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Investing in rural people

Midterm Review of the IFAD Strategic Framework 2016-2025

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I. Introduction

1. IFAD's current Strategic Framework (SF), the Fund's fifth, runs from 2016-2025. As this is the first 10-year framework for the organization, it was agreed within the SF, and in the context of the commitments of the Eleventh Replenishment of IFAD's Resources (IFAD11), that a midterm review (MTR) would be conducted to assess its continued relevance amid changes in the global development context and to determine the need for any substantive reorientations.
2. This document serves as the MTR of the SF. It discusses the current development context, focusing in particular on the key changes in the development context since 2016 (section II). The review assesses the continued relevance of the priorities in the SF in the light of the development context (section III) and assesses progress against the three overarching ambitions of the framework: to be bigger, better and smarter (section IV). The final section (section V) looks ahead to areas of focus for the remainder of the SF's duration.
3. The 2016-2025 SF covers three full replenishment cycles, from IFAD10 to IFAD12, with the last year, 2025, coinciding with the first year of IFAD13. The results for the IFAD10 cycle are known and documented. The IFAD11 cycle is under way. Hence, this MTR builds on the in-depth analysis and dialogue carried out during the recent IFAD12 Consultation, which set priorities for the Fund for most of the remainder of the SF period.
4. This MTR builds on and complements various other documents submitted to the Executive Board. However, the review does not provide an exhaustive report on progress against IFAD's results indicators, nor does it include a first-hand quantitative review of performance. These reviews are done through IFAD's agreed reporting modalities, including the annual Report on IFAD's Development Effectiveness (RIDE) and the MTRs of IFAD's replenishments, which this MTR builds on.

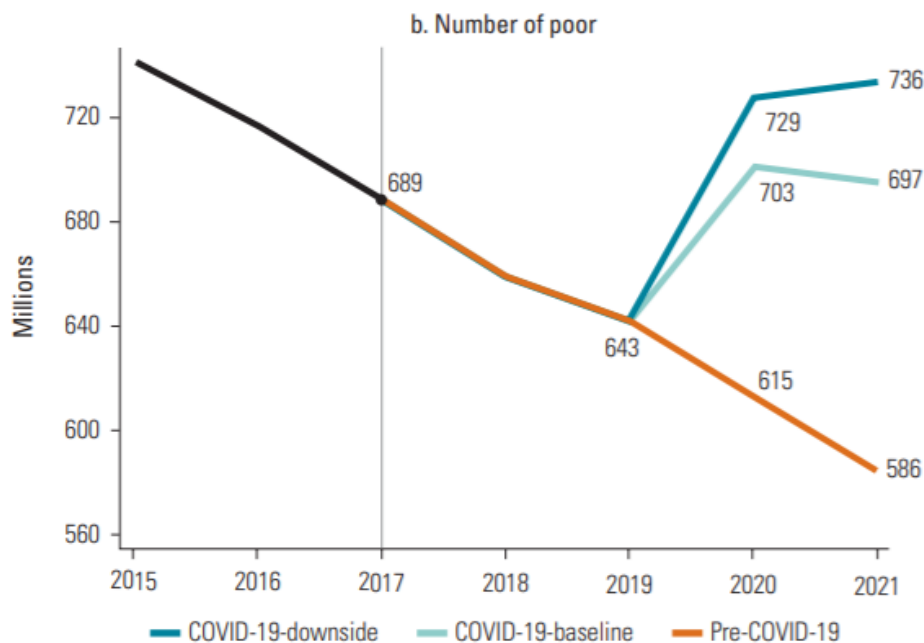
II. A more constrained global development context

5. The SF was adopted in 2016 and is aligned with the Sustainable Development Goals (SDGs), the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda. At the time of its adoption, there was optimism in the world about the possibility of reversing poverty and hunger trends, and SDGs 1 and 2 seemed within reach.
6. With regard to SDG 1 and SDG 2 specifically, IFAD, through its SF, set a goal to invest in rural areas to help poor rural people overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods. To achieve this goal IFAD set three strategic objectives: (i) increase poor rural people's productive capacities; (ii) increase poor rural people's benefits from market participation; and (iii) strengthen the environmental sustainability and climate resilience of poor rural people's economic activities.
7. By 2018, at the end of the first replenishment cycle under the current SF (IFAD10), IFAD had delivered significant progress towards the goal and strategic objectives of the SF. Fifty million people reported increased market access, 47 million increased production, 62 million greater economic mobility and 26 million greater resilience. Similarly ambitious impact targets were set for IFAD11 and IFAD12, the second and third replenishment cycles under the SF, and as part of the IFAD12 consultations, IFAD has indicated a longer-term ambition to double the IFAD10 annual impact levels by 2030.
8. However, five years later, there have been serious setbacks in progress towards sustainable development. The recent improvements in poverty and hunger (SDGs 1 and 2) are reversing at worrying rates, a trend that has been exacerbated

by the COVID-19 pandemic, and the earlier optimism has been replaced by concern.

9. In 2020, extreme poverty rose for the first time in 20 years owing to the COVID-19 pandemic. The World Bank estimates that, by the end of 2021, the pandemic and its economic aftermath will have pushed 150 million additional people into extreme poverty, making the goal of bringing poverty levels down to 3 per cent by 2030 unattainable. Four out of five people living below the international poverty line in 2018 lived in rural areas, the majority of them women and children. Over the next decade, 67 per cent of the global poor will live in economies affected by fragility, conflict and violence, up from the current figure of 40 per cent. These countries account for just 10 per cent of the world's population.

Figure 1
Global poverty rate 2015-2021



* Source: World Bank, *Poverty and Shared Prosperity 2020: Reversals of Fortune* (Washington, D.C.: 2020).

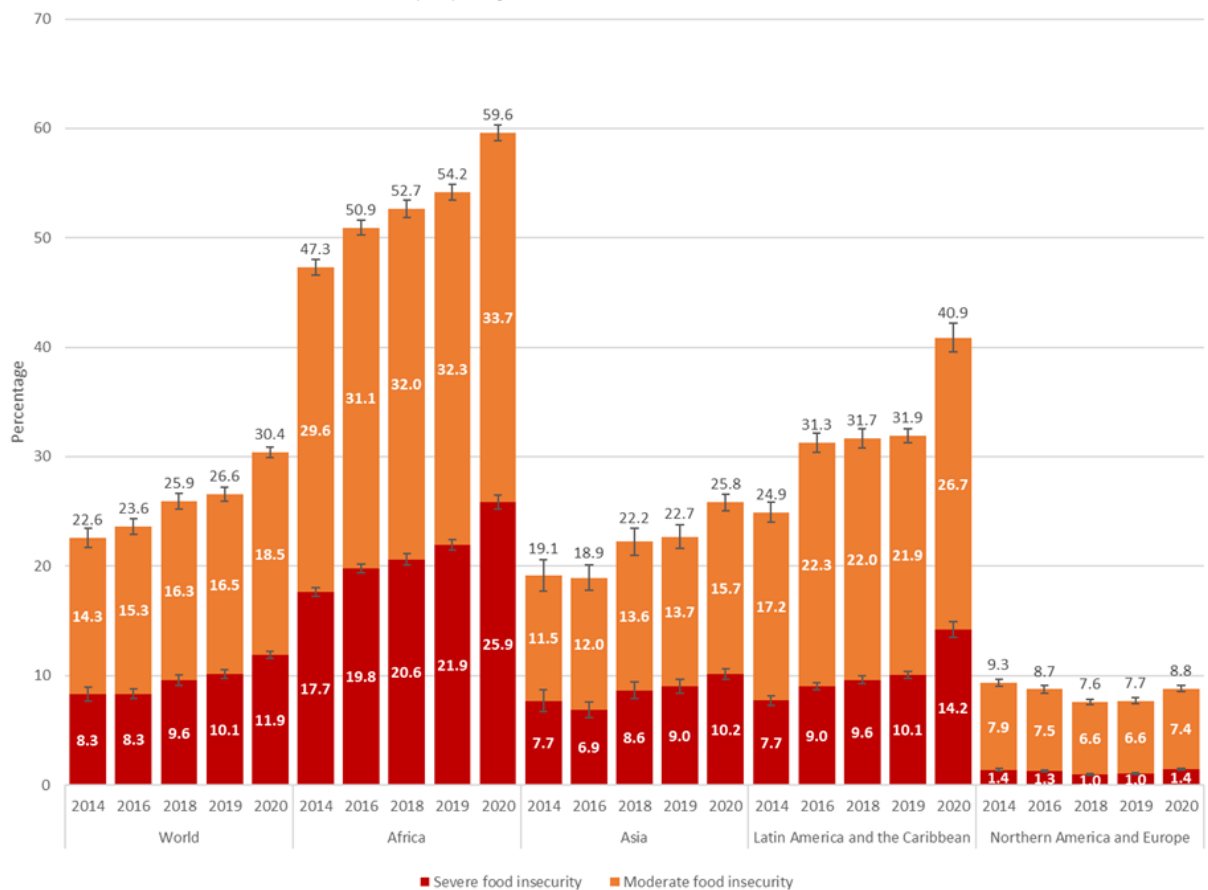
10. Similar global trends can be seen with regard to hunger, which has also increased in 2020, driven by COVID-19. The State of Food Security and Nutrition in the World report for 2021¹ warns that, after remaining virtually unchanged for five years, the prevalence of undernourishment increased from 8.4 per cent to as much as 10.4 per cent in just one year. It is estimated that between 720 and 811 million people in the world faced hunger in 2020 – as many as 161 million more people than in 2019. In relative terms, hunger affects 21 per cent of the population in Africa, compared with approximately 9 per cent in Asia and in Latin America and the Caribbean. In absolute terms, more than half of the world's undernourished are found in Asia (418 million people).
11. In 2020, the increase in moderate and severe food insecurity was equal to that of the previous five years combined.² To put this situation into sharper perspective, nearly one in three people in the world (2.4 billion), or 30 per cent of the world's population, did not have access to adequate food in 2020 – an increase of 320 million people in just one year. Breaking the figures down further, the number

¹ Food and Agriculture Organization of the United Nations (FAO), IFAD, United Nations Children's Fund, World Food Programme and World Health Organization, *The State of Food Security and Nutrition in the World 2021 – Transforming food systems for food security, improved nutrition and affordable healthy diets for all* (Rome: FAO, 2021).

² Ibid.

of people who were severely food insecure in 2020 represent 12 per cent of the world's population, or nearly 928 million people, an increase of 148 million over 2019.

Figure 2
Moderate or severe food insecurity by region



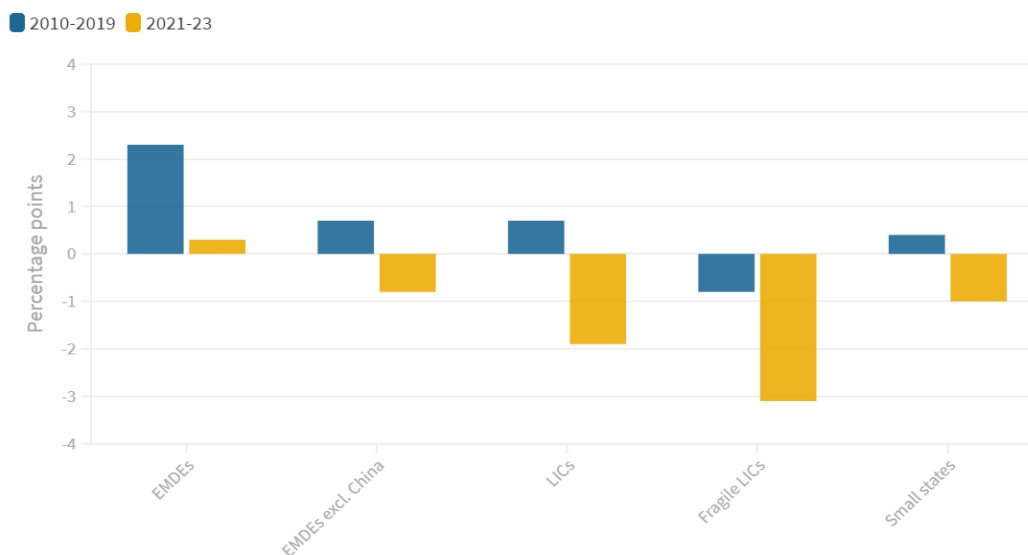
* Note: Differences in totals are due to rounding of figures to the nearest decimal point.

** Source: FAO.

12. Low- and middle-income countries (LICs and MICs) suffering from the economic impact of COVID-19 pandemic have seen declines in their GDP. While the global economy is poised for a robust post-recession recovery, the rebound is expected to be uneven, with strong growth projected for major economies, while emerging economies lag behind. As the pandemic continues to flare in LICs, where vaccination has been very slow, growth is projected to be the lowest in two decades, with per capita GDP 4.9 per cent lower in 2022 than in pre-pandemic projections. In the longer term, the outlook for many LICs and MICs is likely to be dampened by the lasting legacies of the pandemic – erosion of skills as a result of lost work and schooling, a sharp drop in investment, higher debt burdens and increased financial vulnerability. Fragile and conflict-affected low-income economies have been those hardest hit by the pandemic, and per capita income gains in such economies have been set back by at least a decade.³

³ *The Global Economy: on Track for Strong but Uneven Growth as COVID-19 Still Weighs* (World Bank, 2021). <https://www.worldbank.org/en/news/feature/2021/06/08/the-global-economy-on-track-for-strong-but-uneven-growth-as-covid-19-still-weighs>.

Figure 3
Per capita income growth relative to advanced economies



Source: World Bank

Note: EMDEs = emerging market and developing economies; LICs = low-income countries; Fragile LICs = fragile and conflict-affected LICs. Relative per capita income growth is computed as a difference in per capita GDP growth between respective EMDE groups and advanced economies. For more information on “Small states,” see: <https://www.worldbank.org/en/country/smallstates/overview>.

13. Lack of fiscal space and limited access to financing have significantly restricted the scope for COVID-19 responses in LICs and most MICs.⁴ As a result of the dire economic outlook, LICs are not expected to increase their spending as a share of GDP in response to COVID-19 over the period 2021-2025. These countries’ ability to achieve the SDGs will therefore be even more dependent on international financial flows, such as official development assistance (ODA), investments from public and private sources and remittances.
14. While scaling up of donor financing is needed to prevent LICs from being left behind in the aftermath of the pandemic, the outlook for an increase in ODA is bleak. Even before the pandemic, almost all ODA provider countries remained significantly and persistently well below the target of allocating 0.7 per cent of gross national income to ODA. In 2019, the average was 0.38 per cent. ODA is likely to decline even further as donor countries deal with the economic impact of COVID-19 and as fiscal deficits increase and governments need to repurpose public finance for more immediate internal recovery financing. Many LICs are already facing high levels of debt, and concessional financing will be necessary for them to cope with the pandemic and rebuild their economies. The Ceres 2030 report notes that US\$33 billion in financing for SDG 2 will be needed up to 2030.⁵ However, it is evident that ODA and domestic financing for SDG 2 will not be sufficient and will need to be supplemented by more private sector flows.

III. The Strategic Framework remains relevant and has gained in urgency

15. The relevance of food systems as a key to prosperity for extremely poor and marginalized groups in rural areas has only increased as progress towards the SDGs has stalled. The livelihoods of vast numbers of rural people are connected

⁴ International Monetary Fund (IMF). <https://www.imf.org/en/News/Articles/2021/03/30/pr2192-imf-execboard-discusses-macroeconomic-developments-and-prospects-in-lics-2021>. (IMF, 2021).

⁵ Ceres2030: Sustainable Solutions to End Hunger. https://ceres2030.org/wp-content/uploads/2021/03/ceres2030_en-summary-report.pdf.

with food systems. In LICs and MICs, nearly 3.2 billion people live in rural areas and most still depend to varying degrees on agriculture and food systems for their livelihoods. Relative to other sectors, the agriculture and food sectors are unique in their scale of employment and their scale of reliance on small and medium-sized enterprises (SMEs). That is why food systems are so critical for tackling poverty and equitably distributing economic opportunity.

16. Agriculture also remains critical for food security. The 500,000 small-scale farms in LICs and MICs support the livelihoods of three billion people and are producing much of the food consumed in these countries.⁶ Rural people's livelihoods are diversifying rapidly. While most rural households still farm, many combine farming with other sources of income, including paid labour, operation of SMEs, remittances and social protection schemes. Female-headed households, youth and indigenous peoples are often landless and depend largely on non-farm income. Investments in rural areas to enable small farms to boost their production by using more intensive, knowledge-based, circular and sustainable techniques resistant to climate change have become more urgent in the countdown to 2030.

Box 1

2021 Rural Development Report: Transforming food systems for rural prosperity

- Equitable rural livelihoods of the future will depend heavily on the food system midstream to provide diversified employment and enterprise options. More attention must be given to the midstream to open up business opportunities, to create decent off-farm employment and to improve markets for farmers.
- The well-being of rural women and men is interconnected with how the entire food system functions, from the local level to the global level. Poverty-targeted programmes by themselves are not enough. Rural poverty, hunger and inequality cannot be overcome without bringing about systemic change. Food systems transformation needs to be driven by a strong, capable and committed public sector that can work across sectors and tackle political and economic barriers. Food markets need to be accessible to all on fair terms – small and large enterprises and local, national and global enterprises alike.

17. The global food systems agenda provides an opportunity to reframe discussion on how to improve rural people's well-being and better leverage the entire food system to drive improved and more diversified livelihood opportunities in order to make faster progress towards SDG 1 and SDG 2, make rural livelihoods more resilient to future shocks and link livelihoods with the environment and nutrition. IFAD has taken a leadership role on this agenda as the anchor agency for Action Track 4 (advance equitable livelihoods) of the Food Systems Summit, to be held in September 2021.
18. When the SF was written, climate change was already a driver of poverty and fragility, and the importance of climate adaptation has only grown as the international community increasingly sees the devastating impact of more extreme weather events linked to climate change. A new awareness is emerging that the way food is currently produced is contributing massively to environmental degradation and climate change. Profound changes in the types of food produced and in production practices and patterns of land use will be needed to feed the world. New research estimates that climate change will drive 68 million to 132 million people into poverty by 2030.⁷ The countries that will bear the brunt of climate change are in sub-Saharan Africa and South Asia, which have the highest concentration of global poor. Some 132 million people live in areas that are at high risk of flooding. In some countries – many in Africa, such as Cameroon, Liberia and the Central African Republic – a large share of the poor live in areas that are affected by both conflict and high flood risk exposure. Therefore, building the resilience of rural people to climate change is a central tenet of the fight against poverty and hunger.

⁶ IFAD, *Rural Development Report* (Rome: IFAD, 2021).

⁷ World Bank, *Poverty and shared prosperity report* (World Bank, 2020).

19. Ensuring access to markets (including physical access) and to finance and strengthening rural people’s agency and capacities (policies and institutions) have been the areas of highest investment in IFAD-supported projects since the adoption of the SF in 2016. Seventy per cent of these projects have adopted value-chain-centred approaches that cover all three strategic objectives of IFAD’s SF and couple productivity enhancement with opportunities for diversifying livelihoods across the food system and creating entrepreneurial opportunities for rural people in the midstream segments. While the broad thematic areas of the SF remain relevant and are critical areas in IFAD’s portfolio, the specific types of activities, services, products and investments under these broad themes has been evolving to incorporate global best practices. IFAD’s updated rural finance policy, for example, positions IFAD in emerging areas of rural financial services relating to climate adaptation, information and communications technology for development, and private sector engagement and investment.

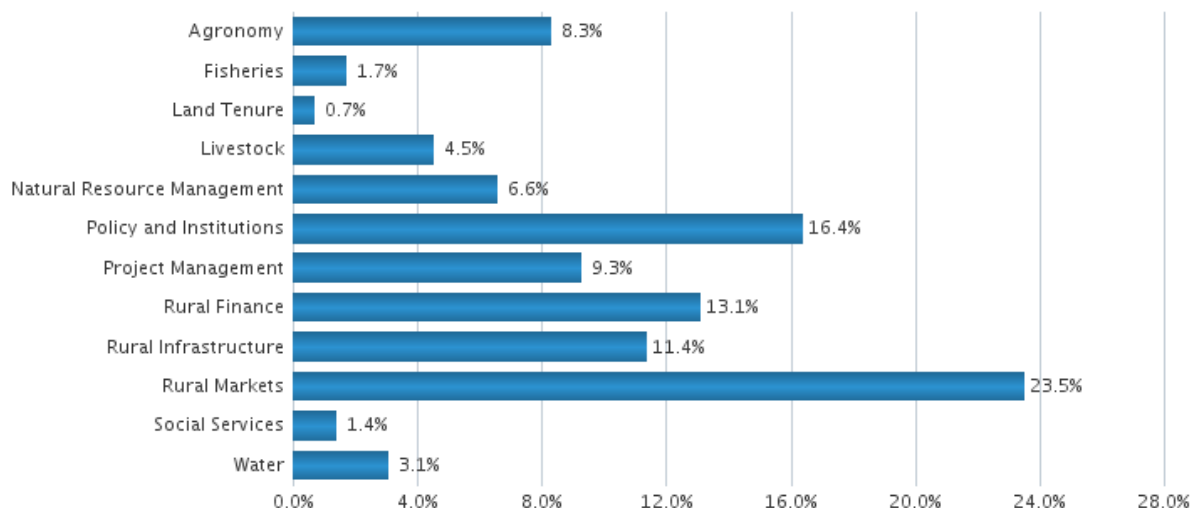
Box 2

Strengthened engagement with the private sector through IFAD’s Private Sector Financing Programme (PSFP)

IFAD is starting to expand its work with the private sector through non-sovereign loans directly to private entities. To date, IFAD has approved two non-sovereign loans in Nigeria and Uganda, which support SMEs and facilitate job creation, particularly for youth and women, and can help young entrepreneurs diversify their income by investing in value-generating entrepreneurial ventures throughout the food system. In Nigeria, a senior loan was provided to a SME to help it mobilize private sector resources and know-how to support targeted smallholders in northern Nigeria in transitioning from subsistence agriculture to sustainable agribusiness. In Uganda, the loan will fund a project that will mobilize private sector resources and know-how to support rural micro, SMEs hit by COVID-19 to help them preserve their economic activities and jobs and build more resilient livelihoods.

Figure 4

Thematic areas of investment of approved projects, 2016-2021



20. Inclusion and precision in targeting continue to be central to IFAD’s mandate and to ensuring a focus on poor and marginalized rural populations across all activities, and a new targeting policy, building on the updated targeting guidelines, will be put in place under IFAD12.
21. As noted in the SF, “smallholder agriculture and rural development programmes will remain at the heart of IFAD’s business: investing in rural people, whether they are smallholder farmers engaged in crop or livestock production, artisanal fishers, or small business operators and microentrepreneurs working in and around agricultural value chains. IFAD will continue to focus on ensuring that poor rural communities and individuals – particularly women, indigenous peoples and young people – become part of a rural transformation that is inclusive and drives overall sustainable development.” The IFAD12 Consultation report reinforces this commitment, and the three strategic objectives of the SF, mapped to SDG 1 and SDG 2, continue to be IFAD’s impact

indicators in tier II of the IFAD12 results management framework and will be central to achieving the overarching goal.

Figure 5




IFAD's Strategic Framework 2016–2025: Overarching goal, strategic objectives and areas of thematic focus



IV. Taking stock of progress on the Strategic Framework's guiding ambitions

22. The SF has three guiding ambitions for achieving the overarching goal and strategic objectives: to be bigger, better and smarter. Over the last two replenishment cycles, IFAD10 and IFAD11, the Fund has undergone a significant transition on all levels: financial (bigger), operational (better) and institutional (smarter). The guiding ambitions provide strategic direction and serve as a north star for permanent renewal and improvement. Halfway into the SF period, important steps have been taken on all three of the guiding ambitions.

Table 1
Strategic Framework 2016 – 2025

	<i>IFAD10</i> 2016–2018	<i>IFAD11</i> 2019–2021	<i>IFAD12</i> 2022–2024	
<p>BIGGER</p> 	<p>Core contributions, Debt Sustainability Framework (DSF compensation)</p> <p>Unrestricted complementary contributions (UCCs)</p> <p>Sovereign loans</p> <p>US\$3.3 billion programme of loans and grants (PoLG)</p>	<p>Core contributions, DSF compensations</p> <p>UCCs</p> <p>Sovereign loans and concessional partner loans</p> <p>US\$ 3.5 billion PoLG</p> <p>Cofinancing strategy and action plan</p>	<p>Core contributions (including DSF compensation)</p> <p>Integrated Borrowing Framework (IBF)</p> <p>Enhanced Adaptation for Smallholder Agriculture Programme (ASAP+) and PSFP</p> <p>Growing supplementary resources portfolio (particularly climate funds)</p> <p>Leveraging greater cofinancing for impact at scale</p> <p>Up to US\$3.8 billion target</p>	<p>Transformational financial framework</p>
<p>BETTER</p> 	<p>Delivering IFAD's PoLG individual project focus</p> <p>Smaller projects (US\$31 million average) with less cofinancing</p>	<p>Country programme focus – Transition Framework</p> <p>New instruments – results-based lending, regional lending reimbursable technical assistance</p> <p>Larger projects (US\$41 million on average)</p> <p>Special programme on countries with fragile situations</p>	<p>Strengthened country programme approach. Moving from PoLG to programme of work (PoW)</p> <p>Holistic package of support including new instruments (ASAP+, PSFP, blended financing)</p> <p>Project size fit for context</p> <p>Enhanced engagement in countries with fragile situations and conflict-affected states</p>	<p>Transformational country programmes</p>
<p>SMARTER</p> 	<p>Headquarter-based</p> <p>Strengthening service delivery platforms (Information and Communications Division, Human Resources Division)</p>	<p>Decentralization of IFAD's workforce; 32% of IFAD staff in the field</p> <p>Business process re-engineering + strategic workforce planning</p>	<p>Continued decentralization: from 32% to 45%</p> <p>Improving efficiency and boosting capacity to deliver through dynamic workforce planning</p> <p>Integration of information technology tools and automation</p> <p>Upgrade of staff technical and soft skills oriented towards future needs and innovative approaches</p>	<p>Transformational institutional change</p>

A. Bigger

23. To deliver bigger, IFAD continues to mobilize additional resources for investments in rural development to contribute towards SDG 1 and SDG 2 through its replenishments, but supplementing those funds from other sources and increasing efforts for greater cofinancing.
24. **In the first five years of the SF, IFAD has successfully strengthened its financial architecture, which provides a solid basis for growth in programming, supported by the diversification of IFAD's funding sources.** IFAD has introduced a set of new or revised policies to enhance its financial soundness, most notably the Capital Adequacy Policy, the Liquidity Policy, the revamped Asset and Liability Management Framework and the Debt Sustainability Framework Reform, together with updates to financing conditions and new

procedures for determining resources available for commitment. These efforts have gone hand in hand with the development and introduction of IFAD's IBF, the main goal of which is to diversify IFAD's borrowing sources and tools. The implementation of the IBF will be supported by the successful completion of IFAD's credit rating process. IFAD has also created a robust and coherent risk apparatus and culture, as acknowledged in the excellent credit rating outcome, and invested in strengthening internal financial capacity and risk management.

25. **IFAD's PoLG has been growing.** The bedrock of IFAD's financial resource base continues to be core resources mobilized through replenishment contributions, which set the ambition level for IFAD's PoLG in any given replenishment cycle. IFAD's cumulative approved programming for the SF will reach approximately US\$7 billion by the end of 2021 and will continue to grow during IFAD12. At the same time, there has been a significant shift in funding sources, with an overall flattening of replenishment contributions and an increase in financing from other sources.
26. **IFAD has started to prudently leverage its resources.** IFAD has followed the path of other development finance institutions in starting to prudently leverage the resources provided by its Member States (i.e. its equity) to maximize resources for investments used to fight rural poverty and hunger and make better use of scarce ODA resources (as all international financial institutions have been called upon to do by the G20). Specifically, in 2015, the Executive Board approved the Sovereign Borrowing Framework, which governed IFAD's borrowing from sovereign states and state-supported institutions until the IBF was approved in 2020. In 2017, the Executive Board approved the Concessional Partner Loan Framework. Under these two frameworks, IFAD leveraged its balance sheet by borrowing a total of US\$1.2 billion as of 31 December 2020 to increase its delivery, while at the same time increasing its focus on the poorest by enabling progressively larger shares of core resources to be focused on LICs and MICs (90 per cent under IFAD11 and 100 per cent under IFAD12).
27. **IFAD has stepped up its ambition to be an assembler of development finance by increasing its efforts to crowd in international and domestic cofinancing.** Under IFAD10, the cofinancing ratio was 0.87, falling short of the IFAD10 target of 1.20. Under IFAD11, the Fund increased its efforts to mobilize greater domestic and international cofinancing. As of, under IFAD11, the domestic cofinancing ratio is 1.01, the international cofinancing May 2021 ratio is 0.95 and the overall cofinancing ratio is 1.97, exceeding the targets set. For IFAD12, the Fund plans to maintain this level of cofinancing and continue its efforts to mobilize additional funding, especially at the domestic level. The changes in development context have reduced the opportunities for IFAD to grow through traditional ODA funding and underlined the importance of leveraging other sources of finance.
28. **Climate finance is becoming an important pillar of IFAD's programme of work.** Over the years, IFAD has been mobilizing large amounts of supplementary funds. The Fund is stepping up its ambition in the climate space, and climate financing is growing, particularly from the Green Climate Fund. By the end of the period covered by IFAD12, climate financing will be in the range of US\$200 million to US\$300 million per year. This means that climate finance will become a significant percentage of IFAD's lending to governments and will be critical to the growth that IFAD aims for – something that was not foreseen at the time the SF was approved. IFAD has to ensure that it is technically, financially and operationally equipped to manage such large amounts of funding, and to that end it has implemented more rigorous cost recovery procedures in recent years. It has also aligned with broader United Nations approaches for cost recovery on extrabudgetary funds.

29. **IFAD's supplementary fund portfolio has been expanding rapidly; nevertheless, mobilizing resources for new IFAD-led flagship programmes remains an ongoing effort.** The average annual level of supplementary resource mobilization has increased by more than 50 per cent since 2016. At the end of 2020, the largest supplementary fund donor was the European Union, which accounted for 38 per cent of the total value of the portfolio. IFAD aims to further strengthen supplementary resources (including supplementary funds and managed cofinancing) as a third pillar of IFAD's overall resource mobilization (alongside core and borrowed resources). The PSFP and the Rural Resilience Programme are two key flagship programmes that will be prioritized for resource mobilization during IFAD12. In pursuing these funding options, IFAD recognizes the need to ensure a strong linkage between IFAD and donors' funding priorities.

B. Better

30. To do better, IFAD has been strengthening the quality of its country programme delivery and leveraging its technical knowledge, partnerships and policy engagement in order to have a deeper impact on the rural communities that its investments serve. Several actions have been taken in the first half of the SF period which are translating into early wins in quality and have set the stage for further improvements, as noted in both the Annual Report on Results and Impact of IFAD Operations and the RIDE.
31. **IFAD's country programme delivery has been reinforced as the central pillar of its operational model.** While much attention has been focused on financial instruments, performance on non-lending instruments and activities requires further focus. Over the past two replenishment cycles, the Fund has been adopting an increasingly programmatic approach, moving away from stand-alone projects to a tailored package of financial and knowledge-based support to countries. Under IFAD11, the Fund developed the Transition Framework, which provides a menu of instruments available to support diversified demands and needs of countries, including introducing new instruments such as results-based lending and regional operations. This approach will continue under IFAD12.
32. The recent Center for Global Development report⁸ underlines IFAD's distinct role in amplifying the voices of rural poor communities, what sets it apart from other organizations. However, resource constraints are a limitation, and IFAD needs to ensure that it has a presence and footprint at critical junctures of policy discussions. IFAD's increasing pace of decentralization and expanding global footprint is expected to further strengthen policy engagement at the country level. IFAD is also preparing an updated Development Effectiveness Framework, which focuses on strengthening knowledge flows and the use of knowledge in operations to enhance development effectiveness.
33. **In terms of delivering the PoLG, quality of design has improved.** Under IFAD10 and IFAD11, the organization put emphasis on strengthening the quality of project design, as this had been highlighted by the Independent Office of Evaluation of IFAD as a recurrent challenge in past evaluations. IFAD's quality-at-entry has been improving. Quality-at-entry ratings (from IFAD's arm's-length quality assurance process) were the highest on average in 2019 for a large number of projects delivered. Projects designed during IFAD10 and IFAD11 will be completed in the coming replenishment cycles, and the improvements in quality of design are expected to translate into deeper impact in the coming years.
34. **Building on lessons learned from the quality improvements at the design stage, IFAD management is now shifting its focus to strengthening implementation support and project supervision through a stronger focus on adaptive management and proactivity in portfolio management.**

⁸ Scott Morris, Jessie Lu, *Lending Terms and Demand for IFAD Projects* (Washington, D.C.: Center for Global Development, 2019). <https://www.cgdev.org/sites/default/files/Morris-IFAD-Demand-Analysis.pdf>.

Decentralization and the increasing field presence of IFAD's operational and technical staff is expected to have a positive impact on the level of support to, and supervision of, projects to help improve the quality of implementation. The new project delivery team model introduced in 2018, with co-leadership by the technical staff in the Strategy and Knowledge Department and country directors in the Programme Management Department, continues to be reinforced through necessary changes in processes, systems and culture, which is also expected to further strengthen the quality of programme delivery.

35. **Strong components of IFAD's delivery model are: (i) investing in testing innovative approaches that could be scaled up and providing support for building in-country capacity; (ii) engaging at the policy level; and (iii) building partnerships in an agile manner to respond to emerging issues.** These elements from the SF feature prominently in IFAD's newly approved Catalytic Initiatives Programme. In addition to this grants programme as a vehicle to test innovations, IFAD has also launched an innovation challenge to source innovative ideas, incubate and test them and eventually scale them up.
36. Other areas in which IFAD is investing are evaluation, environmental and social safeguards, procurement, financial management, anticorruption and risk management. Some of these functions were only embryonic at the time of the approval of the SF. Progress has been considerable, but they remain works in progress. Systems, tools and capacities are being developed and procedures revamped as IFAD modernizes and automates its fiduciary practices in order to strengthen risk assurance frameworks and make them fit for purpose and as it enhances fiduciary discipline of projects.

C. Smarter

37. The SF emphasized that, in order for IFAD to be bigger and better, it also needs to be smarter and maximize its efficiency, value-for-money and effectiveness. IFAD has committed to delivering development results in an efficient manner. In order to be "smarter", it has undertaken a series of institutional changes. Significant investments are being made in rationalizing and streamlining key business processes using enabling technologies. First steps have been taken to enhance the skill sets and competencies of IFAD's workforce. A second wave of decentralization is being planned to optimize the efficiency and complementarity of functions and knowledge flows between IFAD country offices and headquarters. Actions to foster a culture of excellence and results across the organization have been mainly focused on performance systems.
38. As the active portfolio has grown, although the administrative budget has been flat, IFAD's efficiency ratio has improved. While the efficiency ratio improvement is positive, it is also important to recognize that being bigger and doing better requires investments in people, processes and technologies. Doing more and being diverse requires IFAD to become better fit for purpose in its workforce and institutional set-up. Accordingly, IFAD has embarked on the People, Processes and Technology Plan (PPTP) which will facilitate the expansion and evolution of its workforce capacities and skills while also enabling necessary processes, systems and technologies as IFAD ventures into new areas and expands its programme of work.
39. **Investing in capacities and skills needed in the organization.** IFAD has undertaken a strategic workforce planning exercise to assess the skills and capacity gaps in the organization in the light of its evolving business model. A number of areas in the organization have been strengthened, including on the financial and risk sides. The exercise will serve as the basis for the organization to move towards dynamic workforce planning in order to equip IFAD to deliver on its commitments and mandate.

40. **Over the past five years, the Fund has invested heavily in strengthening its results systems architecture and portfolio management to become more data-driven.** To do this, it has invested in necessary information technology systems and now has the systems in place to capture project- and country-level data to populate the dashboards used for effective evidence-based decision-making and adaptive management that are priorities for IFAD12.
41. **IFAD's field presence has been growing and IFAD is becoming an increasingly decentralized organization.** In 2016 when the SF was adopted, IFAD's field presence accounted for 18 per cent of its staff. In 2021, that figure stands at 36 per cent and the target is to reach 45 per cent by 2024. This will enable IFAD to be closer to client governments and beneficiaries and improve the timelines and quality of services.
42. **A well-functioning workforce requires strong workforce engagement and performance management and strong organizational safeguards.** Following feedback from staff through regular workplace culture surveys, IFAD has established a workplace culture working group and prioritized certain actions to promote work-life balance and support staff, particularly during the COVID-19 pandemic. IFAD has also adopted a new performance management system as a way of better rewarding staff performance and also better managing staff underperformance.

V. Looking ahead to double impact by 2030: Implementing IFAD12 and beyond

43. This MTR confirms that the SF remains relevant and that the IFAD12 business model is fully in line with the guiding ambitions of the framework. The review makes it clear that the need for IFAD support is increasing, given the setbacks in relation to SDG 1 and SDG 2.
44. Investing in diversifying and making rural poor people's livelihoods resilient, not only to climate change but also to other shocks, has become even more urgent in the current context. IFAD's goal of increasing the incomes and improving the livelihoods of rural poor people – which is supported by the strategic objectives of enhancing productive capacities, access to markets and opportunities and building environment sustainability and resilience – continues to be the thrust of the Fund's work. IFAD's targeting – with a focus on rural poor people and those most marginalized, including women, youth and indigenous peoples – continues to be its strongest asset.
45. IFAD12 is the last full replenishment cycle under the current SF, and the commitments that the Fund has made under the twelfth replenishment are fully aligned with the ambitions set out in the SF. By delivering on the multiple commitments undertaken for IFAD12, which coincide with those for the remainder of the SF, the Fund will continue to work towards the guiding ambitions of the SF to make IFAD bigger, better and smarter.
46. **To make IFAD bigger, the IFAD12 business model includes a transformational financial framework.** A series of enhancements to the Fund's financial architecture have been made to ensure financial sustainability in both the short and the long terms, enabling the Fund to grow and expand its programme of work and its impact on the ground, while maximizing support for the poorest countries in debt distress. For the remainder of the SF's duration, coinciding with the IFAD12 cycle, IFAD plans to leverage its AA+ credit rating to be able to attract greater and more differentiated sources of financing in a constrained ODA environment. Starting in the IFAD12 period, for the first time, the Fund will have two mechanisms for countries to access IFAD's financial resources, differentiated by the source of funds: core and borrowed.

47. **To enable IFAD to do better, the central pillar of the IFAD12 business model, transformational country programmes, mirrors the actions outlined in the SF.** Delivering high-quality operation and leveraging non-lending activities and knowledge is critical for the Fund to scale up its impact. In this context, IFAD has embraced a number of commitments under IFAD12, including updating the Development Effectiveness Framework. It has also adopted a number of action plans, including on efficiency; sustainability; Monitoring, Evaluation, Accountability and Learning; updating the scaling up strategy; and enhancing technical quality during design and implementation. In addition, IFAD's decentralization target of deploying 45 per cent of staff in the field will see almost half of its workforce being located in the countries that IFAD works in and is expected to make the Fund more responsive and proactive and strengthen its presence and ability to contribute to country-level policy engagement and build partnerships for scaling up results. At the same time, IFAD also needs to ensure that technical and operational capacity is strengthened and that it is able to deliver as it expands and diversifies its PoW.
48. **For IFAD to be smarter, the transformational organizational change pillar of the IFAD12 business model outlines actions that will be taken during IFAD12 to ensure that the Fund can deliver more impact while also enhancing value-for-money.** The key to achieving this is the continued implementation of the PPTP, the key elements of which are set out in PPTP update.⁹ Moving forward, the focus of the PPTP will be on: (i) re-engineering processes at the core of IFAD's business, especially project procurement and loan disbursement; (ii) aligning IFAD's governing body document process (including editing and translating) with United Nations best practices; (iii) streamlining key corporate service processes to enhance efficiency and reduce workload; (iv) enabling the continued renewal of the organization by providing the space for necessary skills to be obtained in a value-for-money manner; and (v) enhancing the transparency, agility and results focus of IFAD's cost management and budgeting processes.
49. Since the adoption of the SF in 2016, there have been setbacks to progress on SDGs 1 and 2, which have been exacerbated by the COVID-19 pandemic. More support will be needed to bolster rural livelihoods, and investments will be required to ensure that all those at risk of being left behind are equipped to weather the setbacks from COVID-19. IFAD's SF continues to serve as a useful guide to enable IFAD to play its unique role. Looking ahead, 2025 will be the first year of IFAD's thirteenth replenishment cycle (IFAD13), which will also be the last full replenishment cycle before 2030, the target date for the attainment of the SDGs. Any reorientations to the SF should therefore be made with an eye towards IFAD13, the future direction of the Fund and the global development context beyond the 2030 Agenda.

⁹ People, Processes and Technology Plan: Progress Update (EB 2021/133/R.23).