receive financing from IDA and not IBRD ("IDA-only countries") and that are not in non-accrual as the priority. Where there is a compelling case and when and if additional funding becomes available, the GAFSP Steering Committee may decide to approve proposals for IDA blend countries<sup>1</sup>, and non-members of the World Bank. In addition, regional organizations (such as ECOWAS and COMESA) may provide investments and technical assistance to their own member countries which may be a non-member country, or a member not in good standing with IDA.

---

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

## **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 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. 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 comprehensive approach for increasing agricultural growth, enhancing food security, and combating rural poverty 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 window that will provide long and short term loans, credit guarantees and equity to support private sector activities for agricultural development and food security.

## II. VALUE ADDED

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

- (i) Provide **additional resources** to scale-up agricultural and food security assistance to eligible developing countries. Even with presently increased direct support by bilateral and multilateral agencies, there remains a financing gap to achieve the Millennium Development Goal (MDG 1) 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 (International Food Policy Research Institute (IFPRI), 2008); which cannot be met without additional resources.
- (ii) Ensure **immediate 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) Improve **donor alignment** around country programs. Channeling multiple sources of donor funds through a unified global mechanism with a common framework of support for country and regional agriculture and food security programs, can help to improve donor alignment around country and regional programs. This approach can provide a global complement to the ongoing in-country efforts to improve donor alignment.
- (iv) **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 national public investment and technical assistance programs, and regional organizations will be responsible for identification of regional public sector investment and technical assistance programs. The latter will be in response to an invitation for proposals from the GAFSP Steering Committee.
- (v) 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 Ministry of Finance, in consultation with the Ministry of Agriculture and Agriculture Donor Working Groups. By using a common framework for development, GAFSP support also respects the principles embedded in the Paris Declaration and Accra Agenda for Action.

3. The program is not a vertical fund in the sense that no separate legal entities are being established, it will use existing entities and processes to support design, appraisal and implementation of country and regional programs, and finance gaps in country-led and regional programs.

### **III. STRENGTHENING MULTILATERALISM FOR AGRICULTURE AND FOOD SECURITY**

4. 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.

5. 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.

6. 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 Action. 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.

7. This is particularly evident in Africa, where national governments have mounted a very ambitious effort -- the Comprehensive Africa Agricultural Development Programme (CAADP) -- to support the development of comprehensive agricultural development and food security strategies at both the country and regional levels. At present there are a range of diverse and often fragmented initiatives at national, regional and global levels providing support to agricultural development in Africa. These efforts can be made more effective by ensuring coordination and alignment with country-led plans and processes. CAADP provides a framework through which to achieve this, as it calls for inclusive coordination processes driven by coherence and mutual accountability.

8. In response to these concerns, 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 outlined above. 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 with additional resources in support of country-owned plans, mobilize the significant pro-poor agriculture and food security investment experience in multilateral organizations, and achieve critical mass and timeliness in providing assistance.

9. Consistent with the L'Aquila and Pittsburgh statements the GAFSP would provide additional resources, ensure immediate availability of these resources, build on and reinforce country-led processes, be complementary and reinforcing to on-going development partner support, and provide both public and private sector financing. The Program would be implemented at the country level through the Multilateral Development Banks (MDBs), IFAD, the World Food Programme (WFP) and the Food and Agriculture Organization (FAO) by supporting national and regional strategies for agriculture and food security in poor countries. Civil society organizations (CSOs) and private sector actors could have a role as third party implementers or service providers dependent on program design and scope in accordance with the internal policies, guidelines, and procedures of the selected supervising entity.

10. The Trust Fund will be under the authority and oversight of an external Steering Committee. The Steering Committee will initially comprise the initial three donors to the Trust Fund (Spain, Canada, and USA) and an equal number of representatives from recipient countries, from two to three regions of the world, of which at least one would represent Africa, as voting members. The selection process for recipient country representatives will be done on a self-selection basis through the Executive Directors of the World Bank. In selecting the recipient country representatives the Executive Directors will take into account appropriate geographic balance, with at least one representative from Africa. (see section 6.3). The Steering Committee will also include a senior manager (or designate) from the World Bank, identified by the World Bank, representing the Trustee and the United Nations Secretary General's Special Representative on Food Security and Nutrition as non-voting members. Representatives from the supervising entities (IFAD, World Bank, other MDBs, FAO and WFP) and CSOs may be included as observers on the Steering Committee.

11. The GAFSP Steering Committee 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 either or both the public and private sector sub-accounts ("windows") at the time of their contributions. All contributions made by the donors to the public sector window of the GAFSP Trust Fund will be on a grant basis without any repayment obligations. Arrangements for reflows from private sector equity and capital investments under the private sector window will be negotiated subsequently among the IFC, the donors and the Trustee.

12. For the public sector component, the Trustee will transfer resources to the selected MDBs and IFAD to finance selected country investments and to the selected MDBs, IFAD, WFP and FAO for technical assistance. Supervising entities receiving funds from GAFSP would remain directly accountable to the Steering Committee for the proper handling and use of funds. The funds allocated for the private sector are expected to be implemented by the International Finance Corporation (IFC), consistent with the relevant IFC guidelines, policies and procedures. The procedures for allocating resources from the private sector window will be determined by the IFC.

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

13. Seventy five percent of the world's poor live in rural areas, most depend on agriculture for their livelihoods. The first 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 stimulating farm and non-farm entrepreneurial activity through additional investments to raise agricultural productivity, improving food security, linking farmers to markets, reducing risk and vulnerability, and improving non-farm rural livelihoods. 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 for more investment, and capacity development in these

thematic areas. This section provides more details with respect to the categories of public and private investments eligible to be financed under the GAFSP.

14. GAFSP does not have a separate component on climate change adaptation and mitigation. Climate change cuts across all components of GAFSP. Raising agricultural productivity is needed to both offset the climate change yield losses that are projected in many developing countries, as well as meeting growing demand for food -- a double challenge. Better managing weather risk, diversifying household income, and improving market linkages to better match surplus and deficit regions will all be increasingly important. The components of GAFSP cover these aspects, as areas for increased investments. The intention is to not duplicate investments through specific climate investment funds.

15. The Components outlined below reflect the broad categories of activities, investments and interventions for which the provision of public goods is needed to facilitate improvement in rural incomes and food security through agriculture. They are also interventions that address the objectives of GAFSP where experience exists and quality control approaches are clear. The Components are presented with a sufficient degree of generality to avoid being unnecessarily restrictive, while being specific enough to provide clarity as to what could be financed under GAFSP. Since countries and regional organizations differ in needs, priorities and access to other funding sources, proposals for support under GAFSP will differ in the extent to which they draw from each of the various Components, and in some cases may not draw at all from some Components.

16. While many of the activities, investments, and interventions contained within the Components would be provided through public programs, 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. In order to support these types of investments, the GAFSP features a Private Sector Window to finance private sector activities and public-private partnerships in such areas.

17. Finally, technical assistance and capacity development components addressing the items below can be embedded in development projects, and thus submitted in country-led proposals. However, countries may not submit stand-alone technical assistance 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 partnering with one of the supervising entities. Specifically, stand-alone technical assistance proposals submitted by regional organizations with legal personality will need to involve partnership with FAO, IFAD, WFP or one of the MDBs. Investment operations, including those with a technical assistance component, proposed by regional organizations with legal personality will be implemented through IFAD or one of the MDBs.

18. 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 window and private approaches would be funded through the private sector window of GAFSP. The components as outlined here are meant to be indicative of the investments that countries might expect to be financed through GAFSP, if they cannot be fully met by other sources of funds. The needs of countries vary and GAFSP is designed to fund country-led processes. There is thus a degree of flexibility within the components with regard to the specific interventions that may be supported, provided that the basic substance and rationale of filling financing gaps in a long-term strategic approach to agricultural development and food security continue to be met.

#### 4.1 Component One – Raising Agricultural Productivity

19. 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.

20. 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.

21. The agricultural productivity component would finance investments that include:

##### 4.1.1 Adoption of higher yielding technologies

22. 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. Effective higher adaptation rates for improved technologies will require specific attention to ensuring equitable access of women to assets, information, and services.

23. This sub-component will include financing for the following activities, using the policies, guidelines, and procedures of the selected supervising entities, including their safeguard and gender policies:

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) review the legal and regulatory framework to promote 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) strengthen veterinary services through improved training, including of para-veterinarians, community-based approaches, and improved equipment; (ii) expand capacity for improved disease surveillance; (iii) improve 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) review the legal and regulatory frameworks in order 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 (iv) matching grants for use of machinery services.

#### 4.1.2 Technology generation

24. While there are significant gains to be made from adoption of existing technology, additional efforts are 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, additional, 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.

25. This sub-component will include financing for 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 systems’ scientific and administrative 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

26. 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.

27. This sub-component will include financing for the following activities:

1. *Expand and rehabilitate irrigated areas.* (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 support for river basin management authorities (set up and operation costs); (ii) technical support for the establishment of water right systems; and (iii) hydrological data capacity at basin authorities to guide water right allocation decisions.

3. *Improve 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

28. 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 other mechanisms, such as issuance of certificates of customary ownership, can be employed to promote higher levels of tenure security. Linked to security of tenures 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.

29. This sub-component will include financing for 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 laws and regulations related to land through various fora.
2. *Increase 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 more formal recognition of customary rights can improve security. Activities to be financed include: (i) new low cost technologies for documenting and registering customary land rights; and (ii) issuing certificates of customary ownership and certificates of customary occupancy.
3. *Modernize 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 the 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; and (iv) promotion of use of agronomic soil conservation measures.

#### **4.2. Component Two – Linking Farmers to Markets**

30. Reducing transaction costs, better market information, and improving product quality can all improve the share of the retail 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 do not 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.

The linking farmers to markets component would finance investments that include:

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

31. In the poorest countries, the cost to farmers of 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 not competitive to produce for exports from local production regions, even in good years and expensive to import to local markets in bad years. This leaves many local food markets, particularly 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, particularly for perishables such as fish. 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.

32. This sub-component will finance the following activities:

1. *Upgrade and improve 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; and (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; and (ii) support for design and putting in place of certification schemes and branding activities.
4. *Strengthen producer organizations.* 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.* 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; and (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

33. 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. Efforts to strengthen agribusiness firms along the value chain are particularly important. As most value added activities are undertaken by women, interventions will need to better reflect their needs. This sub-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.; and (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

34. 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.

35. The challenge is to facilitate access to adequate financial services, including through local resource mobilization, in a context of resource scarcity. This sub-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 sub-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; (iii) partial credit guarantees and (iv) 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 technical assistance to improve capacity.

### 4.3. Component Three – Reducing Risk and Vulnerability

36. This component will finance 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 to 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, adding 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 stresses include support to manage price and weather risk, strengthen social protection systems, and invest in nutrition.

#### 4.3.1. Managing price and weather risk

37. 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. This sub-component will continue with innovative experimentation and learning with respect to new instruments to better manage price and weather risks, including to broaden access to weather insurance, and to transfer price risks.

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

38. GAFSP is a program addressing long-term structural change, and will 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.

39. 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 for both rural and urban consumers. 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, including vouchers; and (ii) labor intensive public works, including food for work and for training programs. Ideally these social safety net interventions would be (a) countercyclical – increasing coverage and generosity when income or production declines, and (b) 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; and (iii) strengthening of payment delivery systems (including through supporting decentralized finance institutions).

#### 4.3.3 Improving nutrition of vulnerable groups

40. 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 nutritious 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 (iii) enhance food availability, production and utilization through backyard vegetable and fruit production.
2. *Women empowerment programs.* (i) support community-based programs and women’s self-help groups that promote hygiene and growth monitoring, and caring practices including exclusive breastfeeding; and (ii) develop complementary feeding systems and programs for pregnant and lactating mothers, and young children.
3. *Essential vitamins and minerals.* (i) scale-up micronutrient supplementation; (ii) support national fortification programs; and (iii) improve severe acute malnutrition management.

#### 4.4. Component Four – Improving Non-Farm Rural Livelihoods

41. Rural non-farm activities are an important source of income growth and safety net support for rural households. Multiple studies show that rural non-farm activities in developing countries can account for half of farm-household income and are especially important as coping strategies for the rural poor in

dealing with volatility in agricultural incomes. More prosperous agricultural households may also diversify into non-agricultural activities to take advantage of attractive opportunities driven by effective consumer demand for non-agricultural goods and services.

42. Non-agricultural goods and services produced in rural areas of low income countries -- and especially by the poor and women in those areas -- tend to be “non-tradables” 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 (into 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 non-tradable 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, including investments in the previous components, for promoting rural non-agricultural growth in low and middle-low income countries.

43. Once tradable growth in agriculture is occurring in a given area, direct investments in promoting non-farm income have a much higher chance of succeeding. These direct investments include improvements to the investment climate (through improved policies and infrastructure), and promotion of rural non-farm entrepreneurship (through improved human and financial capital). This component will include financing for these activities.

#### **4.4.1. Improving the investment climate**

44. 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 non-farm sector is very important for growth and poverty reduction in rural areas. This sub-component will include financing for the following activities.

1. *Improve the rural investment climate.* (i) support rural investment climate assessments or surveys 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) develop mechanisms and approaches to better geographically target infrastructure investments to maximize rural employment growth, the outcome of which could inform prioritization of broader infrastructure investments through ongoing donor and government programs.

2. *Expand rural infrastructure.* Support targeted investments in rural electrification, water supply, and rural roads to spur non-farm enterprise growth and development. The expectation is that rural infrastructure investments through this program will be done with an explicit agriculture and/or food security objective. Investments will complement ongoing activities and focus on financing gaps. Co-ordination with ongoing large scale infrastructure investment will be important.

#### 4.4.2. Promoting non-farm rural entrepreneurship

45. 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, improved access to financing are giving rise to new micro and small businesses. This sub-component will include financing for the following activities:

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 groups; (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*. Investments in vocational and enterprise training. Moving out of agriculture, whether to the rural non-farm 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.
3. *Improve access to finance*. This subcomponent would be tied to investments articulated in section 4.2.3 and would include: (i) the enabling environment for rural finance (legal, regulatory and policy improvements); (ii) market facilitation (e.g. asset registries and credit bureaus) and technology expansion (building on cell phone and other technology to expand access); (iii) service provision (savings, insurance and financing); and (iv) direct private sector financing (loans, credit guarantees, and equity capital through the private sector window).

#### 4.5. Component Five – Technical Assistance, Institution-Building, and Capacity Development

46. Technical assistance and capacity development investments of GAFSP would seek to be complementary to those undertaken by other instruments, such as the CAADP Multi-Donor Trust Fund at the World Bank in the case of Africa. The CAADP Multi-Donor Trust Fund is targeted to specific needs of individual countries and regional economic communities in Africa that are preparing CAADP Compacts or are engaged in post-Compact preparation of investment programs, or are supporting pre- and post-Compact preparation activities – this primarily, but not exclusively, through 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 and regional organization investment proposals, or could be stand-alone activities proposed by regional organizations with legal personality in partnership with agencies with technical expertise and a comparative advantage in the fields of agriculture and food security, and fiduciary standards agreements with the Trustee (FAO, IFAD, WFP and MDBs). Countries may not submit stand-alone technical assistance proposals. Stand-alone technical assistance will likely 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, but critical to progress in aid effectiveness.

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

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

1. *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; and (iii) support the design and implementation of a consultative/participatory process including civil society to update and/or formulate sector strategy and policy.

2. *Improving public expenditure management.* (i) support for agricultural public expenditure reviews; (ii) analytical tools for examining spending trade-offs in food security and agriculture; and (iii) involvement of farmer organizations and other rural stakeholders in agricultural public expenditure review processes.

3. *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. *Strengthening donor coordination.* (i) support for country management of donor coordination processes; and (ii) support for coordination of donor support at the regional level on cross-country issues such as regional input markets.

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

1. *Expanding technical expertise.* (i) promotion of innovative project design; and (ii) identification of best practices for scale-up and replication.

2. *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; (iv) establish sector data collection, monitoring and evaluation, and management information systems; and (v) build capacity for effective monitoring and evaluation.

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

1. *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**

48. In order to further increase 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

49. 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.

50. Eligible countries for all GAFSP financing will be members of the International Development Association (IDA) that are eligible to receive financing from IDA and not IBRD ("IDA-only countries") and that are not in non-accrual as the priority. Where there is a compelling case and when and if additional funding becomes available, the GAFSP Steering Committee may decide to approve proposals for IDA blend countries<sup>2</sup>, and non-members of the World Bank. In addition, regional organizations (such as ECOWAS and COMESA) may provide investments and technical assistance to their own member countries which may be a non-member country, or a member not in good standing with IDA.

### 5.1. Public Sector Window

51. GAFSP will support new and ongoing investment and technical assistance and capacity-building initiatives consistent with its purpose and objectives.

#### 5.1.1 Investment financing

##### *Type of finance*

52. Grants

##### *Selection criteria*

53. To ensure GAFSP funds support financing gaps in agriculture and food security investment plans of countries with demonstrated commitment to agriculture and food security, 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 the case of Africa, in order to benefit from the investment of African countries and regional organizations in the technical networks and procedures of the CAADP process, the strategies should be consistent with the framework of the Comprehensive Africa Agriculture Development Programme (CAADP)<sup>3</sup> where

---

<sup>2</sup> **Blend Countries:** IDA-eligible but credit-worthy enough to borrow from IBRD.

<sup>3</sup> CAADP includes technical frameworks developed jointly by African and global communities for each of the four technical CAADP pillars – (1) natural resource management; (2) market development and related infrastructure; (3) food security; and (4) agricultural productivity. It also includes frameworks for monitoring and evaluation; sources of growth analysis; agricultural public expenditure review; and harmonization of support from development partners. CAADP frameworks emphasize the importance of integrated planning across sectoral and sub-sectoral boundaries. CAADP structures include pillar institutions and networks, support from the regional economic communities, and facilitation from the New Partnership for Africa's Development (NEPAD) and the Africa Union –

a related Compact is in place or forthcoming, or with other relevant country-led processes that are similar. This includes being vetted through a CAADP or CAADP-like due diligence process. In other regions, it would require an objectively verifiable case certified by the Technical Advisory Committee (TAC) that the proposal stems from an inclusive consultative process, that it demonstrates strategic coherence, that it is of a scope and magnitude consistent with the need of the country when compared to other GAFSP recipients, and that it is not likely to be funded in the absence of funding from GAFSP. Details on the due diligence vetting process of proposals will be further developed in the constitutive documents;

- The extent to which the country investment climate and policy environment facilitates public and private investment returns;
- Demonstrated financial commitment toward increasing domestic investment in agriculture and food security through an increasing share of public spending on agriculture and food security. In this regard, the extent to which countries meet agreed commitments will be assessed (such as the Maputo Declaration to raise agricultural spending in African countries to 10 percent of total government spending); and
- Clearly specified limitation of country’s access to alternative concessional sources of financing.

54. Some of these criteria are easily evidenced; others will require judgment by the GAFSP Technical Advisory Committee (see “Governance” section). Assessments by the TAC will be conducted in a transparent manner.

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

55. Regional organizations that are legal entities (such as ECOWAS and COMESA) would be eligible for investment and technical assistance funding through selected supervising entities in response to specific calls for proposals from the GAFSP Steering Committee (see “Governance” section). Such regional organizations would follow the policies, guidelines, and procedures of the selected supervising entity (see “Governance” section).

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

56. Grants

#### ***Selection criteria***

57. To ensure that GAFSP funds support financing gaps in the agriculture and food security investment plan of the region in question, and demonstrates a commitment to agriculture and food security, 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 food security, 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.

---

and these structures provide financial, technical, and political support for the adoption and implementation of these frameworks at every level.

## 5.1.2 Technical assistance financing

### *Eligible institutions*

58. Regional organizations that are legal entities (such as ECOWAS and COMESA) would be eligible for funding for technical services in partnership with selected supervising entities with technical expertise and a comparative advantage in the fields of agriculture and food security, and fiduciary standards agreements with the Trustee (FAO, IFAD, WFP and MDBs). In such cases, the regional organizations (such as ECOWAS and COMESA) may provide investments and technical assistance to their own member countries which may be a non-member country, or a member not in good standing with IDA.

59. Countries are also eligible for technical assistance embedded in their investment proposal, but cannot submit stand-alone technical assistance proposals.

### *Type of finance*

60. Grants for service provision

### *Selection criteria*

- (i) The proposal is submitted to the GAFSP Coordination Unit in response to a direct invitation from the Steering Committee;
- (ii) The proposal is submitted by a regional organization (such as ECOWAS and COMESA); and
- (iii) It includes a partnership with one of the following agencies: FAO, WFP, IFAD and MDBs as supervising entities.

## 5.2. Private Sector Window

61. The private sector window would be managed by the IFC and would support investments that address the core agriculture and food security objectives of GASFP. 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 window can respond rapidly to demands of the private sector.

62. The IFC, as the initial sole eligible supervising entity of the private sector window, will submit an annual investment plan to the Steering Committee for their review and endorsement.

### *Eligible firms*

63. Private firms and financial institutions doing business in eligible countries, can apply for loans, credit guarantees or equity investments through the private sector funding window. Activities in IDA blend countries will be at the discretion of the IFC. 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*

64. Loans, credit guarantees, and equity capital

*Selection criteria*

65. Private firms and financial institutions operating in eligible 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;
- (iii) Minority investors are able to eventually exit equity investments (equity capital criteria); and
- (iv) Financing permits expansion of activities linked to strengthening smallholder-based supply chains, agribusiness, food and beverage production and processing, and linked infrastructure and supply chains.

**Table 1: Eligibility Criteria**

	Public Sector Window		Private Sector Window
	Stand-Alone Investment; Investment and Technical Assistance	Stand-Alone Technical Assistance	
Who's eligible	<ul style="list-style-type: none"> <li>• Countries that are members of the International Development Association (IDA) that are eligible to receive financing from IDA and not IBRD ("IDA-only countries") and that are not in non-accrual (as a priority). Where there is a compelling case and when and if additional funding becomes available, the GAFSP Steering Committee may decide to approve proposals for IDA blend countries<sup>4</sup>, and non-members of the World Bank.</li> </ul>	<ul style="list-style-type: none"> <li>• Regional organizations with legal personality (e.g. ECOWAS and COMESA) in partnership and through agencies with technical expertise and a comparative advantage in the fields of agriculture and food security, and fiduciary standards agreements with the Trustee (FAO, WFP, IFAD and MDBs).</li> </ul>	<ul style="list-style-type: none"> <li>• Private sector firms and financial institutions operating in eligible countries namely:               <ul style="list-style-type: none"> <li>- members of the International Development Association (IDA) that are eligible to receive financing from IDA and not IBRD ("IDA-only countries") and that are not in non-accrual (as a priority)</li> <li>- Where there is a compelling case and when and if additional funding becomes available, the GAFSP Steering Committee may decide to approve proposals for IDA blend countries<sup>5</sup>, and non-members of the World Bank.</li> </ul> </li> </ul>

<sup>4</sup> **Blend Countries:** IDA-eligible but credit-worthy enough to borrow from IBRD.

<sup>5</sup> **Blend Countries:** IDA-eligible but credit-worthy enough to borrow from IBRD.

	<ul style="list-style-type: none"> <li>Regional organizations with legal personality (e.g. ECOWAS and COMESA) (i) through IFAD and MDBs for investment components of the proposal; and (ii) in partnership and through agencies with technical expertise and a comparative advantage in the fields of agriculture and food security, and fiduciary standards agreements with the Trustee (IFAD, MDBs, WFP or FAO) for technical assistance components of the proposal</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>Comprehensive agriculture and food security strategies and investment plans (in Africa this would include CAADP or CAADP-like Compacts)</li> <li>Conducive investment climate and 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 organizations with legal personality</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 with legal personality (e.g. ECOWAS and COMESA)</li> <li>Partners with one of the following agencies with technical expertise and a comparative advantage in the fields of agriculture and food security, and fiduciary standards agreements with the Trustee: FAO, WFP, IFAD and MDBs</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>Profitability</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, agribusiness, 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

66. 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 timely 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 supervising entities concerned. A summary of how the GASFP is proposed to work with the associated accountabilities is provided in Table 2.

67. The initial governance framework has been set out and the constitutive documents providing further details of the partnership and its governance will be developed following establishment of the GAFSP Trust Fund. The Steering Committee once constituted will decide on any constitutive document and further developments of the governance structure. As other donors join, they and the other existing members of the Steering Committee will be part of subsequent decisions.

### 6.1. Countries, Regional Organizations, Civil Society Organizations, Private Firms, Financial Institutions

68. *Countries.* Individual countries through their Ministry of Finance will submit: (i) stand-alone investment proposals; or (ii) investment and technical assistance proposals to the GAFSP Coordination Unit with endorsement of the proposal from the Chair of the in-country donor group for agriculture and food (or equivalent) to certify that no locally-available sources can finance the proposal (to ensure there is financing of a genuine financing gap). This will ensure country-led requests, 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 supervising entity selected to support execution.

69. *Regional organizations.* Regional organizations with legal personality (such as ECOWAS and COMESA) will submit (i) stand-alone investment proposals; (ii) investment and technical assistance proposals; or (iii) stand-alone technical assistance proposals in partnership with agencies with technical expertise and a comparative advantage in the fields of agriculture and food security, and fiduciary standards agreements with the Trustee (MDBs, FAO, IFAD or WFP) to the GAFSP Coordination Unit. They will execute programs, and be accountable for use of funds to the selected supervising entity in accordance with the supervising entity's internal policies, guidelines, and procedures, which in the case of (i) above, is one of the MDBs or IFAD, in the case of (ii) above, is one of the MDBs or IFAD for the investment components and one of the MDBs, FAO, IFAD or WFP for the technical assistance components, and in the case of (iii) above, one of the MDBs, FAO, IFAD or WFP.

**Table 2: Governance and Accountability across the Two Financing Windows**

	<b>Public Sector Window</b>		<b>Private Sector Window</b>
	<b>Stand-Alone Investment; Investment and Technical Assistance</b>	<b>Stand-Alone Technical Assistance</b>	
<b>Countries</b> <b>Regional organizations (with legal personality)</b> <b>Private firms</b> <b>Financial institutions</b>	<b>Countries</b> <ul style="list-style-type: none"> <li>• Countries (Ministry of Finance) submit proposals to the GAFSP Coordination Unit with endorsement from the Chair of the in-country donor group for agriculture and food (or equivalent)</li> <li>• Implement programs</li> <li>• Accountable to MDBs and IFAD for use of investment funds, and MDBs, IFAD, WFP or FAO for use of funds for technical assistance</li> </ul> <b>Regional Organizations</b> with legal personality (e.g. ECOWAS and COMESA) <ul style="list-style-type: none"> <li>• Heads of regional organizations submit proposals to the GAFSP Coordination Unit</li> <li>• Accountable to MDBs or IFAD for use of funds for investments, and MDBs, IFAD, WFP or FAO for use of funds for technical assistance</li> </ul>	<b>Regional Organizations</b> with legal personality (e.g. ECOWAS and COMESA) <ul style="list-style-type: none"> <li>• Submit proposals for technical assistance to the GAFSP Coordination Unit in response to direct invitation from the Steering Committee. Proposals to be developed in partnership with FAO, WFP, IFAD or MDBs</li> <li>• Accountable to MDBs, IFAD, FAO and WFP for use of funds</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>Supervising entities</b>	<b>MDBs and IFAD (for the investment components); MDBs, IFAD, WFP, and FAO (for the technical assistance components)</b> Assist selected countries and regional organizations to design programs and to assist in their implementation. <ul style="list-style-type: none"> <li>• Selected supervising entities use</li> </ul>	<b>FAO, WFP, IFAD or MDBs</b> <ul style="list-style-type: none"> <li>• Partner with regional organizations with legal personality on proposal development.</li> <li>• Manage funds allocated by Steering Committee for technical assistance</li> </ul>	<b>International Finance Corporation</b> <ul style="list-style-type: none"> <li>• Submits annual investment plan to the Steering Committee for endorsement through the GAFSP Coordination Unit.</li> <li>• Selects private firms and financial institutions.</li> <li>• Uses own internal policies,</li> </ul>

	<p>own internal policies, guidelines and procedures</p> <ul style="list-style-type: none"> <li>• Enter into grant agreements with client country and regional organizations</li> <li>• Submit annual implementation results reports to the Steering Committee through the GAFSP Coordination Unit</li> <li>• Submit periodic financial reports (including an annual audited financial statement) to the Steering Committee through the Trustee</li> </ul>	<ul style="list-style-type: none"> <li>• Use own internal policies, guidelines and procedures for carrying out technical assistance</li> <li>• Submit annual implementation results reports to the Steering Committee through the GAFSP Coordination Unit</li> <li>• Submit periodic financial reports (including an annual audited financial statement) to the Steering Committee through the Trustee</li> </ul>	<p>guidelines and procedures</p> <ul style="list-style-type: none"> <li>• Submit annual implementation results reports to the Steering Committee through the GAFSP Coordination Unit</li> <li>• Submit periodic financial reports (including an annual audited financial statement) to the Steering Committee through the Trustee</li> </ul>
<b>GAFSP Coordination Unit</b>	<ul style="list-style-type: none"> <li>• Receives proposal requests through Ministry of Finance and heads of regional organizations with legal personality</li> <li>• Ensures that proposal materials contain the necessary information for review by the GASFP Technical Advisory Committee; if information is missing, the Coordination Unit follows-up with country/regional organization to re-submit</li> </ul>	<ul style="list-style-type: none"> <li>• Receives proposal requests through heads of regional organizations with legal personality</li> <li>• Ensures that proposal materials contain the necessary information for review by the GASFP Technical Advisory Committee; if information is missing, the Coordination Unit follows-up with regional organization to re-submit</li> </ul>	<ul style="list-style-type: none"> <li>• Receives annual investment plan from the IFC and submits it to the Steering Committee</li> </ul>
	<ul style="list-style-type: none"> <li>• Inform the Trustee regarding the Steering Committee's allocation decisions to the supervising entities.</li> <li>• Compiles an aggregate annual implementation results report based on the annual implementation results reports submitted by the supervising entities, including IFC, to the Coordination Unit and submits the compiled report to the Steering Committee.</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>• Informs the Steering Committee whether proposals meet 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</li> </ul>	<ul style="list-style-type: none"> <li>• Informs the Steering Committee whether proposals meet the eligibility criteria</li> <li>• Recommends to the Steering Committee the types of broad technical assistance to be provided and indicative allocations of financial support to regional organizations through IFAD, FAO, WFP or one of the MDBs, and on the appropriate</li> </ul>	

	<ul style="list-style-type: none"> <li>• supervising entity</li> </ul>	<ul style="list-style-type: none"> <li>• supervising entity</li> </ul>	
<p><b>GAFSP Steering Committee</b></p> <ul style="list-style-type: none"> <li>- Initial three donors to the Trust Fund: Canada, Spain and United States (voting members)</li> <li>- Equal number of representatives from recipient countries from two to three regions of the world (of which at least one would represent Africa). The selection process for recipient country representatives will be done on a self-selection basis through the Executive Directors of the World Bank. (see section 6.3). (voting members)</li> <li>- Senior manager or designate from the World Bank as representative of the Trustee identified by the World Bank (non-voting member)</li> <li>- United Nations Secretary General's Special Representative on Food Security and Nutrition (non-voting member)</li> <li>- Representatives from supervising entities(including IFAD, the World Bank, other MDBs, FAO and WFP) and civil society organizations may also be included as observers</li> </ul>	<ul style="list-style-type: none"> <li>• Approves country and/or regional organization funding proposal allocations by country and/or regional organization</li> <li>• Selects appropriate supervising entity reflecting both preferences of the donor group, and country and regional organization</li> </ul>	<ul style="list-style-type: none"> <li>• Approves stand-alone technical assistance proposals submitted by heads of regional organizations in partnership with IFAD, FAO, WFP or one of the MDBs and makes overall allocation of financial support per selected proposal</li> <li>• Selects appropriate supervising entity reflecting both preferences of the donor group and regional organization</li> </ul>	
<p><b>GAFSP Trustee (World Bank)</b></p>	<ul style="list-style-type: none"> <li>• Hold in trust, as a legal owner, and administer the funds, assets and receipts, which constitute the GAFSP Trust Fund, in accordance with the terms of the Trust Fund Administration Agreement(s) entered into with each donor.</li> <li>• Submits regular reports to the Steering Committee on the financial status of the GAFSP Trust Fund and will arrange for the annual audit of the GAFSP Trust Fund.</li> <li>• Compiles periodic financial reports (including annual audited financial statements) received from each of the supervising entities, including the IFC, and in turn submits the compiled periodic financial reports (including an annual audited financial statement) to the Steering Committee</li> <li>• Signs Administration Agreement with each of the Donors and Fund Transfer Agreement with each supervising entity.</li> </ul>		

70. *Civil society organizations.* CSOs (such as farmer organizations, NGOs, outreach groups and universities) are likely to have varying roles in implementation. Effective empowerment of farmers in country program implementation through producer organizations, for example, can help improve the relevance and effectiveness of agriculture services, and improve accountability of resource use. Other CSOs and private sector actors could have a role as third party implementers or service providers depending on program scope and design of programs in accordance with the internal policies, guidelines, and procedures of the selected supervising entity.

71. *Private firms and financial institutions.* The procedures for allocating resources from the private sector window will be determined by the IFC. After endorsement by the Steering Committee of the IFC's investment plan, individual private firms and financial institutions will submit financing requests directly to the IFC. IFC will evaluate requests and extend financing under its own guidelines, policies and procedures. The private firms will be accountable to the IFC for repayment of loans provided.

## **6.2. Supervising Entities**

### Public Sector Window

72. *MDBs, FAO, IFAD and WFP.* The supporting supervising entity (MDBs and IFAD for investment operations and/or technical assistance; FAO and WFP for technical assistance only) can be proposed by countries or regional organizations, but are ultimately selected by the GAFSP Steering Committee. The selected supervising entity assists selected countries or regional organizations to design programs, and assists in their implementation. The selected supervising entity will operate using its own policies, guidelines and procedures. Where the World Bank is selected as the supervising entity, the approval authority would be with the relevant Regional Vice President (RVP) and would not need to be presented to the World Bank's Board for approval, unless GAFSP funds are used to co-finance an IDA/IBRD operation. The selected supervising entity will enter into a Grant Agreement with the selected client country or regional organization. It will submit annual implementation results reports to the Steering Committee through the GAFSP Coordination Unit. The selected supervising entities will each need to enter into a Fund Transfer Agreement with the Trustee to facilitate commitment and transfer of funds from the GAFSP Trust Fund to the selected supervising entity. The procedures and reporting requirements set out in the Fund Transfer Agreement are expected to be simple, flexible and designed to ensure alignment with the policies, guidelines and procedures of the selected supervising entity.

73. *Selection of supervising entity.* As part of its decision-making process, the Steering Committee will make grant allocations for each stand-alone investment, combined investment and technical assistance, or stand-alone (regional) technical assistance proposal and assign country and regional proposals to one or more supervising entities, with due consideration to any preference expressed by countries or regional organizations. Supervising entities should have existing fiduciary standards agreements with the Trustee. Commensurate sums will then be transferred from the GAFSP Financial Intermediary Fund (FIF) at the World Bank to the supervising entities selected. The sequence of actions is detailed in section VIII on *Procedures*.

### Private Sector Window

74. *International Finance Corporation.* Based on the eligibility criteria, the IFC will select private firms and financial institutions for financing through the private sector window. It will submit annual implementation results reports to the Steering Committee through the GASFP Coordination Unit. IFC will also submit periodic financial reports (including an annual audited financial statement) to the Steering Committee through the Trustee. The private sector GAFSP window to be managed by the IFC will make loans, credit guarantees or equity investments in private firms and financial institutions

investing in the agribusiness sector, food and beverage value chain, including input and service providers, and related infrastructure based on accepted proposals prepared by the companies in line with IFC's investment plan as endorsed by the Steering Committee. The procedures for allocating resources from the private sector window will be determined by the IFC. Accepted proposals will be subject to IFC's internal 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. Initially, the sole eligible supervising entity under the private sector window is the IFC. This can be expanded to other supervising entities as funds become more available and following donor interest.

### 6.3. GAFSP Steering Committee

75. 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 as voting members, representatives of the initial three donors to the GAFSP Trust Fund (Canada, Spain and the United States) and an equal number of representatives from recipient countries from two to three regions of the world (of which at least one would represent Africa). A senior manager (or designate) of the World Bank, identified by the World Bank, representing the Trustee, and the United Nations Secretary General's Special Representative on Food Security and Nutrition would be non-voting members. The Steering Committee may also include representatives from the supervising entities (IFAD, World Bank, other MDBs, FAO and WFP), and civil society organizations as observers. A member of the GAFSP Coordination Unit will serve as secretary to the Steering Committee to facilitate the role of the Chair person in coordinating activities and record Steering Committee decisions. However, such member of the GAFSP Coordination Unit will not be involved in the decision-making or approval process of the Steering Committee with respect to the funding proposals received from TAC. A Chair will be chosen from among existing voting Steering Committee members by majority vote.

76. The selection process for recipient country representatives will be done on a self-selection basis through the Executive Directors of the World Bank. In selecting the recipient country representatives the Executive Directors will take into account appropriate geographic balance, with at least one representative from Africa.

77. As the number of donors increases, the Steering Committee, will decide on the appropriate size of the Steering Committee, and mechanisms for rotation, as needed. The composition and selection process of voting and non-voting members may be adjusted by the Steering Committee to ensure adequate representation. Decision-making will be by full consensus of the voting members. Following recommendations from the Technical Advisory Committee, the Steering Committee will allocate available donor funds to individual supervising entities based on agreed criteria and country and regional organization proposals under the public sector window. The Steering Committee may in the future establish a donor contribution threshold for members on the Committee.

- (i) *Public sector window*. With due consideration to expressed preferences of countries and regions, the Steering Committee will: (a) approve country stand-alone investment proposals and investment and technical assistance proposals (allocations per country); (b) approve regional stand-alone investment proposals and investment and technical assistance proposals (allocations per regional organization); (c) select one or more supporting supervising entities for each of these above mentioned types of proposals; and (d) approve funding proposals for stand-alone technical

assistance to regional organizations in partnership with FAO, WFP, IFAD or one of the MDBs. Following approval of the country and regional organization funding proposals, no further approvals are required from the Steering Committee.

- (ii) *Private sector window.* The procedures for allocating resources from the private sector window will be determined by the IFC. The Steering Committee will endorse the IFC's annual investment plan. As more funds become available and following donor interest, there may be other eligible supervising entities for the private sector window.

78. The Steering Committee may at its own discretion approve, modify or decline recommendations by the Technical Advisory Committee in whole or in part with regards to the size of country or regional allocations or the allocations to the different supervising entities. The Steering Committee will be the recipient of: (i) the overall annual implementation results reports concerning GAFSP (for both public sector and private sector windows) compiled by the GAFSP Coordination Unit; and (ii) the periodic financial reports (including an annual audited financial statement) on the finances of the GAFSP Trust Fund compiled by the Trustee. The Steering Committee will nominate and approve all members of the GAFSP Technical Advisory Committee (see below).

#### 6.4. GAFSP Technical Advisory Committee

79. *Technical Advisory Committee (TAC).* An external **Technical Advisory Committee (TAC)** will be appointed by the Steering Committee. The TAC will primarily provide the due diligence screening of submitted proposals as input for decisions to be taken by the Steering Committee (detailed above). The technical composition and size of the TAC will reflect this needed function. The TAC will likely start small, reflecting the size of the initial donor commitments, but its membership may increase as donor contributions grow. The number of members will be decided by the Steering Committee, but the TAC is expected not to exceed 12 members at any one time. Members will need to have a high level of experience and technical expertise in agriculture and food security issues, and for Africa have familiarity with CAADP and CAADP processes. The TAC will be supported by the **GAFSP Coordination Unit which will be located at the World Bank**. The head of the GAFSP Coordination Unit will be the secretary to the TAC to ensure effective liaison between the Coordination Unit and the TAC, but: (i) will not be involved as head of the GAFSP Coordination Unit in evaluating or making any recommendations to TAC with respect to any of the proposals that the Coordination Unit receives from countries and regional organizations; and (ii) will not be involved as secretary to TAC in evaluating or making any recommendations to the Steering Committee with respect to any of the proposals that TAC receives from the Coordination Unit. The functions of the TAC for the public sector window are:

- Provide due diligence to the Steering Committee 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 and regional applications with regard to: (a) the quality assurance process used for the national and regional agricultural and food security plans of recipient countries and regions respectively; (b) the level and composition of public and other donor expenditures on agriculture and food security; (c) the conduciveness of national and regional 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 supervising entity of GAFSP for the project concerned.
- Inform the Steering Committee whether proposals meet the eligibility criteria.

- Recommend to the Steering Committee a set of indicative allocations of financial support to countries and regions, broad topic areas, and an appropriate supervising entity.
- Recommend to the Steering Committee a set of indicative allocations of financial support to regional organizations through the selected supervising entity in support of investment and/or technical assistance proposals submitted, as well as the supervising entity as relevant (MDBs, IFAD, WFP or FAO).
- In order to benefit from the investment of African countries and regional organizations in the technical networks and procedures of the CAADP process, TAC will be asked to ensure that proposals submitted by African countries and regional organizations have been through a CAADP or CAADP-like due diligence process, and are aligned to the four CAADP pillars.

80. *Communication with a broader constituency of external stakeholders.* The external governance of the FIF through the Steering Committee and the external TAC 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. If the size of the fund increases substantially, the GAFSP Steering Committee may commission an annual workshop organized by the Coordination Unit of the Global Donor Platform for Rural Development (GDPRD). GAFSP will support this cost out of FIF resources. The workshop will include representatives from all stakeholder groups involved in GAFSP, including recipient countries and regional organizations. The workshop will be the venue for each supervising entity to communicate progress towards results, knowledge, and lessons learnt in the projects that it manages.

#### **6.5. GAFSP Coordination Unit**

81. A GAFSP Coordination 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 Coordination Unit will also liaise between World Bank Management and GAFSP; facilitate communications among different partners of GAFSP, including the IFC; receive investment and/or technical assistance proposal requests through Ministries of Finance and heads of regional organizations; ensure that such proposals contain the necessary information for review by the TAC; receive annual investment plan from the IFC and submit it to the Steering Committee; cooperate with the Trustee; inform the Trustee of the Trust Fund concerning Steering Committee decisions and decisions to transfer funds to selected supervising entities; and compile an aggregate annual implementation results report based on the annual implementation results reports submitted by each of the supervising entities for the public and private sector windows. The Coordination Unit will not be involved in evaluating or making any recommendations to: (i) TAC with respect to any of the proposals it receives from countries and regional organizations; and (ii) the Steering Committee with respect to the annual investment plans it receives from the IFC.

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

82. The World Bank will serve as trustee of the GAFSP Trust Fund. The Trustee will act as a financial intermediary with respect to the GAFSP proceeds administered by the supervising 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 the Trust Fund Administration Agreement, Fund Transfer Agreements with the supervising entities, and relevant World Bank procedures, guidelines and policies. Each supervising entity will be responsible for the use of funds transferred by the Trustee and directly accountable to the Steering Committee in accordance with the supervising entities own fiduciary framework, policies, guidelines and procedures. The Trustee will be accountable to the Steering Committee for the performance of its fiduciary responsibilities as set out in the Trust Fund Administration Agreements. The Trustee will submit regular reports to the Steering Committee on the financial status of

each of the windows and will arrange for the annual audit of the GAFSP Trust Fund. The Trustee will also compile periodic financial reports (including an annual audited financial statement) received from each of the supervising entities, including IFC, and in turn submit the compiled periodic financial reports (including annual audited financial statements) to the Steering Committee.

83. 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, in accordance with the terms of the Trust Fund Administration Agreement(s) entered into with each donor.

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

84. The Steering Committee will solicit contributions from donor countries, private foundations, and multilateral institutions. Donors may target their contributions to either or both of the two established windows (public and private) under the GAFSP Trust Fund. All contributions made by the donors to the public sector window of the GAFSP Trust Fund will be on a grant basis without any repayment obligations. Arrangements for reflows from private sector equity and capital investments under the private sector window will be negotiated subsequently among the IFC, the donors and the Trustee. The Steering Committee will approve funding for GAFSP activities and administrative costs based on the level of funds held under each of the windows 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**

85. A single multi-donor Trust Fund supporting the 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, 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, each donor would enter into an Administrative Agreement(s) with the Trustee that would include specifications for the amounts to be directed towards either or both 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 to non-Bank supervising entities. If the World Bank is selected as a supervising entity, then its policies, guidelines and procedures would apply.

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

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

87. Access to Trust Fund resources by eligible countries, regional organizations with legal personality, 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 for the public sector window will be held solely by the Steering Committee. The World Bank, as Trustee, will not play a role in this process.

88. 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 supervising entity in accordance with agreed procedures as set out in an agreement between the Trustee and the supervising

entity. The agreement will also set out the streamlined financial reporting requirements to the Trustee and outline accountability requirements to the Trustee regarding financial transactions (such as 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 Trustee to the supervising entity. 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, guidelines, policies, procedures for procurement, financial management, safeguards and supervision of the specific supervising entity in receipt of the GAFSP funds will apply. Accountability for the proper handling and the use of funds will thus be between the supervising entity receiving the funds and the Steering Committee. To allow consolidated reporting to the donors and the Steering Committee, for the public sector and private sector windows supervising entities will submit annual implementation results reports on the use of the GAFSP proceeds to the Steering Committee through the Coordination Unit and periodic financial reports (including an annual audited financial statement) to the Steering Committee through the Trustee. (see Section 8.5 “Reporting”).

89. For country or regional stand-alone investment proposals and investment and technical assistance proposals, funds allocated for the investment components are transferred from the GAFSP FIF to the MDBs or IFAD and all responsibility is devolved to the MDBs or IFAD. The MDBs or IFAD will use their own internal policies, guidelines and procedures to appraise, process, supervise, evaluate and report on the activities. Where the World Bank is the supervising entity, the approval authority would be with the relevant RVP and would not need to be presented to the World Bank’s Board for approval, unless GAFSP funds are used to co-finance an IDA/IBRD operation. The supervising entity enters into Grant Agreements with the eligible country and/or regional organization to implement the program. The Steering Committee may designate more than one supervising entity, in which case funds shall be apportioned among the selected supervising entities which shall be treated as separate legal entities, and the internal policies, guidelines and procedures of each of the selected supervising entities shall apply to their respective allocated funds. In cases where there are pooled donor or basket fund arrangements at country-level, the policies, guidelines and procedures of the pooled fund arrangements will be used for the additional financing provided by the GAFSP. For financing of stand-alone technical assistance proposals, funds are transferred from the GAFSP FIF to FAO, IFAD, WFP or the MDBs, and all responsibility is devolved to these supervising entities. Supervising entities will then use their own internal policies, guidelines, and procedures to partner with regional organizations with legal personality to implement the activities.

### **7.3. Cost Recovery**

90. 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 Coordination Unit for cash flow and liquidity analysis, management of contributions, commitment and fund transfers to supervising entities, periodic financial reporting to donors including an annual audited financial statement, 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 Coordination 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 and/or technical assistance proposal requests through Ministries of Finance and heads of regional organizations, ensuring that such proposals contain the necessary information for review by the GAFSP Technical Advisory Committee, informing the Trustee of the GAFSP Steering Committee decisions to facilitate the Trustee's transfer of funds to the relevant supervising entity, and compiling aggregate annual implementation results reports based on the annual implementation results reports submitted to the Steering Committee through the Coordination Unit by each of the supervising entities for the public sector and private sector windows.

- c) *Administrative costs of supervising entities.* 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 the donors, the Trustee and the Coordination Unit, guidance on project proposals, vetting projects, grant management including disbursements to country recipients, supervision and implementation support, accounting and financial reporting. For the private sector window, 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 supervising entities -- 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.

91. Administrative costs of the Coordination Unit and the Trustee will be covered by the Trust Fund on a full-cost recovery basis. Administrative costs and project fees for supervising entities are covered by the Trust Fund. These administrative costs for projects are allocated by the Steering Committee following approval of investment and/or technical assistance grants and submission of estimated administration and project preparation and supervision costs by the relevant supervising entity to the Steering Committee.

## **VIII. PROCEDURES AND REPORTING**

92. This section highlights indicative procedures for proposal preparation, submission, review and reporting (see Table 3).

### **8.1. Proposal Preparation**

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

##### ***Public Sector Window***

##### ***Stand-alone investment; Investment and technical assistance***

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

*Stand-alone technical assistance*

94. Based on the availability of funds, the Steering Committee may invite one or more regional organizations with legal personality (e.g. ECOWAS and COMESA) to submit a stand-alone technical assistance proposal for defined programs and projects in partnership with one of the supervising entities (FAO, WFP, IFAD, MDBs).

***Private Sector Window***

95. When funds are made available under the private sector window, the IFC will issue a call for proposals from private firms and financial institutions doing business in eligible countries for loans, credit guarantees or for equity capital investments.

**8.1.2 *Proposal preparation.***

96. 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).

*Stand-alone investment; Investment and technical assistance*

97. National authorities and regional organizations would express a preference in their proposal for a specific supervising entity (MDBs or IFAD for investment components and MDBs, IFAD, WFP or FAO for technical assistance) to assist in the preparation and supervision of the proposed projects or programs.

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

*Stand-alone technical assistance*

99. In the case of stand-alone technical assistance activities, proposals will be prepared by regional organizations with legal personality (e.g. 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).

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

100. Proposals should be submitted on the template circulated by the GAFSP Coordination 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 that the eligibility criteria (Section V) are satisfied. Proposals can include both investment and technical assistance components.

## ***Public Sector Window***

### *Stand-alone investment; Investment and technical assistance*

101. Proposal template should include the following sections:
- a) Evidence of meeting the eligibility and selection criteria
  - b) For Africa, certification by the Ministry of Finance and the Ministry of Agriculture or any other relevant line Ministry and the Chair of the in-country donor group for agriculture and food security or equivalent that the proposal has been through a CAADP or CAADP-like due diligence process, including that the proposal is part of a comprehensive plan of support for agriculture and food security issues, that it is aligned with the four technical CAADP pillars, and that it is addressing strategic coordination.
  - c) Objectives and expected results
  - d) Targeted beneficiaries
  - e) Components to be financed
  - f) Relationship of proposal to country agricultural development plan
  - g) Budget, indicating required GAFSP financing and other co-financing arrangements
  - h) Timeframe
  - i) Preferred supervising entity to support preparation and implementation supervision.
  - j) Potential risks and bottlenecks
  - k) Consultation process with domestic stakeholders

### *Stand-alone technical assistance*

102. Invited stand-alone technical assistance proposals from regional organizations with legal personality should include:
- a) Proposed activities, budget and timeline to meet the objectives of the invited proposal
  - b) Partnership with an organization with technical expertise and a comparative advantage in the fields of agriculture and food security (FAO, WFP, IFAD and MDBs)
  - c) Potential risk and bottlenecks

## ***Private Sector Window***

103. Private firms and financial institutions doing business in eligible countries will be able to submit proposals directly to the IFC following the eligibility criteria outlined in Section V. Companies, Micro, Small and Medium Enterprises (MSME), farmers, small holders etc, will be able to apply directly to local banks and microfinance institutions 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 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 proposals 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 donors contributing.

## **8.2. Proposal Submission**

### **8.2.1 Public sector window**

#### *Stand-alone investment; Investment and technical assistance*

104. Finance Ministries of eligible countries, will submit proposal applications for grant funding to the GAFSP Coordination 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 in-country donor group for agriculture and food or equivalent. Technical assistance components may be embedded in country investment proposals. Countries may not submit stand-alone technical assistance proposals.

105. For regional organizations, the head of the regional organization will submit proposal applications for grant funding to the GAFSP Coordination Unit. Where there is a technical assistance component included in the proposal, the regional organization will partner with agencies with technical expertise and a comparative advantage in the fields of agriculture and food security (FAO, IFAD, WFP and MDBs) in respect of that technical assistance component.

106. The Coordination Unit will ensure that the proposals contain the necessary information for review by the GAFSP Technical Advisory Committee before circulating the proposal applications to the TAC.

#### *Stand-alone technical assistance*

107. Upon invitation by the GAFSP Steering Committee, stand-alone technical assistance proposals will be submitted for defined programs or projects by the head of a regional organization with legal personality (e.g. ECOWAS and COMESA) in partnership with FAO, IFAD, WFP or one of the MDBs to the GAFSP Coordination Unit. The Coordination Unit will ensure that the proposals contain the necessary information for review by the GAFSP Technical Advisory Committee before circulating the proposal applications to the TAC.

### **8.2.2 Private sector window**

108. Private firms and financial institutions doing business in eligible countries would submit proposals to the IFC which manages the private sector window 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. IFC's normal lending criteria will be used. For more details on eligibility of proposals, please see section V on *Eligibility*.

### **8.3. Proposal Review and Due Diligence by the Technical Advisory Committee**

109. The GAFSP Technical Advisory Committee would review each proposal application under the public sector window 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 *GAFSP Technical Advisory Committee (Section 6.4)*.

110. The Technical Advisory Committee at the same time would draft a recommendation on an indicative amount to be allocated to the country or regional organization and the appropriate supervising entity where relevant 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. The Steering Committee would at its own discretion promptly approve, modify or decline the recommendations in whole or in part.

## 8.4. Implementation

111. Once an investment proposal is approved by the Steering Committee, a supervising entity is selected, and its internal policies, guidelines and procedures will be used for design, appraisal, supervision, 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, the selected supervising entity will use its internal policies, guidelines and procedures for design, appraisal, supervision, implementation, and evaluation of the projects or programs. Where the World Bank is the supervising entity, the approval authority would be with the relevant RVP and would not need to be presented to the World Bank's Board for approval, unless GAFSP funds are used to co-finance an IDA/IBRD operation. For both investment and technical assistance proposals, CSOs and private sector actors could have a role as third party implementers or service providers dependent on program scope and design of programs. The internal policies, guidelines, and procedures of the selected supervising entities will be used to select third party implementers as needed to support program design, preparation and implementation.

112. In the case of Africa, selected supervising entities will need to ensure that both the processes and content of program design through preparation and appraisal are consistent with the CAADP structures, principles and processes that have been agreed to by development partners and the AU/NEPAD and are outlined in the "Guidelines for Donor Support to the CAADP Process at Country Level" and are captured in greater detail in the "Guide for CAADP Country Implementation".

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

## 8.5. Reporting

114. *Financial Reporting Requirement.* To allow consolidated reporting to the donors to the GAFSP Trust Fund and the Steering Committee, each supervising entity is required to submit periodic reports, including annual, audited financial statements to the Steering Committee through the Trustee on the use of received funds. The Trustee will compile the periodic reports, including annual, audited financial statements received from the supervising entities (including the IFC) and submit them to the GAFSP Steering Committee.

115. *Results Reporting Requirement.* Each supervising entity that receives funding under GAFSP will report annually on progress and results for all activities to the GAFSP Coordination Unit at the World Bank, which will consolidate reporting and submit as an annual implementation results report to the GAFSP Steering Committee, with copy to the Technical Advisory Committee. The accuracy of all reporting is the responsibility of the originating supervising entity, and not the GAFSP Coordination Unit, whose role is consolidation and not quality control of individual contributions. 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 supervising entities directly concerned, and with regard to willingness to share information for evaluation purposes after implementation. Independent evaluation of individual program results is preferred. The format and contents of the reports will be agreed upon with the Steering Committee. A proposed draft of results indicators is included in Annex 1.

116. *Additionality Reporting.* Each supervising entity will need to report on how the allocations provide additional financing for agriculture and food security, rather than simply allowing for substitution

of financing across other sectors. Each supervising entity will also provide its monitoring and evaluation data to the country donor working group to help support country-level donor coordination.

**Table 3: Procedures and Reporting Across the Two Financing Windows**

	Public Sector Window		Private Sector Window
	Stand-alone Investment; Investment and Technical Assistance	Stand-alone Technical Assistance	
<b>Call for Proposal</b>	Call for proposals will be issued by the GAFSP Steering Committee to selected national governments and regional organizations with legal personality.	Direct invitation for proposals will be made by the GAFSP Steering Committee to one or more regional organization with legal personality (e.g. COMESA and ECOWAS)	IFC will issue a call for proposal.
<b>Who submits</b>	<ul style="list-style-type: none"> <li>• Countries (Ministries of Finance) submit proposals to the GAFSP Coordination Unit with endorsement from the Chair of the in-country external donor group for agriculture and food (or equivalent).</li> <li>• Heads of regional organizations with legal personality submit proposals (in partnership with a supervising entity) to the GAFSP Coordination Unit.</li> </ul>	<ul style="list-style-type: none"> <li>• Regional Organizations with legal personality (e.g. ECOWAS and COMESA) submit proposals for technical assistance to the GAFSP Coordination Unit.</li> <li>• Proposals to be developed in partnership with FAO, WFP, IFAD or MDBs</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>	A completed proposal template (see section 8.1.3)	A completed proposal template (see section 8.1.3)	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 Coordination Unit receives proposals and ensures that the proposals contain the necessary information for review by the GASFP Technical Advisory Committee	GAFSP Coordination Unit receives proposals and ensures that the proposals contain the necessary information for review by the GASFP Technical Advisory Committee	IFC receives proposals from private firms and financial institutions doing business in eligible countries

<p><b>Who reviews and approves the submission package</b></p>	<p>GAFSP Technical Advisory Committee</p> <ul style="list-style-type: none"> <li>Reviews proposals and provides due diligence to the GAFSP Steering Committee;</li> <li>Recommends to the GAFSP Steering Committee indicative allocations, broad topic areas and appropriate supervising entity</li> </ul> <p>GAFSP Steering Committee</p> <ul style="list-style-type: none"> <li>In its own discretion, approves, modifies or declines the recommendations of the GAFSP Technical Advisory Committee in whole or in part</li> </ul>	<p>GAFSP Technical Advisory Committee</p> <ul style="list-style-type: none"> <li>Reviews proposals and provides due diligence to the GAFSP Steering Committee;</li> <li>Recommends to the GAFSP Steering Committee types of broad technical assistance to be provided, indicative amounts and appropriate supervising entity</li> </ul> <p>GAFSP Steering Committee</p> <ul style="list-style-type: none"> <li>In its own discretion, approves, modifies or declines the recommendations of the GAFSP Technical Advisory Committee in whole or in part</li> </ul>	<p>After an initial endorsement 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 and IFAD (for the investment and/or technical assistance components), and FAO, or WFP (for the technical assistance components) and all responsibility is devolved to these entities</li> <li>MDBs, IFAD, FAO or WFP will use their own internal policies, guidelines 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 supervising entities</li> <li>Supervising entities use own internal policies, guidelines and procedures and partner with regional organizations to implement activities</li> </ul>	<p>IFC will make loans, credit guarantees or equity investments in private firms 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>	<ul style="list-style-type: none"> <li>Countries and/or regional organizations with support from the selected supervising entity.</li> </ul>	<ul style="list-style-type: none"> <li>Regional organizations in partnership with the selected supervising entity (IFAD, FAO, WFP or one of the MDBs).</li> </ul>	<p>Private firms and financial institutions doing business in eligible countries selected by IFC.</p>

<p><b>Results Reporting</b></p>	<p>All supervising entities will submit:</p> <ul style="list-style-type: none"> <li>• Periodic financial reports (including an annual audited financial statement) on use of funds received to the Trustee for compilation and onward submission to the Steering Committee</li> <li>• Annual implementation report on progress and results of all activities financed through the GAFSP Trust Fund to the Coordination Unit for compilation and onward submission to the Steering Committee</li> </ul>	<p>All supervising entities will submit:</p> <ul style="list-style-type: none"> <li>• Periodic financial reports (including an annual audited financial statement) on use of funds received to the Trustee for compilation and onward submission to the Steering Committee</li> <li>• Annual implementation report on progress and results of all activities financed through the GAFSP Trust Fund to the Coordination Unit for compilation and onward submission to the Steering Committee</li> </ul>	<p>IFC will submit:</p> <ul style="list-style-type: none"> <li>• Periodic financial reports (including an annual audited financial statement) on use of funds received to the Trustee for compilation and onward submission to the Steering Committee</li> <li>• Annual implementation report on progress and results of all activities financed through the GAFSP Trust Fund to the Coordination Unit for compilation and onward submission to the Steering Committee</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 and through technical assistance; 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 components 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. It is expected that supervising entities will commission independent evaluations of the activities they implement under GAFSP in order to facilitate lesson learning and knowledge sharing on the investment impact of agriculture and food security activities.

#### **Component 1: Raising 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 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 non-farm rural 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)