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## IFAD

### INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

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## **MULTI-DONOR PROGRAMME OF THE INTER-AMERICAN DEVELOPMENT BANK AND THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT FOR THE ERADICATION OF RURAL POVERTY IN LATIN AMERICA AND THE CARIBBEAN**

### **Background**

1. Rural poverty continues to be one of the most crucial problems facing Latin America and the Caribbean today, with 64% of the rural population living below the poverty line. Overcoming this situation is a key priority for the countries of the region and it is consistent with the Millennium Development Goals adopted by the international community. Against this backdrop, in March 2003 the presidents of the Inter-American Development Bank (IDB) and the International Fund for Agricultural Development (IFAD) and a representative of the Government of Italy signed a *memorandum of understanding* that establishes a joint agenda for attaining rural poverty reduction objectives in the region.

2. Since the signing of the memorandum, the IDB and IFAD have moved forwards in identifying the objectives and operating arrangements for the Multi-Donor Programme for the Eradication of Rural Poverty. The programme provides backing and an operational setting for the objectives set forth in the agenda, specifying objectives, the geographical area, activities to be carried out and working modalities. The Government of Italy has already pledged a contribution to the programme, and the Government of Canada has also expressed interest in lending support. The number of participants is expected to grow gradually with the inclusion of other donors. The objectives and implementation mechanisms as described below are being presented to the Executive Board for its information.

## **Objectives**

3. The memorandum of understanding defines a work agenda built around six key areas for reducing rural poverty. These are: (i) promotion of innovative policies to facilitate access of the rural poor to essential productive assets; (ii) improvement of the institutional framework and measures geared towards governmental decentralization; (iii) support for indigenous communities and ethnic minorities; (iv) promotion of rural microenterprises and market access for small rural producers, fostering their participation in joint ventures with the private sector, non-governmental organizations and other development initiatives; (v) development of innovative microfinance schemes in rural areas; and (vi) promotion of activities with an integrated, multi-sector approach.

4. The agenda has five strategic objectives:

- (i) foster coordination and cooperation among donors so as to maximize the impact of public and private investments on reducing rural poverty;
- (ii) develop joint initiatives aimed at attaining the objectives of the agenda;
- (iii) promote innovative methods and instruments to reduce rural poverty and promote the transfer and adoption of appropriate technologies;
- (iv) maximize the catalytic effect of investments; and
- (v) monitor and assess impact.

5. This agenda attaches great importance to achieving better coordination and collaboration among international development organizations. It is thus consistent with the increasing international efforts to harmonize operational policies, procedures and practices among the donor community, as agreed in the Rome Declaration on Harmonization signed by the heads of multilateral and bilateral development institutions and partner countries in February 2003.

## **Cooperation and Management**

6. The programme will be managed jointly by the participating agencies, fostering a process of permanent consultation among participants, subject to the procedures of each institution. A committee made up of two participants from each institution will meet at least once a year for the purpose of: (i) deciding on the strategic direction for the programme and ensuring attainment of the objectives set forth in the memorandum of understanding; (ii) preparing an annual work plan, based on the requirements of the region, outcomes obtained and lessons learned during programme implementation; and (iii) promoting regular exchanges of information and discussion among participants.

7. Mechanisms will be created for regular dialogue with representatives of institutions and experts working to eradicate rural poverty, in particular with the members of the Inter-Agency Group on Rural Development in Latin America and the Caribbean. The work plans, activities and other relevant documents will be circulated widely and in a transparent fashion to the various stakeholders and to the general public, using state-of-the-art information technology as applied to development and tapping the rich experience gathered by the regional programmes of the IDB and IFAD.

## **Implementation Mechanisms and Financing Instruments**

8. The funding mobilized will be used to finance: (i) country-level initiatives, through the preparation and implementation of joint IDB/IFAD activities and the development of pilot initiatives having significant innovation and learning content; and (ii) regional or subregional initiatives that promote the systematization and dissemination of best practices in rural development and foster regional discussion on rural development policy with a view to overcoming poverty.

9. The programme will have two main financing instruments: (i) cofinancing for IDB and IFAD portfolio projects and/or complementary components that will enhance their impact; and (ii) technical assistance funding for the joint formulation of new initiatives/projects having a significant innovation component. These resources will be channelled towards the preparation of new projects that address the objectives of the programme more comprehensively.

10. Additionally, bilateral agencies may wish to provide *parallel financing*. These funds, in the form of either grants or loans, may be used for various programme activities but will be subject to separate administrative and technical management. The geographical location and definition of the specific activities to be financed will be discussed and agreed upon with each of the participating donors.

### **Initial Phase**

11. During the initial phase of the programme, the funds will be managed according to IFAD's procedures for the administration of supplementary funds, in line with the mechanisms set forth in paragraphs 6 and 7 above. A multi-donor trust fund will be established in the second phase of the programme to provide financial support for programme activities. The programme features a two-phase structure in order to satisfy administrative and legal requirements related to the procedures involved in setting up a trust fund.

12. The programme's first phase will focus on strengthening the formulation and implementation of joint actions by the IDB and IFAD. The objectives will be to: (i) complement the rural development investment initiatives of the two institutions, creating synergy between them; and (ii) provide a platform for mobilizing additional resources for initiatives aimed at reducing rural poverty.

13. Activities will be defined on the basis of the priority areas and strategic objectives set forth in the agenda. Methods will vary according to the nature and circumstances of the programme or project in question. Special attention will be given to the territorial dimension of development, assigning a priority role to local organizations and institutions and stressing the use of participatory methods.

14. A feature common to all programme activities will be the emphasis on innovation, coordination among donors and systematization of experiences. The programme will also give particular attention to learning activities *across regions*. In this way, it is expected that it will also contribute indirectly to a more generalized reduction in poverty, beyond the Latin American and the Caribbean region.