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Enabling poor rural people
to overcome poverty

IFAD Strategic Framework 2011-2015

**Enabling poor rural people to improve their
food security, raise their incomes and
strengthen their resilience**

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Executive summary

1. This document presents IFAD's fourth Strategic Framework, which will cover the period 2011-2015. It discusses IFAD's strategic orientation, overarching goal and strategic objectives, and areas of thematic focus. It also articulates the principles of engagement that will guide the Fund's operations and the organizational instruments that IFAD will use to deliver the framework.
2. In response to a changing global context, and driven by a dynamic vision of rural development, the new framework brings some important changes to IFAD's strategic orientation. It also recasts IFAD's overall goal while retaining, with some modifications or additions, most of IFAD's current thematic areas of focus and principles of engagement. The framework does not call for change to IFAD's unique mandate – that of improving food security and enabling rural women and men to overcome poverty. Rather, it calls on IFAD to leverage its mandate and areas of comparative advantage to achieve greater and more sustainable impact on rural poverty.
3. This framework responds to a new global context characterized, on the one hand, by the persistence of massive rural poverty, with close to 1 billion rural people living on less than \$1.25 per day; on the other, by important elements of change: growing diversity of rural livelihoods, intensifying natural resource degradation and risks posed by climate change; growing economic importance of agriculture in response to rising demand for food, biofuels, and other agricultural goods and services; higher and more volatile food prices; and growing private-sector investment in agriculture.
4. In this changing context, many factors continue to keep rural households and individuals in poverty, and ill-equipped to deal with new risks or to seize new opportunities. These factors are wide-ranging: inadequate and insecure access to and control over natural resources, particularly for rural women; natural resource degradation and climate change; underdeveloped human capital and skills; weak collective capabilities and organization; scant access to technology and financial services; insufficient integration into value chains; lack of good employment opportunities in the agricultural and non-farm sectors; and policy failures and weak representation in policy processes.
5. Since the food price spike of 2007-2008, the international community has launched a number of initiatives to promote food security, many of which have entailed greater support to smallholder agriculture. In parallel, greater global concern has emerged around climate change and its implications for agriculture and rural livelihoods. At the national level, many developing countries have begun to give higher priority to food security by allocating increased budgetary resources to agriculture. Prospects for enhanced South-South cooperation have also improved. All these developments bode well for future progress in rural poverty reduction and smallholder agriculture.
6. Against this backdrop, IFAD's unique mandate and work have remained keenly focused on poor rural people and on smallholder agriculture. It has gained a wealth of experience and a comparative advantage in a number of areas: its collaboration with partners to develop innovative and sound agricultural and rural development projects that respond to the constraints and priorities identified by poor rural people; its work to foster the empowerment of poor rural people, their organizations and communities; and its engagement in policy dialogue on the basis of its field experience. In a changed global context, IFAD will use its comparative advantage to be a leading player and an effective partner in emerging international, regional, and national initiatives around food security, poverty reduction and smallholder agriculture.

7. In order to leverage its comparative advantage and achieve greater impact, IFAD will articulate a more dynamic vision of rural development, one in which smallholder agriculture can become a strong, dynamic and high-value sector, driven by growing demand for food, biofuels and environmental services. For many of today's smallholder farmers, this will provide a robust pathway out of poverty. For this to happen, however, the smallholder agriculture sector must be market-oriented and must be supported by governments and donors **as a business**. It also needs to become more productive, more sustainable and more resilient to changing environmental and climatic circumstances. And it needs to be well integrated into dynamic rural economies in which rural-urban linkages play an ever greater role, and in which non-farm enterprises increasingly provide good employment opportunities for those who will not be able to make a profitable and sustainable living in agriculture.
8. In this context, IFAD's overarching goal is recast as: **Enabling poor rural people to improve their food security, raise their incomes and strengthen their resilience by building profitable farm and non-farm enterprises that are sustainable and well integrated into local, national and global value chains, and that can generate opportunities for wealth creation and employment in rural areas**. This is underpinned by four objectives: (i) a strengthened and more resilient natural resource and economic asset base for poor rural women and men; (ii) enhanced access to a range of services for poor rural women and men; (iii) strengthened capabilities (of both individual rural poor men and women and their organizations) to take advantage of new opportunities; and (iv) improved institutional and policy environments for the rural economies in which IFAD operates.
9. Achieving IFAD's goal in a new context requires a **strategic reorientation** of its work. At the macro level, IFAD will need to take on a greater leadership role in smallholder-based rural development, help countries scale up the operations that it supports, expand its policy engagement, strengthen its partnerships with the private sector and enhance its knowledge broker and advocacy role. At the programme and project level, it will need to pay greater attention to: enhancing environmental sustainability and resilience; promoting "win-win" contractual arrangements to help small rural producers seize opportunities and reduce risks in value chains; supporting the development of new technologies for sustainable intensification of smallholder agriculture; increasing the capacity of financial institutions to provide a broader range of services; promoting the development of the capabilities of rural women and men (including youth) by supporting the work of partners; and capitalizing on opportunities to use renewable energy sources at the farm and community levels.
10. IFAD will pursue its goal and objectives by concentrating on the following thematic areas: secure access to natural resources – land, water, energy and biodiversity; climate change adaptation and mitigation; improved agricultural technologies and effective production services; more comprehensive financial services; integration into value chains through competitive agricultural input and produce markets; rural enterprise development and off-farm employment opportunities; technical and vocational education and training; and empowerment of rural poor people through effective and sustainable rural producers' organizations.
11. In the programmes that it supports, IFAD will adhere to eight principles of engagement, namely: a differentiated approach based on country context; targeting; support to the empowerment of poor rural people; promotion of gender equality and women's empowerment; creation of viable opportunities for rural youth; innovation, learning and scaling up; effective partnerships and resource mobilization; and sustainability.
12. In delivering this Strategic Framework, IFAD will intensify its efforts to mainstream management for development results. It will continue to manage for quality,

particularly by strengthening its internal quality enhancement and quality assurance systems. It will also continue to pursue increased efficiency. In addition, IFAD will develop new instruments, particularly for better collaboration with the private sector and enhanced partnerships. It will also put greater effort into advocacy and communication in the context of new initiatives around smallholder agriculture, rural development and food security. Finally, it will continue to amplify the voices of poor rural people and to promote smallholder agriculture as a viable and profitable business.

IFAD Strategic Framework 2011-2015

Enabling poor rural people to improve their food security, raise their incomes and strengthen their resilience

I. Introduction

1. This document presents IFAD's fourth Strategic Framework, which will cover the period 2011-2015. It discusses IFAD's strategic orientation, overarching goal and strategic objectives, and areas of thematic focus. It also articulates the principles of engagement that will guide the Fund's operations and the organizational instruments that IFAD will use to deliver the framework.
2. The new framework builds on the current framework (2007-2010), which retains much of its validity. In addition, it draws on the Report of the Consultation on the Eighth Replenishment of IFAD's Resources¹ and is informed by the annual reports on IFAD's development effectiveness as well as various evaluation reports produced by the IFAD Office of Evaluation.
3. The new Strategic Framework proposes some important changes to IFAD's strategic orientation – both at the macro and at the programme and project levels. It also implies some changes to IFAD's current strategic objectives and principles of engagement. These changes are based on an analysis of the changing global context for IFAD operations, the long-standing and new challenges that poor rural women and men face, and the lessons learned from IFAD's operations.
4. The new framework does not, however, call for an expansion of IFAD's unique mandate – that of improving food security and enabling rural women and men to overcome poverty. Rather it calls on IFAD to leverage further the comparative advantage that it has built over three decades of working with rural poor people, in order to achieve a greater and a more sustainable impact.
5. The Strategic Framework is one of IFAD's key policy documents and it will provide the overarching direction for IFAD's other policies and guidelines, thereby ensuring policy coherence and consistency. In addition, it will continue to guide the results-based country strategic opportunities programmes that frame IFAD's engagement in – and cooperation with – its developing Member States, and the individual programmes and projects that IFAD finances. It will also provide the starting point for IFAD's engagement in policy dialogue and advocacy work at the national, regional and global levels.

II. The changing context for agriculture and rural development: Rural poverty, livelihoods, resource degradation, climate change and market transformation²

6. **The persistence of rural poverty and hunger.** Despite the rapid economic growth of many developing countries in recent years and the considerable strides that some of these have made in raising incomes, poverty remains a phenomenon of staggering proportions. The most recent data cite the number of people living on less than US\$1.25 a day at around 1.4 billion: a significant decline from 1.8 billion in 1990, but still an unacceptably high figure.³ Despite rapid urbanization in all regions, about 70 per cent of these people – around 1 billion people – continue to

¹ IFAD 2009. Report of the Consultation on the Eighth Replenishment of IFAD's Resources. Rome.

² This and the following section draw heavily on the forthcoming IFAD *Rural Poverty Report 2011*.

³ United Nations 2010, United Nations Research Institute for Social Development (UNRISD) 2010. *Combating Poverty and Inequality. Structural Change, Social Policy and Politics*. Geneva.

- live in rural areas.^{4,5} As many as 1.8 billion people – more than a quarter of the world’s population – live in rural areas on less than US\$2 a day.
7. As poverty persists around the world, so does hunger. In 2009, the Food and Agriculture Organization of the United Nations (FAO) reported that, for the first time in history, the global number of undernourished people had exceeded 1 billion. With the decline of food prices since the 2007-2009 crisis, the estimated figure for 2010 is 925 million people.⁶ Of this total, 98 per cent live in developing countries: around 580 million people in Asia, 240 million in sub-Saharan Africa, over 50 million in Latin America and close to 40 million in the Middle East and North Africa.⁷
 8. As a result of the persistence of poverty and hunger, recent studies indicate that under current trends the first Millennium Development Goal – that of halving the number of undernourished people by 2015 – may not be met.⁸ However, at the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals held on 20-22 September 2010, world leaders committed themselves to redoubling their efforts to achieve the goals by the target date.
 9. In most developing countries, **gender inequalities** continue to take a heavy toll on the economic and welfare prospects not only of rural women and girls, but also of their households and societies. Around the world rural women increasingly play key roles in agriculture and in the broader rural economy that require recognition and support.⁹ Rural children and youth account for a very large proportion of the population living in poverty. And **rural youth** represent a major asset for the prospects of rural economies and of developing countries more broadly. However, creating the opportunities for them to overcome poverty continues to pose a considerable challenge in all regions.
 10. **Diversity of livelihoods and the “new rurality”**. While hunger and poverty have remained persistent in many parts of the world, the livelihoods of small farmers and other rural poor people have undergone change. At the household level, one striking aspect of such change has been **the growing diversity and differentiation of livelihoods** both among and within poor households.¹⁰ In some areas, differentiation is a result of dwindling opportunities in agriculture for rural poor households.¹¹ In other cases, most notably in parts of Asia and Latin America, differentiation is driven by the opening up of new opportunities for enterprise development and wage employment within and beyond agriculture.
 11. In many cases, a key driver of differentiation in rural livelihoods has been **growing integration of rural and urban economies** – particularly small-scale urban economies within or in the proximity of rural regions. Some have referred to this as

⁴ There is significant variation among regions in this regard: in Latin America and in the Middle East and North Africa, the majority of the poor now live in urban areas, and East Asia has a roughly equal percentage of people living in poverty in rural and in urban areas. In sub-Saharan Africa and in South Asia, more than three quarters of people living on less than US\$1.25 a day continue to live in rural areas, and these are also the regions where the greatest numbers of poor rural people are located.

⁵ IFAD 2010. *Rural Poverty Report 2011*.

⁶ Food and Agriculture Organization of the United Nations (FAO) 2010. *The State of Food Insecurity in the World*. Rome.

⁷ Ibid

⁸ Fan, Shenggen 2010. *Halving Hunger: Meeting the First Millennium Development Goal through “Business as Unusual”* Washington, D.C.: International Food Policy Research Institute (IFPRI).

⁹ Global Donor Platform for Rural Development 2010. Gender and Agriculture. Platform Policy Brief No. 3, September 2010.

¹⁰ In most countries between 30 and 60 per cent of rural households rely on at least two sources to yield three quarters of their income.

¹¹ Important factors include: crowding out of smallholders from more and more demanding markets; a deteriorating resource base; growing landlessness and competition over resources; and stagnating or declining productivity.

the “**new rurality**”: a phenomenon with intrinsic and mutually beneficial links between rural and urban societies and economies.¹²

12. **Resource and environmental degradation.** Another important development in rural areas is the continuing, and in many cases intensifying degradation of natural resources. Globally, one in five of the world’s plant species is threatened with extinction, and mounting evidence points to the links between biodiversity and crop yields.¹³ Between 5 million and 10 million hectares of agricultural land are estimated to be lost to environmental degradation every year.¹⁴
13. In parts of Africa, Asia and Latin America, forest degradation is a major problem.¹⁵ Also in Asia, growing depletion and degradation of water resources affect millions of poor people both in urban and in rural areas.¹⁶ The combined forces of water stress, soil salinization and soil degradation due to wind and water erosion pose serious challenges in the Middle East and North Africa, affecting an estimated 15.3 million hectares of cropland.¹⁷ In sub-Saharan Africa, about 65 per cent of agricultural land and 30 per cent of pastureland are estimated to be degraded. Soil erosion and desertification are daunting problems in many parts of the continent, compounding long-standing issues of soil fragility and nutrient depletion.¹⁸
14. **Climate change.** An important factor accelerating natural resource degradation today is climate change. While the impact of climate change has been, and is projected to remain, quite diverse across much of the developing world, the overall result is likely to be declining crop and livestock production – due to “reduced water availability, increased temperatures, uncertain or shorter growing seasons, less arable land and new pest and disease patterns.”¹⁹ This is a largely unprecedented setting for rural economies. Indeed, a viable future for poor rural people cannot be envisioned without effective measures to tackle the issue of climate change.
15. **Food price volatility and underlying trends.** Perhaps the most significant change in the global environment for rural economies in developing countries, and particularly for smallholder agriculture, is found in the food price trends that have followed the food price spike of 2007-2008. Overall, the era of low global prices for food products within which agriculture operated in developing countries appears to have come to an end.²⁰ Most analysts agree that both higher prices and greater price volatility are likely to characterize global and domestic food markets in the foreseeable future.²¹ This brings new profitable opportunities for smallholder agriculture, but also greater risks linked to volatility and greater pressure on the poor rural people most of whom are net food buyers,.
16. A number of **long-term factors** underlie the trend in higher food prices. These include, in particular, the rising demand for food for an expanding world population

¹² This integration has largely been made possible by improved transportation and communication infrastructure – not only roads but also telephones (fixed line and mobile) and other information and communication technologies, as well as by the decentralization of energy supply systems to rural areas in many countries.

¹³ Kew, Natural History Museum, and International Union for the Conservation of Nature (IUCN) 2010. *IUCN Sampled Red List Index for Plants*. London.

¹⁴ IFAD 2010

¹⁵ The Latin America region is estimated to have lost nearly 69 million hectares of forest cover between 1990 and 2005. Forest degradation also remains a major problem in parts of Asia, particularly in countries where timber and biofuel production have grown on a large scale in recent years.

¹⁶ United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) 2009. *Sustainable Agriculture and Food Security in Asia and the Pacific*. Bangkok.

¹⁷ United Nations Economic and Social Commission for Western Asia (ESCWA) 2007. *Land Degradation Assessment and Prevention. Selected case studies from the ESCWA region*. New York.

¹⁸ IFAD 2010

¹⁹ Ibid

²⁰ While the prices for most basic food commodities came down after the spike, they remained overall at higher levels than before the crisis. In many countries, moreover – notably in much of sub-Saharan Africa – domestic staple food prices continued to grow significantly during 2009. In the third quarter of 2010, prices for wheat, maize, rice and other food commodities rose again globally due to a combination of factors, notably weather shocks and declining projections for wheat production in some major wheat exporters, coupled with export bans.

²¹ Organisation for Economic Co-operation and Development (OECD) and Food and Agriculture Organization of the United Nations (FAO) 2010. *Agricultural Outlook 2010-2019*. Paris.

– and specifically a rapidly growing urban population (including a growing middle class) with increasing incomes and changing food habits – and a shrinking resource and energy base. The world population is projected to reach at least 9 billion people by 2050, and it is calculated that to feed this growing population, food production will need to increase globally by 70 per cent, and possibly double in developing countries.²²

17. Producing growing amounts of food – including high-value food products – cannot be achieved simply by expanding the amount of land under farming. All studies indicate that the scope for such expansion is limited, even in developing countries.²³ Rather, it is **growth in agricultural productivity** that is widely recognized as a prerequisite for any successful food security agenda. In recent years, productivity growth in developing countries has, however, lagged behind the growth in demand, while post-harvest and post-marketing losses have remained stubbornly high. After a period in the early 1980s in which developing countries' cereal yields grew at between 3 and 5 per cent, over the past decade yields have generally grown at an average of 1 to 2 per cent per year in the developing world, including Asia, while demand growth has exceeded 2 per cent per year.
18. **Increasing demand for biofuels.** Besides the rising demand for food commodities, there is increasing demand for biofuels on global markets, driven by growing scarcity of fossil fuels as well as by supportive policies and subsidies in many countries. During the early 2000s, production of liquid biofuels based on agricultural feedstock experienced threefold growth.²⁴ The production of biofuels has spread from traditional producers such as Brazil and the United States to a number of developing countries in Africa, Asia and Latin America. Biofuels can provide significant market opportunities for smallholder farmers and poor rural communities, provided their entitlements with regard to natural resources are strengthened and protected. Biofuels can also increase energy supply in rural areas, a critical enabling factor for rural economic growth and poverty reduction.
19. **Growing private investment in agriculture and market transformation.** Growing demand and higher prices for food, biofuels and other agricultural products have led to increased engagement by private corporations in agriculture. The most widely documented example of this growing interest has been the large-scale investment in agricultural land in some developing countries. However, there are other important dimensions to this engagement. These include the spread of large-scale retail and agribusiness chains across the developing world, and the diffusion of new modalities of engagement between these private-sector entities and smallholder farmers. In future years, private companies will likely play an ever-greater role in virtually all aspects of rural development, including smallholder agriculture and food security.

III. Persistence of rural poverty at the household level

20. At the household level, the specific factors that account for the persistence of rural poverty vary considerably from region to region and even within countries. However, a number of elements are recurrently associated with rural poor households in all regions and across most contexts. These are discussed below.

²² FAO 2009. *How to Feed the World in 2050. Conference synthesis report*. Rome.

²³ For instance, it is calculated that the total arable area in developing countries may be increased by no more than 12 per cent by 2050, and most of the increase would take place in parts of sub-Saharan Africa and Latin America, whereas room for expansion of agricultural land is likely to be very small elsewhere. Even such an expansion, however, would be widely insufficient to increase production to the needed levels in the absence of robust growth in the productivity of agriculture. In addition, in some regions there are very narrow margins for further expanding access to water supply – to the contrary, in most of the Middle East and North Africa, in parts of Asia, and elsewhere, it is imperative to step up water use efficiency and conservation to prevent further depletion of water supplies.

²⁴ FAO 2008. *The State of Food and Agriculture 2008*. Rome.

21. **Limited access to and control over natural resources.** Access to and control over key productive assets pose problems for poor rural households across regions.²⁵ For households whose livelihoods are based entirely or in part on agriculture, limited access to land, water and other natural resources is often a leading cause of poverty. Secure access to land and water has become even more difficult for millions of poor rural households in recent years for a number of reasons: the concentration of control over land and other natural resources, growing competition created by the increasing value of resources, land fragmentation and the degradation of resources. **Rural women** in virtually all rural societies face specific challenges in gaining access to resources, to the detriment not only of their own welfare but also that of their households, communities and societies. In addition, women-headed households are often the group most affected by insecure or insufficient access to key natural resources.
22. **Resource degradation and climate change.** The resources on which the livelihoods of millions of rural households depend have become degraded in recent decades due to population growth, climate change, unsustainable patterns of use, and ineffective policies and institutions. For resource-poor households, resource deterioration very often means low and declining agricultural productivity, high risk of crop and livestock failures, and a depletion of the common property resources that represent an important source of income.
23. Natural resource degradation is in many ways compounded by **climate change**. While adaptation to climate change is feasible in many contexts, lack of resources hinders the ability of many small farmers to access the necessary technology, knowledge and assets to invest in building their resilience to climate change and other natural-resource-related risks.
24. **Weak human capital and limited access to education.** Underdeveloped human capital and skills tend to perpetuate rural poverty and reduce the ability of poor households to cope with the challenges related to a deteriorating environment and to climate change. It also limits their ability to identify and take advantage of economic opportunities such as those opened up by the growing integration of rural and urban economies and by the growing demand for agricultural goods and services. Technical and vocational education and training are particularly crucial to turn agriculture into a profitable and sustainable activity, and also to create good employment opportunities in the rural non-farm economy.
25. **Weak collective capabilities and organization.** Organizations of poor rural people have a variety of forms and purposes, from participation in markets to management of natural resources, from community-level governance of financial service provision to promotion of the rights or concerns of specific groups. Many studies, as well as IFAD's own experience, show that organization is crucial for rural poor people to improve their livelihoods and overcome poverty.²⁶ The advantages of organization, however, are not enjoyed by all rural poor people. Their organizations often suffer from weak governance, accountability, and financial and management capacity. Often they are not inclusive. Rural women and the landless in particular are underrepresented in rural producers' organizations particularly at the leadership level, and on the national scale and beyond.²⁷ Many organizations also face a non-enabling policy and institutional environment.
26. **Inadequate access to technology.** Access to technology is essential for poor rural women and men both as producers and as managers of scarce and deteriorating natural resources. Appropriate, forward-looking and affordable

²⁵ Ibid

²⁶ Berdegue, J.A., E. Biénabe, and L. Peppelenbos. 2008. *Keys to inclusion of small-scale producers in dynamic markets: Innovative practice in connecting small-scale producers with dynamic markets*. Regoverning Markets Innovative Practice Series. London: International Institute for Environment and Development (IIED).

²⁷ IFAD 2010. *Promoting women's leaderships in farmers' and rural producers' organizations*. Special Session of the third global meeting of the Farmers' Forum in conjunction with the thirty-third session of IFAD's Governing Council, Rome, 12-13 February 2010.

technological solutions to new environmental, climate and market challenges are today much needed in rural areas across the developing world.²⁸

27. **Inadequate access to financial services.** Rural people require a range of financial products, including savings, credit, insurance and transfer services. Yet, about 2.2 billion of the world's poor adults – including most rural poor people – lack access to formal financial services.²⁹ There are many informal, semi-formal and microfinance institutions available to poor rural women and men in virtually all countries. However, these are generally unable to provide access to funds on terms and conditions that take into account agriculture's inherent risks or at a level that can sustain a kind of agriculture that is well-adapted to changing circumstances and capable of lifting people out of poverty. These institutions often cannot provide adequate insurance against shocks and risks in increasingly volatile climate and market conditions.³⁰ Financial services that can support the development of non-farm enterprises and facilitate private investment in rural areas remain weak in most countries.
28. **Poor integration into local, regional and international markets and value chains.** Participation in markets for agricultural goods, services and (agricultural and non-farm) labour is essential for the livelihoods of poor rural individuals and households. Indeed, effective integration within regional and national economies through exchanges in various markets – for goods, labour and services – is one key precondition for sustained income growth and rural poverty reduction in the long run, provided that rural poor people are supported in becoming competitive market actors. However, access to profitable markets for rural poor people – both as producers and as workers – remains a problem in many regions, owing to inadequate market and transportation infrastructure, high transaction costs, limited access to information, lack of finance, weak human and organizational capabilities, and non-enabling institutions and policies.
29. **Absence of good employment opportunities in the farm and non-farm sectors.** In many rural areas, opportunities for farm and non-farm employment and for enterprise development are scarce because of stagnating economic conditions. This stems in part from the long-standing urban bias in many developing countries in the funding of public investments in infrastructure and social and economic services, with the result that the enabling conditions that rural economies need to thrive have not been created.³¹ Poor governance and a non-enabling institutional environment are also major disincentives to private investment.
30. **Policy failures and weak political representation of the poor.** Factors of a policy and political nature also contribute to persistent rural poverty. In particular, **policy decisions and investments that result in the neglect of agriculture and rural areas** tend to perpetuate rural environments where opportunities for overcoming poverty are few, and the assets and economic role of small rural producers and workers are undervalued. Similarly, **lack of effective political representation** for rural poor women and men often leads to a prevalence of government policies that do not respond to the needs of smallholders and other poor rural people.

²⁸ IFAD 2010. *Rural Poverty Report 2011*.

²⁹ Chaia, A., A. Dalal, T. Goland, M.J. Gonzalez, J. Morduch, and R. Schiff. 2009. Half the World is Unbanked. Framing Note, Financial Access Initiative. Available at: http://financialaccess.org/sites/default/files/110109percent20HalfUnbanked_0.pdf

³⁰ IFAD 2010

³¹ Ibid

IV. The changing global architecture for food security and agriculture and IFAD's comparative advantage

The changing global architecture for food security and agriculture

31. **New food security initiatives.** Recent developments in agriculture and food security and, in particular, the food price crisis of 2007-2008 have prompted the international community – both donors and developing countries – to launch a number of important initiatives: the United Nations Secretary-General established the High-level Task Force on the Global Food Security Crisis to help coordinate efforts worldwide, while a Global Partnership for Agriculture and Food Security was established following the High-level Meeting on Food Security for All, held in January 2009 in Madrid, Spain.
32. Between 2009 and 2010, the inter-governmental Committee on World Food Security (CFS) at the FAO has been undergoing reform to contribute more effectively to country-led processes for food security, promote greater inclusiveness in global policy debates and support evidence-based policy to achieve food security. The reformed CFS will provide a key setting for coordination of global and regional processes for food security and nutrition involving a broad range of stakeholders and will draw on state-of-the-art expertise in food security and nutrition issues.
33. At the 2009 G-8 Summit in L'Aquila, heads of states pledged US\$20 billion – including both bilateral and multilateral support – for food security initiatives. Five principles for addressing global food security concerns were also laid out.³² Subsequently, a multi-donor trust fund was set up at the World Bank – the Global Agriculture and Food Security Programme (GAFSP). The GAFSP has begun providing support to national agricultural and rural development programmes.³³ At the November 2010 Seoul Summit, G-20 leaders declared their support for the work of the CFS and for the GAFSP. In a Multi-Year Action Plan on Development, leaders also called for greater coherence and coordination on food security and increased agricultural productivity and food availability – including through smallholder agriculture.
34. **Environment, climate change and biodiversity initiatives.** Global concern is rising about climate change adaptation and mitigation, and about environmental conservation in the context of development initiatives. A growing number of actors, including IFAD, are calling for an “evergreen revolution” that redefines the relationship between agriculture and the environment, with others referring to this agenda in terms of sustainable agriculture and sustainable agricultural intensification. Various recent studies emphasize the critical economic value of resources such as soil quality and biodiversity.³⁴ International public finance is targeting programmes that achieve the “multiple wins” of poverty reduction, food security, climate resilience, biodiversity protection and emission reductions.
35. **Greater commitment to agriculture by developing countries.** Reflecting the greater focus on food security is the increased commitment to agriculture by governments in developing countries. In Africa, greater determination to redress the effects of decades of underinvestment in agriculture is evidenced by the implementation of a growing number of countries of the 2003 Comprehensive Africa Agriculture Development Programme (CAADP) of the African Union. In Asia, the

³² These include investment in country-led plans, strategic coordination of donor assistance, comprehensive strategies that include sustainable agricultural development, nutrition, and humanitarian assistance, leveraging multilateral institutions (including at the regional level), and sustained commitment of financial resources. See “L'Aquila” Joint Statement on Global Food Security. L'Aquila Food Security Initiative (AFSI), at http://www.g8italia2009.it/static/G8_Allegato/LAquila_Joint_Statement_on_Global_Food_Securityper cent5B1per cent5D.0.pdf

³³ IFAD is a member of the Steering Committee of the fund.

³⁴ The Economics of Ecosystems and Biodiversity (TEEB) 2010. *Mainstreaming the Economics of Nature*. Available at: <http://www.teebweb.org/InformationMaterial/TEEBReports/tabid/1278/Default.aspx>. The report calculates that the value of saving natural goods and services such as pollination, medicines, fertile soils, clean air and water is between 10 and 100 times the cost of preserving the habitats and species that provide these goods and services.

Association of Southeast Asian Nations (ASEAN) has developed an Integrated Food Security Framework to underpin joint approaches, ensure long-term food security and improve the livelihoods of farmers in the region. In Latin America and the Caribbean, recent and ongoing regional efforts to achieve food security include the Hunger-Free Latin America and Caribbean Initiative, which provides a framework for a variety of food security initiatives.

36. **Aid effectiveness agenda.** The importance of the aid effectiveness agenda and, in particular, the principle of country ownership is now widely recognized. This principle is reflected in virtually all the main donor initiatives to boost food security and support agriculture since the L'Aquila declaration – including the five Rome Principles for Sustainable Global Food Security issued at the World Food Summit of November 2009. More broadly, it is a principle that has become increasingly ingrained in the work of donor agencies – notably bilateral and multilateral development agencies and financial institutions – since the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action. The allocation of funds by GAFSP also represents a new and far-reaching model for the application of this principle.³⁵
37. **The new potential for South-South cooperation.** Another important element of the new global development architecture is the emergence of a number of major new players – such as Brazil, China and India – in the global economy and in South-South cooperation.³⁶ The support of these countries is presenting new opportunities for rural economies in developing countries – particularly given that fast-rising economies have been a major source of both demand and supply for agricultural products, agricultural technology and knowledge sharing.
38. **Emergence of non-traditional private donors.** In recent years, large private foundations have been emerging as major players in the agricultural and food security sectors. The Bill & Melinda Gates Foundation is a key contributor to the GAFSP and the Alliance for a Green Revolution in Africa (AGRA); the Ford Foundation is funding programmes to enable rural communities to gain stable and fair access to natural resources; and the Rockefeller Foundation finances programmes to enhance adaptation to climate change in African agriculture, and has also partnered with the Bill & Melinda Gates Foundation to support AGRA. Prominent European foundations such as the Syngenta Foundation for Sustainable Agriculture and the Yara Foundation are also funding programmes in support of smallholder agriculture and community-level initiatives.

IFAD's comparative advantage and role in the changing aid architecture

39. IFAD is a specialized agency of the United Nations, and the only international financial institution mandated to contribute exclusively to reducing poverty and food insecurity in the rural areas of developing countries. IFAD pursues its mandate with an understanding both of the centrality of agriculture to the economic livelihoods of poor rural people and of the broad elements that shape rural producers' ability to increase their productivity and their incomes.
40. Over three decades of operation, IFAD has accumulated experience, skills and knowledge on the issues confronting governments and rural poor and marginalized people. It has become a significant contributor to national programmes for rural poverty reduction. Increasingly, it provides investment vehicles for governments, other donors, farmers and private sector entities pursuing similar objectives. IFAD

³⁵ Countries are invited to submit project proposals based on their national food security programmes. The programmes are then evaluated by an independent technical committee. Proposals found to be technically sound and in line with GAFSP principles and projects are then funded, and a supervising entity is selected to provide technical assistance to the countries to fully design and implement the chosen project.

³⁶ As stated in the declaration issued from the New Delhi International Conference on the Dynamics of Rural Transformation in Emerging Economies held in April 2010 and featuring Brazil, China, India and South Africa, emerging economies also recognize that a broad-based, far-reaching and sustainable rural transformation is central to South-South cooperation. The text of the declaration is available at http://www.ruraltransformation.in/New_Delhi_Declaration_on_the_Rural_Transformation_of_Emerging_Economies.pdf

has also built up a reputation for the quality of its work with particular groups – notably indigenous peoples and other ethnic minorities – that tend to be excluded from mainstream development processes. In all regions, IFAD has earned a strong track record as a trustworthy and trusted partner of governments and other national stakeholders.

41. As also noted in the Strategic Framework 2007-2010, IFAD’s comparative advantage lies, broadly speaking, in the following:
- **Working with governments, civil society, the private sector and other donors to develop and implement projects and programmes to increase agricultural production, food security and incomes among rural poor people.** In so doing, IFAD has consistently striven to respond to constraints and priorities identified by the poor rural people themselves – both women and men – and to address risks and opportunities that are specific to the areas where they live– including, in some regions, remote and less-favoured areas;
 - **Contributing to, and championing, the empowerment of poor rural women and men, including, in some areas, marginalized groups such as indigenous and ethnic minorities.** IFAD has developed particular expertise in strengthening the skills, knowledge and confidence of poor rural people and in supporting their capacity to organize effectively. Today, IFAD has a recognized comparative advantage in helping to build the capacity of rural producers’ and rural community-based organizations to bring tangible benefits to their members, as well as to participate in relevant institutional and governance processes;
 - **Engaging in policy dialogue with member governments and other partners on the basis of lessons learned from its field operations.** Through such dialogue IFAD has developed expertise to promote institutional and policy processes that are conducive to reducing rural poverty and to successfully scaling up and replicating approaches piloted in IFAD-funded projects.
42. In terms of thematic areas of focus, IFAD has a comparative advantage particularly in **supporting the development of smallholder agriculture** by: enhancing access to natural resources (land, water, forests, fisheries) for poor rural women and men and their communities and supporting more effective and sustainable management of these resources; developing – or providing access to – enhanced, locally adapted agricultural technologies; expanding access to a range of financial services in rural areas; supporting organization and better linkages to markets (including through better access to market information) for smallholder farmers; supporting the engagement of smallholders’ organizations in policy processes at the national level and, in some cases, at the international level.
43. In various regions, IFAD also has a comparative advantage in supporting community-driven development and in promoting small businesses and microenterprises (including women’s enterprises) in the non-farm sector. Most recently, IFAD has developed expertise in addressing entire sections of value chains in which smallholder farmers and other poor rural people participate, to enable them to capture greater value added
44. As the international community – both donors and developing countries – increases support to food security and climate change initiatives, IFAD should use the considerable experience it has accumulated to become a key player and partner in such initiatives. In particular, as the viability of smallholder agriculture for long-term food security has been questioned by some, it is important that IFAD demonstrates that investments in smallholder farming can indeed be a major contributor – and for many the only viable path – to national food security, poverty reduction and economic growth.

V. The Strategic Framework: Overarching goal, strategic objectives, reorientation, areas of thematic focus, outcomes and outputs

45. The evolving global context, the changing development architecture for food security and agriculture, and the various factors that most commonly account for the persistence of poverty at the household level across contexts all inform the new Strategic Framework. On the one hand, many of the long-standing causes of rural poverty remain, requiring continued engagement by IFAD in its traditional areas of activity. On the other, the new context for agriculture and rural development and the changing aid architecture present new opportunities and risks that require a reorientation of IFAD's work both at the macro and at the programme and project levels.

Towards a dynamic vision of agriculture and rural development

46. As the earlier analysis makes clear, IFAD's developing Member States face the daunting challenge of assuring food security for their populations and of reducing rural poverty, often in the face of declining or stagnating agricultural productivity, environmental degradation and climate change.
47. To meet this challenge – and that of the persisting extreme poverty of some 1 billion rural people – IFAD will articulate and champion a new and more dynamic vision of rural development that can provide opportunities for overcoming poverty for large numbers of people. This vision reflects not only IFAD's appreciation of the magnitude and urgency of the task at hand, but also its understanding of the fundamental changes taking place in the rural economies of many developing countries.
48. It is increasingly evident that smallholder agriculture can continue to be a mainstay of the economy and a primary source of livelihoods for many people **only if it is viable, profitable and sustainable**. Moreover, smallholder agriculture can only achieve this in the context of growing rural economies experiencing the robust expansion of both their farm and their non-farm sectors and **the gradual shift from agriculture to non-farm activities** for many poor rural people, some of whom are currently smallholder farmers.
49. The new IFAD vision of rural development is thus anchored first in the belief that smallholder agriculture can satisfy the swelling market demand for food and other agricultural products and ensure improved livelihoods for farmers and their families through increasing and sustained agricultural productivity. At the same time, agricultural systems need support to arrest and reverse natural resource degradation and adapt to the constraints caused by climate change. This is, in short, a vision of **sustainable intensification of agriculture** that benefits consumers, farmers and the environment. Again, within the current process of transformation of rural economies around the world, sustainable agricultural intensification will provide a viable pathway out of poverty for many poor rural people, but not for all of them – and not for all of today's smallholder farmers.
50. Under IFAD's new vision, agriculture is a potentially strong, dynamic and high-value sector for smallholders that is driven by growing demand for food, biofuels and environmental services. For smallholder farming to benefit from these opportunities and provide a route out of poverty for poor rural people, however, agriculture must necessarily be seen by governments, donors and the smallholders themselves as a business.
51. A change in perception towards recognizing smallholder farming as a potentially profitable and viable business is needed to convince governments and donors to take initiatives in terms of policies, programmes and investments that will enable smallholders – women and men – to thrive as entrepreneurs. Viable smallholder farming needs to be fully integrated into markets and value chains and to be in a

position to respond to market incentives and signals. On the other hand, markets need to provide clear signals and price incentives, and the means for farmers to respond to them. Policies and institutions have a crucial enabling role to play in this.

52. Thriving, viable and sustainable smallholder agriculture can also drive rural economies by creating good employment opportunities in rural areas, both in agriculture and in ancillary sectors. In turn, however, smallholder agriculture needs to be integrated into dynamic and resilient economic spaces in order to thrive. Moreover, as stressed above, smallholder agriculture will only be sustainable and offer viable business opportunities for part of today's rural poor population. As a result, the new IFAD vision has as its second anchor **the development of the non-farm sector and its full integration with the farm sector.**
53. The non-farm rural economy is increasingly important for large numbers of rural poor people as a source of alternative income and employment opportunities. It will become even more important in the future as a key driver of rural development, as more services are developed around the improved communications, global value chains and energy decentralization spurred by a profitable farm sector. Identifying and fostering positive synergies between agriculture and the non-farm economy, as well as between rural and urban economies, is thus an essential element of IFAD's strategy for rural poverty reduction. Equally important will be support for poor rural people to shift away from agriculture when they cannot make a viable living in the new environment.

IFAD's overarching goal

54. In line with the new vision, IFAD's overarching goal is to:

Enable poor rural people to improve their food security, raise their incomes and strengthen their resilience by building profitable farm and non-farm enterprises that are sustainable and well integrated into local, national and global value chains, and that can generate opportunities for wealth creation and employment in rural areas.

Strategic objectives

55. The achievement of this overarching goal is underpinned by four strategic objectives, namely:
- A strengthened natural resource and economic asset base for poor rural women and men that is more resilient to climate change, environmental degradation and market transformation;
 - Enhanced access of poor rural women and men to services that are essential for reducing poverty, raising incomes and strengthening resilience in a changing environment that presents both new opportunities and new risks;
 - Strengthened capabilities of individual poor rural women and men and their organizations to take advantage of market opportunities and influence the policies and institutions affecting their livelihoods; and
 - Improved institutional and policy environments for rural economies, including the agriculture and the non-farm sectors.

IFAD's strategic reorientation

56. In championing its new vision and achieving its overarching goal and objectives, IFAD will need to continue work in its areas of comparative advantage, building on its recent efforts and learning from experience. A number of interlinked steps are also needed to reorient IFAD's work, both at the macro or corporate level and in the context of individual projects and programmes.

57. At the macro or corporate level, IFAD will:
- Assume a greater leadership role among actors engaged in supporting agriculture, food security and rural poverty reduction, in line with its comparative advantage and unique mandate;
 - Scale up the programmes and operations it supports in partnership with both public- and private- sector actors;
 - Expand its policy engagement with its developing Member States, both with governments and with farmers' organizations and civil society;
 - Strengthen its partnership with the private sector; and
 - Enhance its knowledge broker and advocacy role.
58. The food security and environmental challenges faced by the rural poor and the changing development architecture for food security call for IFAD to assume more of a leadership role in line with its comparative advantage, as discussed earlier. In particular, IFAD is seen by the international community as a champion of poor rural people, with proven expertise in community-driven development, farmer empowerment, microfinance, support to gender equality in rural development and innovation.
59. Taking on a leadership role will require IFAD to mobilize additional resources for rural development by providing programme and project vehicles in which other donors and governments can invest. IFAD has already embarked on this path by acting as an implementing agency for the Global Environment Facility (GEF), the European Union and GAFSP. In future years, it will expand on this and come to be seen as the partner of choice for governments and private entities seeking to expand their support to rural development that is focused on enhancing the role of rural poor women and men (see principle of engagement 7 below).
60. IFAD will, in addition, help countries scale up the operations it has supported with a view to broadening and sustaining the benefits for poor rural people. In close cooperation with other partners and in line with their respective comparative advantages, IFAD will help countries to develop programmes that cover wider geographic areas and provide services to larger numbers of people. As IFAD's own resources will remain comparatively small in relation to the challenges faced by its Member States, enhanced partnership with other donors and with governments will be critical in scaling up its programmes (see also principle of engagement 7 below).
61. IFAD will also expand its policy engagement with its developing Member States by working with governments, farmers' organizations and other partners to develop comprehensive and coherent rural development policies for poverty reduction and enhanced food security. IFAD will assist governments in putting in place the policy, legal and regulatory environment and in developing the necessary institutions to enable the emergence of dynamic farm and non-farm sectors based on small producers, which can respond to market needs and contribute to national food security and economic growth. It will continue to work with producers' organizations to ensure that they play a more effective role in relevant policy debates and institutional processes.
62. As local and international private companies increase their investment in agriculture, IFAD will partner with them and help build mutually beneficial relations between small-scale producers and workers, and large agricultural and agro-industrial enterprises. A promising example of such an arrangement is contract farming between agribusiness enterprises and small-scale farmers. The strengthening of these partnerships will be facilitated by the development of new instruments that will enable IFAD to engage more productively with the private sector and the value chains for agricultural commodities in which private companies are the key players.

63. An important strategic orientation will be for IFAD to become more prominent as a knowledge broker and in its advocacy role. IFAD can make an enormous contribution to the rural development efforts of its Member States not only by providing financing for agreed programmes and projects but also by enhancing its role as a knowledge broker among countries. IFAD has over 30 years of grass-roots rural development experience, which is a resource of great value to its Member States. IFAD will develop knowledge products more systematically in the future and make these available to a wider audience. It will also enhance its role in facilitating South-South cooperation, including by drawing lessons from successful experiences of middle-income countries that may be applied in low-income countries.
64. At the level of individual programmes and projects, IFAD will also reorient its work by paying greater attention to: (i) promoting environmental sustainability and resilience to the risks associated with natural resource degradation and climate change; (ii) enhancing the capacity of small rural producers to benefit from new market opportunities and building their resilience to market-related risks by strengthening their organizations and promoting win-win contractual arrangements within value chains; (iii) supporting the development of technologies that promote the sustainable intensification of smallholder-based agriculture and that target the specific constraints and priorities of rural poor women and men; (iv) increasing the capacity of financial institutions to broaden their range of services (including insurance, savings, credit and remittance transfer) they offer to rural women and men; (v) building the capabilities of rural poor women and men, including youth, to seize opportunities in the farm and non-farm sectors by supporting the work of partners with a comparative advantage in education, technical and vocational education and training, and agricultural research and development; and (vi) capitalizing on opportunities to use renewable energy sources at the farm and community levels.

Areas of thematic focus

65. Both at the macro level and at the level of programmes and projects, IFAD will, as in the past, concentrate its efforts in selected thematic areas. In each area, its efforts will be directed towards the achievement of its four strategic objectives that contribute to the pursuit of its overarching goal. These areas reflect both the continued factors of poverty among rural households, and the new risks and opportunities shaping rural livelihoods in a changed environment and in the context of an ongoing transformation of rural economies around the world. The thematic areas of focus are the following:
- **Natural resources – land, water, energy and biodiversity.** IFAD will work towards better and equitable access to land and water for poor rural men and women and enhance their land tenure security. It will also help poor rural women and men to manage these resources more efficiently and sustainably, so as to enhance the resilience of rural livelihoods to environmental changes, reduce or counter resource degradation, and adapt to growing resource scarcities (see principle of engagement 8 below).
 - **Climate change adaptation and mitigation.** IFAD will strive to mainstream adaptation and mitigation measures into all its operations to enable rural poor people to counteract the impact of climate change, increase their resilience, benefit from win-win opportunities and contribute to climate mitigation while improving food security, agricultural productivity and incomes.
 - **Improved agricultural technologies and effective production services.** IFAD will continue to work with a variety of partners to develop and make available appropriate technology for smallholders to raise their agricultural productivity and make it more environmentally sustainable and resilient to climatic shocks and changes. IFAD will seek to enhance the

availability of local energy and other rural infrastructure that smallholder farms and non-farm enterprises need to boost their productivity.

- **A broad range of financial services to meet the productive and household needs of smallholder farmers and other rural poor women and men.** Building on its considerable experience, IFAD will continue its work with private-sector institutions to make needed financial services available for both the farm and the non-farm sectors. Greater attention will be directed to providing services that enhance resilience and improve risk management at the farm enterprise and household levels.
- **Integration into local, national and international value chains through competitive agricultural input and produce markets.** Market integration is a pre-requisite for sustained rural income growth. IFAD will therefore assist poor rural people in gaining access to dynamic value chains that offer them profitable opportunities as small farm and non-farm entrepreneurs and as wage workers. IFAD will support rural women and men to acquire greater market power and thereby capture a larger share of the value added in the chains in which they participate, while managing their resources sustainably.
- **Rural enterprise development and off-farm employment opportunities.** Increasingly, a dynamic rural economy is dependent on strong linkages between the farm and non-farm sectors. IFAD, in partnership with other institutions, will support the development of both farm and non-farm rural enterprises that can offer profitable opportunities for wealth creation and decent employment to rural poor women and men.
- **Technical and vocational education and training (TVET) and skills development.** Greater efforts are needed to help rural poor people, notably rural youth, acquire new skills in such areas as agricultural technologies, services, entrepreneurship and financial literacy, which are essential for enabling people to seize new opportunities in agriculture and for building dynamic rural economies and societies. IFAD will partner with other development institutions to support the provision of TVET and skills development in rural areas.
- **Empowerment of rural poor people.** IFAD will continue to support the empowerment of rural poor women and men by proactively promoting the development of effective and sustainable rural producers' organizations, and by actively engaging with existing organizations. Specifically, IFAD will aim to ensure that such organizations have: sufficient market power to take advantage of opportunities in markets for goods (input and output) and services (financial, technology supplies, etc.); capacity to deliver or facilitate the availability of needed services to their members; ability to effectively represent, in an inclusive manner, the interests of their membership – including women, the landless and rural youth; ability to take part in policy, institutional and programming processes at the local, national and international level that affect rural economies and rural areas (see principle of engagement 3 below).

Outcomes

66. To achieve its strategic objectives, IFAD will strive for four sets of outcomes:
- Increased incomes and enhanced food security for rural people served by IFAD-supported projects in a given locality or region;
 - Improved policy and regulatory frameworks at the local, national and international levels;
 - Strengthened and more inclusive organizations of small farmers and rural poor people; and

- Strengthened in-country institutional capacities for pro-poor agricultural and rural development.

Outputs

67. IFAD's outputs will consist of:

- The results-based country programmes and projects that it develops in partnership with Member State governments and key stakeholders, finances or cofinances, and either directly supervises or supports in implementation;
- The policy dialogue and advocacy initiatives that IFAD undertakes at the country, regional and international levels, whether involving governments, rural producers' organizations, other donors or other partners;
- Policies and strategies that guide IFAD's work; and
- The knowledge products and learning tools that IFAD generates through its field experience.

VI. Principles of engagement

68. IFAD will follow eight principles of engagement, which reflect both IFAD's unique identity and values and its reading of the current context for rural economies, agriculture and rural poverty reduction. IFAD will adhere to these principles throughout its work in pursuit of its goal and objectives and across all areas of thematic focus.

Principle of engagement 1: A differentiated approach based on country context

69. IFAD's operational experience points to the need to adopt a differentiated approach in supporting its developing Member States, although in practice there will always be overlaps. The regional and country situations that the Fund encounters vary in terms of income, national priorities, institutional development and drivers of rural economic growth. Based on its experience, the Fund will prioritize its interventions on the basis of a broad distinction among three groups of countries: fragile states, low-income countries and middle-income countries.

70. In fragile states, IFAD will mainly focus on: (i) institution building and (ii) the provision of basic agricultural and rural services, including the mobilization of financial resources that take advantage of remittance flows. In line with the policy adopted by the Executive Board, IFAD's approach will be characterized by the following:

- Flexibility in programme and project design, with a strong focus on building the capacity of community and government institutions;
- Particular attention to resilience, economic empowerment, gender, indigenous peoples, food security, land rights and natural resource management and specific targeting of vulnerable groups;
- Greater simplicity in project objectives and activities;
- Attention to mitigating and responding to risks of natural disasters and conflict, particularly local conflicts over access to natural resources, etc.;
- Cofinancing wherever possible through harmonized procedures in order to avoid increasing transaction costs to governments;
- Strengthened capacity for analysis to underpin programme design and implementation, including through expanded country presence and direct supervision; and
- Particular attention to managing risk associated with engagement in fragile states, including security of the workforce.

71. In low-income countries, where rural poverty is often broad-based, IFAD will focus on:
- Access to natural resources: land, water and energy;
 - Provision of basic agricultural and rural services;
 - Access to finance and financial services;
 - Access to improved technology;
 - Sustainable use and management of natural resources: land and water;
 - Adaptation and, where possible, mitigation measures for climate change;
 - Support to the development of producers' organizations and linking them to private-sector marketing opportunities and input supply;
 - Public-private cooperation at the local level and formal public-private partnership agreements at the regional and international levels;
 - Active inclusion of both women and men, particularly youth, in rural development by developing their entrepreneurial capabilities and vocational skills, both in agriculture and in non-farm sectors; and
 - Mobilization of migrants' contributions to rural economic development.
72. In middle-income countries, where rural poverty often affects subsections of the population in specific areas, IFAD will focus on:
- Support to poor rural people in the poorest areas to develop their farm and non-farm enterprises while managing their natural resource assets sustainably;
 - Use of the Fund's resources to leverage national resources in support of rural development in the poorest regions;
 - Special efforts to innovate and diversify the content of IFAD-financed programmes to meet the diversified needs of these countries;
 - Knowledge development and knowledge sharing to promote greater investment in rural development in the poorest regions;
 - Engagement with the private sector to bring in private-sector resources and know-how to support the development of the poorest rural areas; and
 - Promotion and facilitation of South-South cooperation with low-income countries.

Principle of engagement 2: Targeting

73. Rural economies are dynamic spaces where livelihood opportunities and challenges are changing. As such, careful use of targeting instruments is crucial to ensure that IFAD interventions reach the right groups of people, and have maximal impact in each context. Clear targeting will thus remain a principle to which IFAD will adhere to ensure maximum relevance and impact across its initiatives. In this regard, IFAD will:
- Continue to adapt targeting to the requirements of different contexts, recognizing that its target group will vary in each context and that target approaches also vary according to type of programme and investment tool;
 - Continue to target poor rural people who have the capacity to take advantage of the economic opportunities provided by the investments that the Fund supports;
 - Continue to employ specific targeting mechanisms to enable poorer rural people – for example women, indigenous people and the landless – to benefit from development programmes by expanding employment

opportunities and helping to assure their access to assets and services (land, water, finance, energy, technology, infrastructure, etc.);

- Increase its capacity to enable rural youth to engage in gainful economic activities and to contribute to rural development;
- Cofinance programmes covering the entire rural sector (sector-wide programmes, scaled-up programmes; policy advice, private-public partnerships), while supporting measures to assure that benefits are oriented towards poor people and their participation in decisions; and
- Supplement its targeting policy with evidence-based guidance on targeting approaches.

Principle of engagement 3: Support to the empowerment of poor rural people

74. IFAD has long recognized the importance of empowerment, particularly through organization, for enabling rural poor people to become more effective market actors and for promoting better governance and more effective policies and institutions affecting agriculture and rural development. IFAD will continue to support the empowerment of poor rural people by:

- Enabling them to strengthen and build their individual assets, knowledge and skills;
- Helping them to build inclusive, effective and sustainable organizations;
- Increasing the decision-making and organizational capacity of poor rural women, indigenous peoples and youth;
- Assisting producers' organizations in developing the skills and knowledge to bargain effectively with private-sector organizations in value chains; and
- Continuing to support rural producers' organizations in representing effectively and in an inclusive manner the interests of their members and constituents, and in contributing to relevant policy and governance debates and processes.

Principle of engagement 4: Promotion of gender equality and women's empowerment

75. Gender inequalities continue to be a critical factor of poverty across rural areas around the world. Promoting women's empowerment and gender equality both in its field operations and at the corporate level is an important factor driving the relevance, successful impact and sustainability in the Fund's work. In adherence to this principle, IFAD will sharpen its focus on gender equality and women's empowerment by pursuing three core strategic objectives: (i) economic empowerment; (ii) an increased decision-making role; and (iii) improved well-being. In particular, IFAD will:

- Focus on wealth creation among poor rural women, ensuring their integration as economic and entrepreneurial actors within the rural economy;
- Invest in capacity-building of women and girls to achieve these objectives;
- Continue to support better, equitable integration and participation of rural women in rural producers' organizations; and
- Integrate systematically a gender perspective into its policies and business processes and its monitoring and reporting instruments, including human resource policies and staff development.

Principle of engagement 5: Creation of viable opportunities for rural youth

76. Rural youth have a central role to play in the emerging IFAD vision, and they are key actors in meeting the challenge of feeding a growing global population through

sustainable and resilient smallholder agriculture that is market-oriented and market-integrated. They will also be key actors in vibrant rural economies characterized by increasingly integrated non-farm and farm sectors. To create viable opportunities for rural youth in rural economies, IFAD will:

- Systematically consider the specific needs and constraints of rural youth in the context of targeting;
- Strive to include rural youth, both women and men, in all initiatives aimed at developing small farm and non-farm enterprises in rural areas;
- Support the provision of appropriate training, support and advice to rural youth to help them capture existing opportunities;
- Ensure that young people have equitable access to the services made available or facilitated by IFAD-funded programmes and projects;
- Seek greater inclusion of youth in the decision-making processes of rural producers' organizations; and
- Work with partners at the local, national and international levels to put young rural people at the top of the development agenda.

Principle of engagement 6: Innovation, learning and scaling up

77. Responding to a changing environment – with new challenges linked to environmental degradation, climate change and market transformation and a growing shift from agriculture to non-farm sectors among rural poor people – requires a capacity to innovate and learn. At the same time, making a serious dent in rural poverty and achieving the first Millennium Development Goal under the current circumstances calls for a greater and more systematic focus on scaling up efforts, where appropriate and possible. In line with this principle, IFAD will:

- Continue to focus on developing demand-driven and innovative approaches to rural poverty reduction;
- Continue to promote innovation at all levels in the organization;
- Place greater emphasis on knowledge generation and sharing within IFAD and in its operations management;
- Scale up successful approaches and innovations, when appropriate, by treating scaling up as "mission critical"; and
- Review existing policies and strategies on knowledge management and innovation in order to develop an integrated innovation, learning and scaling up strategy focused particularly on country strategic opportunities programmes and project design.

Principle of engagement 7: Effective partnerships and resource mobilization

78. Developing effective partnerships with strategic partners has long been key to the achievement of IFAD's goals and objectives. Such partnerships gain new significance in the emerging IFAD vision, which requires a broadening of efforts to support smallholder agriculture in the context of more viable, sustainable, dynamic and resilient rural economies. IFAD will direct particular attention to mobilizing resources from other sources – in particular, foundations and private companies and corporations – and to addressing the competition for resources created by the changing economic and financial climate and increasing risk factors – such as those linked to climate change. In line with this principle of engagement, IFAD will:

- Strengthen existing partnerships and develop new ones with national stakeholders, the international development community and civil society, including rural producers' organizations;

- Provide investment opportunities for partners, packaging them into large-scale investment programmes and projects that can have significant impact on rural poverty;
- Develop new strategic public-private cooperation at the local level in support of rural development, and formal partnerships at the regional and international levels;
- Constantly review partnership arrangements to ensure their effectiveness and disengage with partners where a clear value-added is not observed;
- Step up its resource mobilization capacity and efforts, including by strengthening its resource mobilization unit, and by enhancing its advocacy efforts in emerging economies, and elsewhere;
- Continue to make use of bilateral arrangements with Member States for expanded resource mobilization; and
- Seek ways to better support and leverage South-South cooperation.

Principle of engagement 8: Sustainability

79. Under the changing environmental, climate and market conditions, and in the context of changing social relations and transforming rural economies, pursuing sustainability is a key principle of engagement for effective programmes and projects. This principle of engagement embraces the institutional, economic and social sustainability of programmes and projects, and their sustainability and resilience in relation to the environment and climate change. In line with this principle, IFAD will give higher priority to the sustainability of the programmes and projects it finances by:
- Continuing to improve project design quality to ensure development impact and sustainability;
 - Promoting national leadership in project and programme implementation;
 - Enhancing rural poor people's participation, and ensuring that projects and programmes are owned by the rural poor people themselves;
 - Building the skills and organizations of IFAD's target groups so that they can engage in financially viable activities and maintain commercial relations with market intermediaries;
 - Better integrating considerations of risk reduction and risk management in all its initiatives, particularly those aiming to support entrepreneurship and/or a shift to more sustainable practices in agriculture;
 - Assessing the financial, economic and social viability of its investments in order to assure more sustainable outcomes and contributions to rural economic development and equitable growth; and
 - Systematically pursuing environmental sustainability and climate change adaptation and mitigation in all its projects and programmes.
80. The table below presents an overview of the key elements of the Strategic Framework illustrated so far.

IFAD Strategic Framework 2011-2015

Principles of Engagement:				Areas of strategic reorientation
<ol style="list-style-type: none"> 1. A differentiated approach based on country context 2. Targeting 3. Supporting the empowerment of poor rural people 4. Promoting gender equality and women's empowerment 5. Creating viable opportunities for rural youth 6. Innovation, learning and scaling up 7. Effective partnerships and resource mobilization 8. Sustainability 				
GOAL	OBJECTIVES	OUTCOMES	OUTPUTS	Macro level
Enable poor rural people to improve their food security, raise their incomes and strengthen their resilience by building profitable farm and non-farm enterprises that are sustainable and well integrated into local, national and global value chains, and that can generate opportunities for wealth creation and employment in rural areas	Objective 1: A strengthened natural resource and economic asset base for poor rural women and men that is more resilient to climate change, environmental degradation and market transformation	Outcome 1. Increased incomes and enhanced food security for rural people served by IFAD-supported projects in a given locality or region	Output 1. Projects (loans and grants) and results-based country programmes	<ul style="list-style-type: none"> • Assume a greater leadership role among actors engaged in supporting agriculture, food security and rural poverty reduction • Scale up programmes and operations in partnership with both public- and private- sector actors • Expand policy engagement with developing Member States • Strengthen partnership with the private sector • Enhance knowledge broker and advocacy roles <p>Programme/project level</p> <p>Greater attention to:</p> <ul style="list-style-type: none"> • Promoting environmental sustainability and resilience • Promoting organization and win-win contractual arrangements to help small rural producers seize opportunities and reduce risks in value chains • Supporting the development of technologies that promote the sustainable intensification of smallholder-based agriculture • Increasing the capacity of financial institutions to broaden their range of services • Building the capabilities of rural poor women and men, including youth, by supporting the work of partners • Capitalizing on opportunities to use renewable energy sources at the farm and community levels
	Objective 2: Enhanced access of poor rural women and men to services that are essential for reducing poverty, raising incomes and strengthening resilience in a changing environment that presents both new opportunities and risks	Outcome 2. Improved policy and regulatory frameworks at local, national and international levels	Output 2. Policy dialogue and advocacy initiatives	
	Objective 3: Strengthened capabilities of individual poor rural women and men and organizations to take advantage of market opportunities and that influence the policies and institutions affecting their livelihoods	Outcome 3. Strengthened and more inclusive organizations of small farmers and rural poor people	Output 3. Policies and strategies that guide IFAD's work	
	Objective 4: Improved institutional and policy environments for rural economies, including the agriculture and non-farm sectors	Outcome 4. Strengthened in-country institutional capacities for pro-poor agricultural and rural development	Output 4. Knowledge products and learning tools	
Areas of thematic focus:				
<ol style="list-style-type: none"> 1. Natural resources – land, water, energy and biodiversity 2. Climate change adaptation and mitigation 3. Improved agricultural technologies and effective production services 4. A broad range of financial services to meet productive and household needs 5. Integration into local, national and international value chains 6. Rural enterprise development and off-farm employment opportunities 7. Technical and vocational education and training and skills development 8. Empowerment of rural poor people 				

VII. Delivering the Strategic Framework

81. While scaling up programmes and projects, and putting in practice the various elements of its strategic reorientation, IFAD will continue to ensure that its quality and development results targets are achieved. Managing for development results, managing for quality and increasing efficiency in its resource use will be a critical part of the work towards IFAD's development and strategic objectives.

Mainstreaming management for development results

82. Strengthening IFAD's organizational effectiveness is critical to achieving improved in-country development results. IFAD's Results Measurement Framework is designed to enable all managers and staff to focus on managing performance and report on it in terms of their contribution to IFAD's development results. Moreover, at the corporate level, the following routes will be used to manage for development results:
- Strengthening IFAD's capacity to monitor and proactively manage performance and instill a culture of accountability for results at all levels of the organization, with the annual Report on IFAD's Development Effectiveness as the accountability mechanism to the Executive Board; and
 - Strengthening the IFAD enterprise risk management system to ensure that mitigation measures are in place for all perceived risks.
83. At the country level:
- IFAD's work will be guided by country strategies and project designs, agreed and regularly reviewed with governments and stakeholders.
 - IFAD will refine its Results Measurement Framework to measure and report on the impact of its work and to take action as required.

Managing quality

84. For IFAD to fully achieve its strategic objective, it must demonstrate a consistently high quality of programme and project design. To this end, the current internal quality enhancement system will continue to be strengthened. At the same time, and drawing on the experience of other international financial institutions, IFAD has developed a complementary, independent quality assurance system that is used to assess project readiness, core risk factors and policy compliance. In the period covered by this Strategic Framework, the following actions will be taken to ensure the quality of IFAD programmes and projects:
- Strengthening country strategy reviews at design, during implementation and at completion;
 - Continuing to use the project design quality enhancement and quality assurance processes, and, where required, improving them with systematic incorporation of lessons learned from completion reviews and evaluations performed by the IFAD Office of Evaluation;
 - Enhancing tools for measuring and monitoring project performance during implementation. In this regard, IFAD's increased country presence and direct supervision will ensure closer collaboration between IFAD and project management units, and improved quality of project implementation;
 - Continuing to support locally developed approaches for rural poverty with relevant knowledge from IFAD and its partners;
 - Modifying and disseminating corporate policies and guidelines to ensure coherence in all key areas of the Strategic Framework and monitoring their application; and

- Using its knowledge management strategy and practices to transform itself into a knowledge-sharing and innovative institution and centre of excellence for rural poverty reduction.

Raising IFAD's efficiency

85. IFAD will continue with its efforts to raise efficiency by devoting an increasing share of its resources to programmes and projects and improving the efficiency of its business processes. Towards this end, IFAD will:
- Benchmark its process costs with comparable organizations to measure the efficiency of its business processes;
 - Explore opportunities for outsourcing services and service-sharing with other agencies;
 - Continue to develop its Strategic Workforce Plan to better align its human resources with corporate strategic priorities; and
 - Make better use of information technology both in its operations with developing Member States (e.g. the Loan and Grant System) and in its internal business processes.

The Medium-term Plan

86. A key instrument that IFAD will use to deliver its Strategic Framework is the newly developed results-based Medium-term Plan (MTP). The plan provides a clear overview of the Fund's strategic and operational objectives, programme of work, and allocation of human and financial resources. IFAD will continue to refine the MTP as the basis for planning all activities, budgeting and staffing. The MTP will serve as a key tool in the alignment of IFAD's human and financial resources with its strategic priorities as set out in this Strategic Framework.

Developing new instruments to meet evolving needs

87. Although traditional loans and grants will continue to be its main instruments, the Fund will develop new mechanisms, particularly as it expands its engagement with the private sector. The new instruments should enable IFAD to:
- Cofinance with the private sector;
 - Promote private-public partnerships consistent with IFAD's mandate and specifically targeted to be conducive to IFAD's strategic objectives; and
 - Support private enterprises and financial service providers that are consistent with IFAD's goal and objectives.

More robust communications and advocacy

88. In terms of communication and advocacy, IFAD faces greater opportunities and greater challenges than in the past. These stem from IFAD's expanded country presence and growing programme of work and from the increased focus of the international community on agriculture and rural development. Meeting the communication and advocacy challenge will require greater, more structured efforts around two pillars: internal communications (particularly among headquarters, country presence offices and the field) and external communications (targeting government audiences, civil society, the private sector and the media). IFAD will step up its communications and advocacy work by:
- Championing efforts to eradicate rural poverty and boost food security;
 - Seeking to position smallholder farming as a business, irrespective of size or scale;
 - Continuing to be an advocate for increased investment in agriculture and rural development;

- Amplifying the voices of poor rural people, particularly women of all ages, young men and indigenous people;
- Sharing its corporate objectives and results on the ground with key audiences using a variety of tools and channels, including user-friendly communications products; and
- Establishing itself as a leader in rural and agricultural development, enhancing its visibility both in the countries where it operates and on the global stage.

VIII. Conclusions

89. Despite impressive economic achievements in the last decade by many developing countries, and the considerable progress made in raising incomes and reducing poverty, rural poverty and hunger remain a daunting global challenge.
90. The prospects for improving food security and reducing rural poverty are threatened by severe natural resource degradation in many countries and the adverse impact of climate change. In addition, developing countries face the challenge of feeding growing populations in the context of rural economies and societies under transformation and rapid urban growth.
91. Despite these considerable challenges, developing countries can make significant headway in reducing rural poverty and improving food security by taking advantage of new market opportunities, adopting effective measures to reverse environmental degradation, and putting in place adaptation and mitigation measures to counteract the impact of climate change. In particular, smallholder farmers have enormous potential to help meet the world's growing food needs, while successfully managing a large share of the planet's ecosystems.
92. IFAD will assist countries and rural poor people in realizing their potential to raise incomes and reduce rural poverty by capitalizing on its unique mandate and comparative advantage. These will enable IFAD to play a leading role in global efforts to enhance food security sustainably. To fulfil this role, however, IFAD must develop a more dynamic vision of agriculture and rural development that responds to emerging challenges, and recast its development goal and strategic objectives. This role will also entail a strategic reorientation to enable IFAD to scale up its support to rural development programmes, expand its policy engagement, and strengthen its partnerships, while remaining focused on its current thematic focus areas and guided by its existing principles of engagement, with key changes to reflect the new realities.