



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-Seventh Session

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**PROCEDURE FOR THE REVIEW OF COUNTRY STRATEGIC OPPORTUNITIES
PAPERS (COSOPs) BY THE EXECUTIVE BOARD**

I. INTRODUCTION

1. IFAD introduced the country strategic opportunities paper (COSOP) in 1995 as part of the re-engineering of the project cycle. The COSOP is designed to delineate a medium-term strategic framework for IFAD country operations, creating the foundation on which a monitorable country-level plan of action can be pursued and new projects developed for the pipeline.
2. Over the years, COSOPs have emerged as a key instrument in shaping the Fund's approach to rural poverty reduction in specific country contexts. The COSOP articulates the relationship between the Fund's strategic framework, the respective regional strategy and the proposed direction of interventions at the country level. As articulated in Consultation document REPL.VI/3/R.5 (Annex III, Appendix C), the COSOP is expected to:
 - (a) describe the rural poverty situation and its context; rural poverty-reduction needs, opportunities and constraints; what other actors are doing and have learned in rural development; and the lessons IFAD has learned from its previous investment programmes;
 - (b) identify poverty-reduction strategies and priorities (including poverty-reduction strategy papers – PRSPs) shared by the government, IFAD and other partners (e.g. civil-society organizations and cofinanciers), and articulate IFAD's role and the potential for strategic alliances;
 - (c) position IFAD in relation to government policy on rural poverty reduction and to the micro-macro debate, with strategic emphasis on equity of access to productive assets and on the enabling policy framework; and provide the basis for dialogue with the government and other stakeholders. The COSOP would be linked with the PRSP process to ensure country ownership of the strategy and policy-change agenda, which is central to the effectiveness of the IFAD-supported country programme;



- (d) develop country programme options in the context of the respective regional strategy, providing a medium-term planning framework encompassing all IFAD's operations in the country;
- (e) constitute the basis for linking allocation of regional lending shares to specific country programme scenarios with performance criteria; assess the pro-poor quality of a country's policy and institutional framework; and define the agenda for institutional transformation that needs to accompany country programme development to ensure the effectiveness of IFAD's support in rural poverty reduction.

3. As of 1 October 2002, COSOPs had been developed for 80 countries. In addition, a subregional strategy paper was formulated for the eastern Caribbean and Trinidad and Tobago. A draft COSOP is reviewed internally by the Operational Strategy Committee, which is chaired by the President, and is then revised as needed by the originating division. The final text is cleared by the Assistant President, Programme Management Department.

4. Section II below gives a brief account of the initiation and experience of the one-year trial period, April 2001-April 2002, during which the Executive Board tested an interim procedure for the review of COSOPs and projects. The account summarizes the views expressed by Board members, over three sessions, on COSOP scope, use, process, content requirements, Board review procedure and disclosure. Section III presents recommendations for the review of COSOPs by the Executive Board; they are based on the outcome of the informal Board seminar held on 3 September 2002. The standard structure of a COSOP is provided as an annex.

II. TRIAL OF THE INTERIM PROCEDURE (APRIL 2001-APRIL 2002)

5. Paragraph 26 of document GC 24/L.3 (Partnerships for Eradicating Rural Poverty: Report of the Consultation to Review the Adequacy of the Resources Available to IFAD 2000-2002), issued in February 2000, required that the Board "have a full role in reviewing and commenting on COSOPs, which would however remain as management documents". It called on the Board to "develop appropriate procedures for undertaking such tasks to ensure balance in the time it allocates to project discussions on the one hand and strategy and policy issues on the other".

6. As the first step in following up on these recommendations, the Fund organized two informal Board seminars on COSOPs in September and December 2000 respectively. During the first seminar, agreement was reached on the COSOP structure and content (see annex). At the second seminar, the COSOP for the Republic of Yemen was used as an example to facilitate discussion.

7. In light of these seminars, at its Seventy-Second Session in April 2001 the Executive Board adopted an interim procedure for the review of COSOPs and projects (EB 2001/72/R.36). It decided to use the three Board sessions in 2001 as a trial period, with a view to establishing a definitive procedure in 2002. However, the Board reviewed only three COSOPs in 2001, because those planned for review in September were postponed. Consequently, the Board decided to extend the trial period to April 2002. By that date, the Board had reviewed a total of five COSOPs: Nigeria (April 2001), India and Mozambique (December 2001), and Egypt and Peru (April 2002).

8. At each of the three sessions, the Board discussed a broad range of general views and insights on the COSOP process. These primarily concerned COSOP scope, use, process, content requirements, review procedure and disclosure.

9. **Scope and use.** The Executive Board discussed the coverage of COSOPs – and whether it should be selective or comprehensive. Members indicated that the COSOP process should be made manageable. The document should not be developed as a 'country report' and should not attempt to examine all the macro-policy issues. Rather, it should focus on IFAD's specific role, niche and future



direction in the country. It should be a tool and serve as the basis on which IFAD can identify strategic opportunities for project interventions. Some members stressed, however, that although the COSOP could be linked with project options, it should not be developed simply to serve existing project ideas. Finally, the Board seemed to agree that the COSOP should be a 'living' document.

10. **Process.** The Board emphasized the importance of adopting a participatory approach to COSOP formulation, ensuring adequate involvement of country stakeholders in the process. Like the World Bank's Country Assistance Strategy, the COSOP should specify how in-country consultations have been carried out. The view was also expressed that when a COSOP is discussed by the Board while the country in question is not a Board Member, a country representative should be invited to the specific Board session on that COSOP.

11. **Content requirements.** One member proposed that the COSOP should present the country lending programme for the period, with alternative lending scenarios, i.e. base, low and high cases. The COSOP should also establish quantifiable performance benchmarks or 'triggers' for the various scenarios, to be used in monitoring.

12. Several members suggested that the COSOP should reinforce the discussion of its relationship with the United Nations Development Assistance Framework (UNDAF) and should be integrated into UNDAF and other processes in a proactive way. Board members queried the extent to which the COSOP should draw on the PRSP, whether it should actually be part of the PRSP, and what IFAD's role should be in the context of national poverty strategies. It was suggested that the section on policy issues should sharpen its focus on key items for poverty reduction.

13. **Executive Board review procedure.** Board members shared views on how to balance discussion time between COSOPs and projects. Some members suggested that the Board should avoid discussing projects unless major policy or substantive issues are involved. This could help focus Board discussions on strategic and policy issues, rather than on technical details and operational questions.

14. **Disclosure.** The Board seemed to agree that the approved COSOPs should be disclosed. Questions remained as to when the text should be placed on the corporate website and how to have the latest information available when there is a change.

III. RECOMMENDATIONS

15. On 3 September 2002, IFAD held an informal Board seminar on COSOPs to build consensus on future procedure for the review of COSOPs by the Board, as called for in document EB 2001/72/R.36 (see paragraph 7). Based on the experience of the one-year trial period, April 2001-April 2002, the seminar focused its discussions on the five major aspects referred to in paragraphs 9-14, namely: scope and use, process, content requirements, Executive Board review procedure and disclosure. In light of the views expressed and consensus developed by Board members during the seminar, the following steps will be implemented to fulfil the requirement that the Board "have a full role in reviewing and commenting on COSOPs" as quoted in paragraph 5.

(1) Scope and Use

- The COSOP will focus on rural poverty and on IFAD's strategic role in the country, and look at all internal and external policy issues of major relevance in this context. It will not replicate, but will take into account, the macroeconomic and policy issues dealt with by the International Monetary Fund, the World Bank and other partners in their respective country strategy papers.



- The COSOP will be updated periodically under the following circumstances: the country situation has substantially changed, the previous strategy becomes operationally exhausted, or there is a need, agreed between the borrower and IFAD, for new pipeline development.

(2) Process

- The COSOP will be developed through a participatory process, with adequate involvement of in-country stakeholders. It will provide a brief illustration of specific aspects of the participatory process, e.g. when it was undertaken, how, and what types of stakeholders were involved.
- A 'non-Executive Board' country will be allowed to take part in Board discussion on the COSOP for the country in question, at no cost to IFAD.
- In accordance with paragraph 26 of document GC.24/L.3, COSOPs will "remain as management documents". Therefore, no formal government approval is required prior to COSOP submission to the Board. However, the COSOP is linked with in-country processes (see the following item), and is developed in consultation and broad consensus with the government (see first bullet point of this item).

(3) Specific Content Requirements

- The COSOP will specify its linkage with PRSP, UNDAF and/or other in-country processes, if any.
- The COSOP will reflect on performance, in line with the outcome of the Consultation's discussion on the question of performance-based resource allocation.
- Where a country portfolio evaluation has taken place, the agreement at completion-point (ACP) will be attached to the COSOP document. Since both the COSOP and ACP are posted on IFAD's website, an electronic link will be established between them.

(4) Review of COSOPs and Projects by the Executive Board

- As a general principle, the Board will first review the COSOP for a given country; a specific project in support of that country would be reviewed at a subsequent session. However, exceptions will be allowed where deemed appropriate.
- The Board will review all new COSOPs.
- All loans for projects will be presented to the Board for approval.

(5) Disclosure

- All new COSOPs will be disclosed, on the basis of consultation with the governments concerned.
- Board discussion of the COSOP will be carefully summarized by the Secretariat. The main points will be attached to the COSOP that is disclosed on the website.

16. It is recommended that the Board approve the recommendations outlined in paragraph 15.



STRUCTURE OF THE COSOP

CURRENCY EQUIVALENTS
WEIGHTS AND MEASURES
ABBREVIATIONS AND ACRONYMS
COUNTRY MAP: LOCATION OF IFAD-FUNDED OPERATIONS
IFAD PORTFOLIO OVERVIEW
EXECUTIVE SUMMARY (2-3 pages)

- I. INTRODUCTION (0.5 page)
- II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT (4-5 pages)
 - A. Country Economic Background
 - B. Agricultural Sector
 - C. Rural Poverty
 - D. Constraints on and Opportunities for Rural Poverty Reduction
 - E. National Strategy for Rural Poverty Reduction
- III. LESSONS FROM IFAD'S EXPERIENCE IN THE COUNTRY (1-2 pages)
- IV. STRATEGIC FRAMEWORK FOR IFAD (5-6 pages)
 - A. IFAD's Strategic Niche and Proposed Thrusts
 - B. Main Opportunities for Innovations and Project Interventions
 - C. Outreach and Partnership Possibilities with NGOs and the Private Sector
 - D. Opportunities for Linkages with Other Donors and Institutions
 - E. Areas for Policy Dialogue
 - F. Action Areas for Improving Portfolio Management
 - G. Tentative Lending Framework and Rolling Programme of Work

APPENDIXES

- I. COUNTRY DATA
- II. LOGICAL FRAMEWORK
- III. STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS
- IV. IFAD'S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME
- V. ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED

(Note: The maximum length of the main text is 15 pages.)