

Document: EB 2013/108/INF.3
Date: 19 March 2013
Distribution: Public
Original: English

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Enabling poor rural people
to overcome poverty

A Plan for Country-level Policy Dialogue

Note to Executive Board representatives

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Executive Board — 108th Session
Rome, 10-11 April 2013

For: Information

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Abbreviations and acronyms

ARRI	Annual Report on Results and Impact
CAPAD	Confederation of agricultural producers' associations
COSOP	Country Strategic Opportunities Programme
CPM	Country Programme Manager
CPO	Country Programme Officer
ECD	Environment and Climate Change Division
EMC	Executive Management Committee
GON	Government of Nepal
IOE	Independent Office of Evaluation
PTA	Policy and Technical Advisory Division
QE	Quality Enhancement
REAF	Specialized Meeting on Family Farming
SKM	Strategy and Knowledge Management Department

A Plan for Country-level Policy Dialogue¹

I. Background

1. For IFAD, an enabling country-level policy framework for agricultural and rural development is not only critical for effective project implementation and impact; it is also, ultimately, a precondition for large numbers of rural people to overcome poverty. Key corporate documents recognise this. The Strategic Framework 2011-2015 lists improved policy and regulatory frameworks as one of the key outcomes of IFAD's work; while in the Consultation Report for IFAD IX, IFAD commits to "more rigorous policy analysis, and active engagement in national policy dialogue on agriculture and rural development."
2. For IFAD's purposes, the term 'policy' can be used to refer to a range of different mechanisms, including what are commonly understood as policies, legislation and policy statements; it can also cover sectoral plans, budgets, strategies and programmes; as well as the high-level administrative rules of government agencies. Policies may be national in scope, though in federal states they may have effect at state level only. IFAD's interest is specifically in those country-level policies that shape the economic opportunities – in the agricultural sector and the larger rural non-farm economy – for rural people to move out of poverty. However, as pointed out in the 2012 Annual Report on Results and Impact (ARRI), "there is a wide variation in views on what constitutes policy dialogue with little consensus". This paper proposes the following understanding of what policy dialogue means for IFAD:

For IFAD, country-level policy dialogue can be considered as a process to engage, directly and indirectly, with its partner governments and other country level stakeholders, to influence policy priorities or the design, implementation and assessment of formal institutions (e.g., laws, administrative rules), policies and programmes that shape the economic opportunities for large numbers of rural people to move out of poverty.

II. Entry points for country-level policy dialogue

3. There is a variety of different approaches and/or activities that IFAD has pursued that can legitimately be considered as country-level policy dialogue. All have a role in diverse country and institutional contexts. On occasions, the CPM/CPO may engage directly ('bilaterally') with the government on key policy issues affecting poor rural people, typically either to highlight the impact of policy constraints on project implementation or to point out an opportunity that a specific project approach offers to government for scaling up and policy change. In other situations, the CPM/ CPO participates in the in-country sector working group, where key policy issues are identified and pursued by the government and its development partners. IFAD also uses investment and grant-financed projects to pursue a policy dialogue agenda. They are used to: (a) strengthen the capacity of government agencies to formulate national policies; (b) support organizations of rural people, to enable them to participate more effectively in policy processes; (c) promote policy dialogue between different national stakeholders; (d) operationalize at local level a national policy, strategy or programme; and (e) create opportunities for regional or south-south sharing of policy experience and approaches. In addition, there are cases where IFAD has itself conducted country-specific policy analysis work; and where it has sought reforms to project-critical policies prior to implementation. A range of

¹ This information paper is derived from a longer discussion paper that was prepared for, and endorsed by, IFAD's Executive Management Committee (EMC) at its 137th meeting 30 January 2013.

different examples of IFAD's work in country-level policy dialogue is shown in the appendix.

III. Strengths and Weaknesses

4. IFAD's policy dialogue work is probably more widespread than often recognized; and in many countries, it **has** led to significant changes in the policies affecting poor rural people. IFAD has a comparative advantage in this area that reflects the fact that it is focused exclusively on those policy issues that affect the economic opportunities open to poor rural people; and it is considered as a credible 'honest broker' which works through governments, brings resources to the table, and yet has no predefined, normative policy agenda to impose.
5. Yet there is also substantial room for improvement in IFAD's performance. The 2012 ARRI rates IFAD's success in policy dialogue as moderately unsatisfactory or worse in 44% of the country programmes evaluated². Both the ARRI, and a recent paper by the Brookings Institute³, point to the over-ambitious policy agendas defined in the COSOPs; and they highlight the narrow focus on project results, and the lack of staff capacity and budget resources in IFAD's operational divisions, as some of the factors explaining the gap between policy dialogue aspirations in the COSOPs and reality. Both papers call for a focus on those policies that are critical to the implementation of the country programme and that can support scaling up. The Brookings paper additionally highlights the need for IFAD to build technical capacity in the Policy and Technical Advisory Division (PTA) to deploy in support of specific policy engagements in individual countries, and for the organization to partner more systematically with other donor agencies. The ARRI also suggests the consideration of policy notes as an analytical entry point to an engagement process.
6. Other weaknesses include the lack of an institutional definition or common understanding of policy dialogue, as well as a lack of a monitoring and reporting frame and meaningful indices for measuring performance in this area (a challenge faced by other development agencies). Country-level policy dialogue has tended to be seen simply as a natural extension of IFAD's project work, rather than an activity in its own right. Effectively, although policy dialogue has become a corporate priority, till now it has been given little corporate support.
7. At the same time, it is also important to highlight the limitations of country-level policy dialogue. The point is that policy dialogue is not an objective, it is a means to achieving an end – that of a more favourable policy environment for rural people to move out of poverty. However, policy processes are by definition political, and many policy changes are made for non-evidence-based reasons. In addition, the chain of causality between policy dialogue, policy change and policy implementation is often slow, weak and uncertain; and it is frequently difficult to attribute IFAD's specific influence on a policy. Not only; it may even be counter-productive to suggest that a government's change of policy is due to the influence of an external development partner. And if there are problems of causality and attribution, how can IFAD meaningfully measure its performance in this areas, and what can it be held accountable for? Clearly, these very real problems are not unique to IFAD. Many other development agencies are struggling with the same issues. None have all the answers they need, and all recognise the limitations and weaknesses, as well as the real successes, associated with their agencies' work.

² Significantly however, that IOE's ratings of IFAD's performance relative to policy dialogue were made in the absence of both a clear definition of policy dialogue and an explicit understanding of what constitute policy dialogue activities. The 2012 ARRI goes some way to addressing both of these issues.

³ A. Hartmann, Kharas H., Kohl R., Linn J., Massler B. and Sourang C. (2012) 'Scaling Up of Programs for the Rural Poor: IFAD's Experience, Lessons and Prospects' (Draft) IFAD Institutional Scaling up Review, Phase 2 overview paper

IV. Rationale

8. IFAD needs to be doing better in terms of country-level policy dialogue: it needs to take what it currently does well in a few countries and practice it consistently in all of its country programmes. **Above all, policy dialogue needs to be recognised as a distinct activity within the country programme, and supported with a dedicated budget and delivery products.**
9. Arguably, the need for improved performance in this area has never been greater. Effective country-level policy dialogue is a critical tool in IFAD's scaling up agenda and it can contribute to enabling IFAD achieving its target of lifting 80 million rural people out of poverty by 2015. Policy dialogue is likely to be an ever-more important 'product' for IFAD to offer its member countries, particularly in the growing number of middle income countries (MICs), where IFAD's financial resources may be of less value than the expertise it brings around issues related to rural poverty reduction. And IFAD has also made a commitment to its membership to pursue country-level policy dialogue more consistently: the IFAD9 Consultation Report reflects this.
10. Yet at the same time, there are real opportunities for IFAD to step up its engagement. The increasing number of IFAD Country Offices, the expanded scale of IFAD operations in its member countries, and the evolving country programme approach, are all important building blocks that can facilitate a greater engagement in country-level policy dialogue.

V. The Action Plan

11. Drawing on both the positive aspects of current practice and the critiques that have been made, in late 2012 an action plan for strengthening and mainstreaming IFAD's engagement in country level policy dialogue was developed. Following approval of the plan by the EMC in January 2013, implementation has now started.
12. The plan is based on a set of broad principles that serve to underpin IFAD's approach. These include the reaffirmation that policy engagement must be shaped and led by the CPM, within the context of the country programme. It is recognised that approaches adopted need to be realistic, context-specific, and built on IFAD's comparative advantage. An evidence base for engaging in dialogue is invaluable; and windows of opportunity – which reflect the political nature of policy processes – need to be actively exploited. Finally, partnerships are critical, particularly with organizations of poor rural people. Ultimately, IFAD's aim must be to support **national** processes of policy development, negotiation, implementation and review.
13. The plan includes specific proposals for more effectively integrating country-level policy dialogue in IFAD country programmes and projects, at all stages of the cycle from design to completion; for improving IFAD's monitoring, reporting and knowledge management on the subject; and for strengthening in-house capacity for country-level policy dialogue. One of the key elements of the plan will be the introduction of the policy note – a country-specific analytical tool that can be used by the CPM at any stage of the country programme/ project cycle to provide an evidence base in a larger process of policy dialogue and change. The task of championing country-level policy dialogue, and supporting the CPMs in this work – including through training, will be led by PTA, working closely with ECD and SKM. External partnerships will also be sought.
14. While parts of the plan can be seamlessly mainstreamed into IFAD's normal activities and do not have major budgetary implications, there will be new and real costs associated with some of the country-level activities, for which no project- or grant-specific provision already exists – and in particular the preparation of policy notes. The total cost of a 3-year implementation plan (2013-2015) has tentatively been budgeted at around US\$ 850,000. This will be met from a range of sources,

which may include the regular budgets of PTA and the regional divisions, resources under the Innovation Mainstreaming Initiative and the Adaptation for Smallholder Agriculture Programme (which includes a provision for policy dialogue on adaptation related issues), and grant funds.

VI. Activities

15. In support of the Action Plan, the following steps have already been taken:
 - PTA has recruited a Senior Policy Advisor, to act as a focal point and 'champion' for the promotion of country-level policy dialogue.
 - Through the Senior Policy Advisor, PTA is now explicitly focusing on country-level policy issues as part of its quality enhancement (QE) role for COSOP and project design.
 - PTA has started to collaborate with individual CPMs interested in accessing support to better focus on policy engagement in their country programmes. To date, opportunities have been preliminarily identified in Indonesia, Ghana, Lao, Nigeria, Pakistan and Uganda.
 - As part of a collaborative project design training course for IFAD operational staff (mainly CPMs/CPOs), PTA conducted a session on country-level policy dialogue. Some 26 staff members participated in this, and a second training session is already planned for May 2013.
 - A learning brief on country-level policy dialogue, targeted principally at IFAD operational staff, has been prepared.

16. Priority activities over the coming months include:
 - Further develop ideas as to the likely scope and forms 'policy notes' might take; and introduce the 'policy note' as an analytical tool for policy engagement at the country level with a separate budget.
 - Review IFAD's operational guidelines and identifying areas in which policy dialogue-related issues need to be better reflected.
 - Within the existing organizational framework for monitoring operational performance, develop a multi-level approach (project, country programme, regional and corporate) for monitoring and reporting on policy dialogue activities.
 - Identify partners for policy analysis and engagement among research organizations and think-tanks; and reach out to other development agencies that are actively involved in policy dialogue and are attempting to monitor or measure their performance, to develop joint approaches and share experiences.

Examples of IFAD support for country-level Policy dialogue

In Bangladesh, the IFAD/World Bank- financed National Agriculture Technology Project was approved only after the Government agreed to a number of major institutional and policy reforms which would ensure an enabling environment for the implementation of the project, including the adoption of a new Bangladesh Agricultural Research Committee (BARC) Act, which gave space for financing research through competitive grants.

In Bhutan, the IFAD-financed Market Access and Growth Intensification Project was used to provide financial support to the Ministry of Agriculture and Forests to enable it to prepare a Livestock Sector Development Policy for the country.

In Burundi, support was provided to the confederation of agricultural producers' associations (CAPAD) under the grant-financed Support to Farmers' Organizations in Africa Programme. Following training on good governance and leadership, and the conducting of two policy studies, CAPAD defined its positions on seven key issues. Intense lobbying of parliamentarians and donors led to major changes in national policies: in particular, responding to the call to respect the Maputo Declaration, GOB increased agriculture's share of the budget from 3.6% in 2010 to 10% in 2012. It also introduced fertilizer subsidies for farmers that were channelled through a partnership contract with CAPAD.

In India, IFAD-funded projects in tribal areas have supported the implementation of the provisions of the Panchayats Extension to the Scheduled Areas (PESA) Act, 1996. This act transfers the decision making processes at village level through the Gram Sabha (village assembly) and the Panchayats (village council). IFAD-funded projects in the state of Jharkhand have enabled the Gram Sabhas to engage in planning, implementation and evaluation of the project, as per the provisions of the PESA Act.

In Laos, at the request of the Government, IFAD undertook an econometric study on the role of agriculture in economic growth and poverty reduction. The results were used by Government in refining the national Agriculture and Natural Resource Management Strategy and they also convinced the Government to revise upwards the target growth rate for the agriculture sector from 3 to 4% and the needed investment levels for the sector, in order for Laos to achieve an overall economic growth rate of 8% to 2020.

In Mozambique, the Programme Coordination Unit for the Agricultural Markets Support Programme (PAMA) realized that the process of registering a farmers' association was cumbersome (done only in Maputo) and costly in terms of fees and transaction costs. The PCU enabled the lead agency, the National Directorate for the Promotion of Rural Development, to promote a wide debate on the issue, involving policy makers and other stakeholders, in particular UNAC, the national farmers union. The final result was a change in legislation, which decentralized and simplified the registration process. In the following years a large number of associations that previously operated informally were registered and formally recognized.

In Nepal, the successful experience of the IFAD-financed Hills Leasehold Forestry and Livestock Project was used to convince senior government officials of the effectiveness of a new pro-poor approach to forestry, which was then incorporated as a priority poverty programme in the Poverty Reduction Support Programme and enshrined as a national policy. The step-up from project to national programme was supported by complementary support from FAO to assist Government to draft the necessary legislation.

In Panama, the Rural Development Project for Ngöbe Communities provided economic and logistic support on one hand to the Intergovernmental Commission of the Ministry

of the Interior and Justice, and on the other to the indigenous leaders, to facilitate a process of negotiation of a set of laws governing indigenous people's land rights.

In Rwanda, the sector working group is led by the Ministry of Agriculture, though its membership covers the main donor agencies active in the sector – and IFAD is an active member. As a result of work undertaken by the group to harmonise M&E approaches and indicators, the group was able to develop a single consistent approach, which Government subsequently adopted as its approach to M&E in the agricultural sector.

In Colombia, Ecuador, El Salvador and Mexico, the Rural Dialogue Groups (DGRs), convened by IFAD through a grant to RIMISP, involving about 100 highly influential entrepreneurs, politicians, academics, social leaders, etc.. who in turn engaged with the governments to influence policy and institutional change (e.g., writing the new rural development and land law in Colombia).

In Latin America , IFAD's Regional Coordination Unit for MERCOSUR was set up in 2000. The process led to the creation of the Specialized Meeting on Family Farming (REAF) in 2004, which IFAD continued to support till 2011. REAF has served as a platform for reorienting and shaping public policies and programmes on family farming and rural development within the countries of MERCOSUR through a regular consultation process, involving both governments and small-scale farmers' associations. IFAD played a significant role by supporting a technical secretariat that was trusted and respected by all the players, and could facilitate dialogue.

In Asia, under a regional grant-financed project jointly implemented with FAO, 23 policy studies were completed in 8 countries, and the final results shared in a regional workshop in November 2011. A number of policy recommendations from these studies were then translated into actual policy changes.