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Investing in rural people

Evaluation synthesis on IFAD's engagement in middle-income countries

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For: Review

Evaluation synthesis on IFAD's engagement in middle-income countries

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Abbreviations and acronyms

APR	Asia and the Pacific Division (IFAD)
AfDB	African Development Bank
ADB	Asian Development Bank
COSOP	country strategic opportunities programme
CLE	corporate-level evaluation
CPE	country programme evaluation
DFID	Department for International Development
ESA	East and Southern Africa Division (IFAD)
FDI	foreign direct investment
GNI	gross national income
IBRD	International Bank for Reconstruction and Development (World Bank Group)
IDB	Inter-American Development Bank
IDA	International Development Association (World Bank Group)
IDS	Institute of Development Studies
IOE	Independent Office of Evaluation of IFAD
LAC	Latin America and Caribbean Division (IFAD)
LDC	Least Developed Country
LIC	low-income country
LMIC	lower middle-income country
MIC	middle-income country
M&E	monitoring and evaluation
NEN	Near East, North Africa and Europe Division (IFAD)
ODA	official development assistance
PMD	Programme Management Department
RTA	reimbursable technical assistance
UMIC	upper middle-income country
WCA	West and Central Africa Division (IFAD)

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Executive summary

1. This evaluation synthesis report has been prepared by the Independent Office of Evaluation of IFAD (IOE), as agreed with the Executive Board in December 2013. The two key objectives of the report are to: (i) generate lessons and insights on opportunities and challenges for IFAD's engagement in middle-income countries (MICs); and (ii) identify issues for further reflection on the strategic directions, priorities and instruments for IFAD's engagement in MICs in the future.

2. The report draws on the following sources: (i) a synthesis of findings from IOE evaluations; (ii) a review of the IFAD strategy and approach for MICs; (iii) wider learning from the literature and from other international financial institutions (IFIs) and bilateral donors; (iv) visits to five MICs; and (vi) interviews with IFAD staff and selected Board members.

Middle-income countries

3. Over 100 countries with GNI per capita of US$1,036 to US$12,615 are classified as MICs. They range in size from China, Brazil and India to Antigua and Lesotho. The group includes a number of countries with democratic governments, but also some with less stable politicial and institutional environments. Some have fragile and conflict-affected areas (in fact, some MICs are also classified as fragile states). A number of resource-rich countries are classified as MICs, since their GNI per capita is marginally above the US$1,036 mark.

4. A key fact is that most of the world's poor people now live in MICs. For instance, 74 per cent (around 900 million) people live on less than US$1.25 per day in these countries. This figure increases to around 80 per cent (around 1.8 billion) when considering people who live on less than US$2 per day. Around 65 per cent of all poor people live in just five MICs: China, India, Indonesia, Pakistan and Nigeria.

5. The diversity within MICs as a group makes generalization difficult and poses challenges to IFAD's overall approach and strategy. It is therefore not appropriate to consider all MICs as a single group, and it is worth reflecting if GNI per capita alone should be used as the main basis for determining the nature of development activities to be funded in MICs. MICs face other important constraints such as weak rural infrastructure, wide rural-urban disparity and limited institutional capacity at the local level that have a critical impact on livelihoods and should therefore be carefully considered in decisions about IFAD's future engagement.

6. The differences between low-income countries (LICs) and many lower middle-income countries (i.e. those with GNI per capita of US$1,036 to US$4,085) can be slight. There is much in common between LICs and those regions and social groups within MICs that have benefited less from economic growth, or where distribution of wealth is uneven and there is a wide rural/urban disparity. This is particularly true for many oil/mineral-dependent economies in Africa. It should also not be assumed that all MICs have adequate national capacity and enabling institutional and policy frameworks for poverty reduction. In fact, project areas covered by IFAD operations in MICs often have similar policy and institutional characteristics to those of LICs or fragile states, a factor that has major implications for IFAD's engagement and effectiveness in MICs.

7. Notwithstanding these constraints, in general, MICs are less dependent on official development assistance (ODA), are more urbanized and have a lower proportion of poor people dependent on agriculture. The private sector is playing an increasing role in agriculture, meaning that resources are less likely to be the main limitation to ending poverty.

8. The percentage of ODA to MICs has been declining and is now relatively small as compared to other capital flows. This is also attributable to the fact that traditional donors are increasingly focusing their grant support on LICs and fragile states.

However, at the same time, foreign direct investment in MICs is much higher than in LICs.

9. The changing global context and the evolving characteristics of MICs have important implications for the design and implementation of development assistance strategies. These implications are greater for upper middle-income countries (UMICs) than for others because UMICs generally have more domestic resources that could be used for rural poverty reduction. In any case, the evolving global scenario and the wide diversity across MICs imply that development organizations will have to customize their approaches and assistance more carefully to suit the specific country contexts in MICs.

IFAD’s engagement with middle-income countries

10. A large number of IFAD’s recipient Member States are currently classified as MICs (72 per cent in 2012 as compared to 57 per cent in 2004), where a significant number of poor people live. If current trends continue, the proportion of LIC Member States will continue to decrease and the proportion of MIC members will increase.

11. As a consequence, most IFAD-funded projects are in countries classified as MICs and a large amount of IFAD’s funds are channelled to MICs. For instance, IFAD disbursed around 70 per cent of its resources to MICs in 2012, as compared to 38 per cent in 2004. The percentage disbursed to UMICs also increased, growing from 7 per cent to 16 per cent over the same period.

12. From 1997 to 2012 replenishment resources covered about one third of IFAD’s loan and grant commitments and two thirds were met by internal resources (loan reflows, loan cancellations and investment income). MICs contributions to replenishments (e.g. the Ninth Replenishment of IFAD’s Resources [IFAD9]) are increasing as compared to past replenishments. Therefore, reflows from MICs and their increasing contributions to replenishments are important to the financial sustainability of the Fund.

13. In 2011, the Executive Board approved a specific paper providing the overall strategy for IFAD’s engagement in MICs. The paper correctly emphasized that IFAD must ensure that individual COSOPs are tailored to the contexts in the various MICs. It also appropriately underlined that a “one-size-fits-all” approach would not yield the desired results.

Assessment of IFAD strategy and approach in middle-income countries

14. IFAD is an organization on the move and progress has been made since 2011. For example, new financial sources and products are being explored. Knowledge management is receiving greater attention, as is the scaling-up agenda. More IFAD country offices are being established, and some attention is also being devoted to South-South and triangular cooperation, though there is room for stepping up such activities moving forward.

15. As mentioned above, the IFAD strategy underlined the importance of tailoring country strategies to specific contexts. This continues to be the right approach to follow, given the diversity within MICs. However, evaluations have revealed opportunities for IFAD to better differentiate among MICs and to further customize its development approach and assistance. COSOPs can provide the starting point for defining IFAD’s engagement in MICs, taking into account the specific circumstances and needs of individual countries.

16. The country visits undertaken for this synthesis report confirm that IFAD remains a relevant and valued partner in MICs. There is extensive demand for IFAD assistance by MICs, in terms of both loans and non-lending activities. Its focus on poor and vulnerable farmers in less advantaged, remote and/or challenging areas is still highly relevant in MICs. IFAD’s flexibility and targeting approaches are also appreciated.

17. However, taking into account the vast demand for IFAD assistance in all country categories, inequality, and the wide-ranging challenges to reducing rural poverty, the amount of resources available to the Fund is relatively limited. Given global trends in aid flows and the magnitude of rural poverty, it is important that IFAD continue its ongoing efforts to mobilize funding from alternative sources – whether in the form of cofinancing, borrowing at the institutional level from governments or other sources.

18. Partnerships with multilateral and bilateral organizations, including the United Nations Rome-based agencies, are increasingly being pursued and remain a priority, yet there is scope for further enhancement. Similarly, efforts are being made to partner with the private sector, however this is another area where more can be achieved in the future.

Findings from IFAD evaluations

19. IFAD-supported activities on the whole have made significant positive contributions to developing new and successful models for rural poverty reduction, for example in microfinance, rural infrastructure, community participation, local capacity-building, and gender equality and women's empowerment. The more recent focus on value chains is an effective way of linking poor people to markets, provided the approach is carefully designed.

20. However, overall, the performance of IFAD-funded operations is no better in MICs than in LICs, and no better in UMICs than in LMICs. In this regard, it is important to make two qualifications: (i) the projects evaluated by IOE in MICs were designed approximately a decade ago and therefore did not benefit fully from important reforms introduced in recent years (e.g. wider country presence, direct supervision, enhanced leadership of country programme managers in project design processes); and (ii) the sample is relatively small and therefore more data and close monitoring to validate and understand the differences in performance between UMICs and LMICs are needed.

21. Non-lending activities – knowledge management, policy dialogue and partnerships – are particularly important in MICs. Historically the weakest area of IFAD's support, they have been showing signs of improvement since 2011. The main reasons for the limited achievement in the past are the lack of a strategic approach and the limited resources and incentives for this purpose. There is already evidence that IFAD's increased country presence – especially with outposted country programme managers – and direct supervision and implementation support are enhancing non-lending activities and development effectiveness in general. However, it is important that non-lending activities are closely linked to IFAD-funded operations: the latter generate the experiences and lessons to inform the organization's work in policy dialogue, knowledge management and partnership building.

22. Operating in close to 100 countries has efficiency implications for IFAD, although it is to be recognized that as a specialized agency of the United Nations, IFAD has a universal mandate to help poor people in all countries. However, as the corporate-level evaluation on IFAD's institutional efficiency and the efficiency of IFAD-funded operations (CLEE) concluded, greater thematic and country selectivity would help to improve institutional efficiency. In this regard, it is important to stress that the MIC category (LMIC or UMIC) or GNI should not be the only, or even the main, criteria used to select countries for engagement. Other factors such as the financial absorptive capacity, portfolio performance and the number of rural poor will need to be considered as well.

Findings from other organizations

23. A review of documents from other organizations and discussions with their staff revealed a great deal of overlap with the findings of IFAD's own evaluation. For example, there is a common understanding among other organizations that the use of MICs as a single category is not particularly useful or even appropriate. Moreover, it is generally agreed that MICs are an important and progressively diverse group, and that the GNI per capita thresholds should not be used as the overarching criteria to determine the scale and nature of development assistance they receive. This diversity also means that MICs should not be treated as a single group.

24. The wider literature contains convincing arguments for and against continued development assistance to MICs. On balance, there is a strong poverty case for continued support to selected MICs, through a mix of products and instruments that are customized to specific circumstances. For instance, in some MICs, loan-funded projects will continue to be critical for the provision of rural infrastructure, improving rural livelihoods and promoting food security through climate-smart agriculture, whereas in other MICs, a mixture of loan-funded operations complemented by non-lending activities, technical assistance and South-South and triangular cooperation would be more appropriate.

Conclusions

25. For the foreseeable future, IFAD will continue to play a relevant role in supporting MICs to reduce rural poverty given its mandate and the significant number of rural poor people and inequality in such countries. Taking into account the heterogeneity of MICs, however, there are opportunities for IFAD to further sharpen some of its existing products and instruments for greater effectiveness.

26. The enormous diversity within MICs as a group makes generalization difficult and poses a challenge to IFAD's approaches and activities. In fact, a significant number of IFAD recipient Member States are currently classified as MICs, some of which are also fragile states or include areas affected by conflict. As such, MICs should not be treated as a single group, nor should GNI per capita alone be used to determine IFAD's engagement. Other characteristics of MICs – such as inequality, limited rural infrastructure, weak subnational capacities, climate change and the number of rural poor people – should also be considered in determining the nature and extent of IFAD's development assistance in such countries.

27. It is equally clear that what MICs need from IFAD is changing. While loan-funded projects are still a priority in many MICs, others need IFAD's wider involvement in non-lending activities such as knowledge management, policy dialogue and partnership building or IFAD support in the area of South-South and triangular cooperation and technical assistance. These are aspects in which IFAD has made progress but more can be achieved in the future.

28. IFAD for its part remains dependent on both replenishment resources and on reflows from lending to MICs, and needs new and additional funding sources to meet demand. This implies that IFAD will need to intensify its ongoing efforts to mobilize alternative resources as well as further enhance its internal capacities, processes and skills in this area.

29. IFAD is now at a crossroads. Its role and the allocation of resources within its large and very diverse MIC membership need to be reflected upon. In LMICs, much less needs to change, given that the immediate context for IFAD's work in these countries is little different from that in LICs. In better-off MICs, and particularly UMICs, the need for change is greater. And in both categories, a more differentiated, focused and tailored approach to IFAD engagement would be desirable.

30. As per the convention for IOE evaluation synthesis reports, this report does not make recommendations. However, five priority areas are suggested as a contribution to the ongoing discussion:

- New and substantial funding sources (public and private) are needed to support IFAD’s work in MICs. Promising efforts are ongoing in that direction, but further work will be required in the future.
- Gearing up the knowledge management, policy and investment partnership/brokering services that MICs require for scaled-up impact; and developing a financial model to support these. RTA is one model. It is also important that COSOPs ensure that non-lending activities, technical assistance, and South-South and triangular cooperation are explicitly anchored in the experiences of operations funded by IFAD.
- Development of a more differentiated model of engagement with MICs in COSOP and project design that is customized to country context and demand.
- Expansion of IFAD's engagement with the private sector, including large private companies in the agriculture and food sector, especially at the country level.
- Adaptation of IFAD's evaluation methods to ensure that they address the crucial issues for IFAD’s work in MICs that are identified in this report, such as a systematic approach to assessing scaling-up activities.

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Main report

I. Introduction

1. **Background.** In approving the 2014 work programme of the Independent Office of Evaluation of IFAD (IOE), the Executive Board requested IOE to prepare an evaluation synthesis report on the opportunities and challenges of IFAD's engagement in middle-income countries (MICs).

2. Middle-income countries have been identified as an important issue for four main reasons. First, an increasing proportion of the world's poor people live in middle-income rather than low-income countries (LICs). Second, an increasing number of IFAD developing country members are middle-income. In some regions, such as Latin America and the Caribbean and Near East, North Africa and Europe, the overwhelming majority of countries are MICs. Third, there is a growing perception that IFAD may need to review its approach in MICs, in order to adapt to the different and evolving context of these countries. And fourth, a number of multilateral and bilateral development agencies have recently reviewed the scale and nature of their support to MICs. This may have lessons and implications for IFAD.

3. **Objectives.** The evaluation synthesis has the following two key objectives:

   (a) Generate lessons and insights on opportunities and challenges for IFAD's engagement in MICs; and

   (b) Identify issues for further reflection on the strategic directions, priorities and instruments for IFAD's engagement in MICs in the future.

4. It is important to underline that the aim of the evaluation synthesis report is not to define IFAD's new policy or strategy in MICs – that is the responsibility of IFAD Management. Also, as for all evaluation synthesis reports prepared by IOE, this report does not make specific recommendations; rather, this synthesis focuses on documenting lessons learned and good practices for further discussion and reflection by IFAD Management and its Member States. The primary aim of such products is to identify cross-cutting systemic issues and lessons that need to be addressed by the organization. It builds on existing evaluative evidence available within IFAD and other organizations, and discussions with IFAD Management and staff, staff in other multilateral development organizations, member state representatives as well as stakeholders in selected recipient countries.

5. **Scope and methodology.** The Concept Note prepared by IOE outlines the evaluation's scope and methodology, processes, timelines and related information. The draft Concept Note was shared with IFAD Management at the outset of the process, and finalized taking into account their feedback and priorities. To achieve its objectives, the evaluation synthesis draws on the following components: (i) a literature review and data collection on IFAD operations in MICs; (ii) a synthesis of findings from IOE evaluations; (iii) a review of IFAD strategy and approach for MICs; and (iv) wider learning. These are briefly discussed below:

   (a) **Component 1: A literature review:** A literature review of research reports from a range of multilateral, bilateral, United Nations and research institutions was undertaken in order to understand the definition of MICs, their characteristics and broad issues regarding the relevance and effectiveness in supporting MICs with development finance. The bibliography is included in annex I of this report. During this phase, data was also collected on IFAD operations in MICs.

(b) **Component 2: Synthesis of findings from IOE evaluations:** For this component, all country programme evaluations (CPEs) in MICs and the *Annual Reports on Results and Impact of IFAD Operations* (ARRI) prepared since 2003 were reviewed. The team also reviewed key corporate-level evaluations (CLEs) notably *IFAD's Institutional Efficiency and Efficiency of IFAD-funded Operations* (2013) and the *Achievements of IFAD Replenishments* (2014). In addition, to complement findings from IOE evaluations, the team also reviewed the *Annual Review of Portfolio Performance* prepared by the Programme Management Department (PMD).

(c) **Component 3: Review of IFAD Strategy and Approach for MICs:** This includes:

(i) Desk review of a range of IFAD Management documents, including the paper on *IFAD's Engagement with Middle-Income Countries* (approved by the Executive Board in May 2011), financial and project information from the financial statements of IFAD and other internal databases, documents for all new country strategic opportunities programmes (COSOPs) in MICs approved by the Board since 2011 (this will be compared with the COSOPs approved in the same countries before 2011);

(ii) Semi-structured interviews with IFAD Senior Management, select members of the Executive Board, IOE and other IFAD staff; and

(iii) Country visits in five MICs (Argentina, Brazil, China, India and Tunisia) where semi-structured interviews were conducted with government officials, IFAD staff and other in-country partners. The list of people interviewed is included in appendix – annex II.

(d) **Component 4: Wider learning:** In order to deepen the learning, the study has reviewed the strategy and evaluation documents related to the engagement with MICs of other multilateral and bilateral development agencies. Discussions were also held with evaluation staff and colleagues in the management at the African Development Bank (AfDB), Inter-American Development Bank (IDB) and the World Bank.

6. **Process.** The evaluation synthesis was carried out in five phases: (i) preparatory phase (including the rapid literature review, data collection on IFAD operations in MICs, and the preparation of the concept note by December 2013); (ii) desk review phase (review of evaluation reports, relevant IFAD documents and documents from other organizations in January-March 2014); (iii) country visits to Argentina, Brazil, China, India and Tunisia and visits to AfDB, IDB and the World Bank (February-March 2014); (iv) report writing (March 2014); and (v) communication and dissemination.

7. A learning workshop was organized in IFAD on 3 April 2014 to collect feedback on the draft report. It is worth highlighting that IFAD Management's comments (oral and written) have been duly addressed in this final report. In line with the IFAD Evaluation Policy (2011), IOE prepared an "audit trail", which illustrates how their comments were considered in the final report.

8. The final report will be presented to the Evaluation Committee on 2 June 2014, and will also be considered by Member States in the context of the second meeting of the Consultation on the Tenth Replenishment of IFAD Resources (IFAD10) in June 2014.

9. **Limitations.** This evaluation synthesis has been prepared to a very tight timetable (approximately four months), in order to contribute to IFAD10 discussions and thus ensure its usefulness. This limited the amount of non-IFAD material consulted, and limited the number of countries where visits could be undertaken during the process.

10. The IFAD evaluation material generated a number of useful insights. However, the number of recent CPEs was limited, and inevitably these ex post evaluations were more useful at illuminating past results than at identifying emerging issues. While most of the CPEs reviewed were relatively recent (11 of the 19 CPEs were undertaken in 2012 or later), two were from 2005-2006. The interviews at IFAD and elsewhere, and recent performance reviews, were therefore essential for providing a more current perspective.

11. This report aims to identify some of the key issues as a contribution to the debate, makes an assessment of IFAD's current strategy and approach in MICs, considers some of the strategic implications, but (as mentioned earlier) stops short of making specific recommendations. Efforts have been made in this report to contextualize major findings, especially taking into account the heterogeneity of countries that are classified as MICs.

12. The report is structured as follows: sections II and III outline some of the general contextual issues with respect to MICs and the recent history of IFAD's engagement; section IV synthesizes the findings from recent IFAD evaluations; and section V looks at the findings and lessons from other agencies as well as from the wider literature. The report concludes with an assessment in section VI of IFAD's strategy and approaches in MICs. A short story line, conclusions and strategic implications for the future shape and direction of IFAD's engagement is found in section VII.

Key points

- MICs have been identified as an important issue. The Executive Board requested IOE to prepare an evaluation synthesis report on the opportunities and challenges of IFAD's engagement in MICs as part of its 2014 work programme.
- The evaluation synthesis aims to generate lessons and insights on opportunities and challenges for IFAD's engagement in MICs and identify issues for further reflection on the strategic directions, priorities and instruments for IFAD's engagement in MICs in the future.
- The evaluation synthesis consists of four components: (i) a rapid literature review and data collection about IFAD operations in MICs; (ii) a synthesis of findings from IOE evaluations; (iii) a review of IFAD strategy and approach for MICs, including five country visits; and (iv) wider learning. It draws on extensive desk review, interviews and country case studies.

II. Middle-income countries

A. Definition

13. The international community has not agreed upon a universally valid definition for middle-income countries (MICs). However, the World Bank's income classification is the most widely used. This classifies countries into low-income, LMICs, upper-middle income and high-income based on the countries' gross national income (GNI) per capita in current prices. The current ranges are shown in table 1 below.

Table 1
GNI criteria for classifying countries

	GNI criteria 2012 (United States dollars per capita)
Low-income country (LIC)	1,035 or less
Lower middle-income country (LMIC)	1,036 – 4,085
Upper middle-income country (UMIC)	4,086 – 12,615
High-income country (HIC)	12,616 or more

Source: World Bank list of economies (July 2013).

14. As a consequence of economic growth, an increasing number of countries are classified as middle-income, and an increasing number have graduated from lower middle-income to upper middle-income status. The total number of MICs has increased from 85 in 1990 to 104 in 2011 (table 2). However, graduation is not always permanent. Between 1978 and 2003, 25 countries fell back from MIC to LIC status, and some countries have switched back and forth over the years.

Table 2
Number of countries by type

	1990	*2003*	*2011*	*2013*
LIC	48	61	40	36
LMIC	50	56	56	48
UMIC	35	37	48	55
HIC	44	54	69	75
World	177	208	213	214
Total MIC	85	93	104	103

Source: World Bank list of economies.

B. Alternative country classifications

15. There are very significant differences within MICs as a group. It is therefore critical to recognize at the outset the heterogeneity of countries classified as MICs, for example, in terms of the size of their economies, the income per capita, the total population, the policy and institutional context, the geographic size of the countries, the human resource base, and several other distinguishing characteristics. Moreover, it is to be noted that several MICs are also classified as fragile states. This has far reaching implications for IFAD's engagement and priorities in such countries, as was recognized in the document *IFAD's Engagement with Middle-Income Countries* (approved by the Board in May 2011), and a one size fits all approach cannot therefore be adopted to address the rural poverty challenges faced by the range of MICs.

16. For example, the MICs group contains over 100 countries of enormous diversity, from Brazil, China and India to small states such as Antigua and Lesotho. Some MICs have per capita incomes twelve times greater than others. This has led to an ongoing debate about the use and relevance of income per capita as the primary proxy for development, or LIC/MIC status as a useful categorization, both for determining official development assistance (ODA) requirements and for assessing overall levels of economic and social development. Least Developed Countries (LDC) or fragile or conflict-affected states are certainly more homogeneous categories, but both only cover a relatively small subset of developing countries. A more complete alternative of five clusters has been suggested by Vazquez and Sumner (IDS, 2012).

Box 1
Five clusters of developing countries

- Cluster 1: High poverty rate countries with largely traditional economies
- Cluster 2: Natural resource dependent countries with little political freedom
- Cluster 3: External flow dependent countries with high inequality
- Cluster 4: Economically egalitarian emerging economies with serious challenges of environmental sustainability and limited political freedoms
- Cluster 5: Unequal emerging economies with low dependence on external finance

Source: Vazquez and Sumner (2012).

17. Two thirds of the world's poor live in high poverty rate countries (including Bangladesh, India, Pakistan and Nigeria) with largely traditional and agricultural

economies cluster 1). A further quarter of world poverty is situated in external dependent countries with high inequality (cluster 3) such as Indonesia, Kenya and the Philippines.

18. An alternative classification was suggested in the 2008 World Development Report (Agriculture for Development, World Bank, 2007). This divided agriculture into three worlds: agriculture-based, transforming and urbanized. There is considerable overlap between these three worlds and LICs, LMICs and UMICs respectively. The merit for IFAD of this classification is the recognition of the very different agriculture-for-development agendas presented by this report. On this issue and more generally, there are merits for deeper collective reflection on more appropriate additional criteria that could be used to classify countries as MICs. This has been accentuated by the dialogue and debate at the First High-Level Meeting of the Global Partnership for Effective Development Co-operation in Mexico City on 15-16 April 2014 as expressed in the communiqué: "We recognize the need to devise methodologies to better account for the complex and diverse realities of MICs and to provide an improved basis for flexible, targeted and differentiated strategies for effective development cooperation with MICs, based on their specific country situations and relevant sectorial and regional capacities". The paper (executive summary) circulated by the organizers at the Mexico meeting "Recipients and Contributors: Middle Income Countries and the future of development cooperation"[1] highlighted these issues.

C. The distribution of global poverty

19. While the number of MICs has increased, and will continue to increase, this is not the key fact. The key fact is that a much larger number of poor people now reside in MICs (using the GNI/capita criteria) than in LICs, and is highly concentrated in a small number of countries. In 1990, 90 per cent of the world's poor people (by either US$1.25 or US$2 international poverty lines) lived in LICs. In 2012, 74 per cent and 79 per cent of the world's poor living on less than US$1.25 and US$2 per day lived in MICs.[2] Half of the world's poor live in two MICs: India and China. A quarter live in other MICs, primarily populous LMICs such as Indonesia, Nigeria and Pakistan, while 80 per cent of the world's poor live in just 10 countries.[3]

20. Global poverty is now concentrated in MICs, and specifically in lower MICs. The main reason for this is not that the poor have moved, but because the countries' where most of them live have graduated to MIC status. Indeed, most of this statistical shift is accounted for by the graduation of five very large countries, the so-called PICNIs: Pakistan, Indonesia, China, Nigeria and India. These are home to about 67 per cent of the world's poor people. Without the PICNIs, the percentage of the poor people living in MICs has changed little since 1990 which has further highlighted the concerns with over simple classification systems.

[1] Jose Antonio Alonso, Jonathan Glennie and Andy Sumner, April 2014.
[2] The percentage of global poverty in the MICs (excluding China and India) rose from 7 to 22 per cent between 1990 and 2007/2008 (Sumner, 2010).
[3] IDS Working Paper No.404 (Vazquez and Sumner, 2012).

Table 3
Estimates of the distribution of global poverty, US$1.25 and US$2 (2008)

	US$1.25 poverty line		*US$2 poverty line*	
	Millions of people	*% world's poor*	*Millions of people*	*% world's poor*
LICs	316.7	25.7	486.3	20.6
MICs	917.1	74.3	1,871.1	79.4
LMICs	711.6	57.7	1,394.5	59.2
UMICs	205.5	16.7	476.6	20.2
New MICs (post-2000)	651.7	52.8	1,266.4	53.7
PICNI	785.9	63.7	1,570.0	66.6
China and India	599.0	48.6	1,219.5	51.7

Source: IDS (2012). Data processed from PovcalNet (2012).

21. Projections of where the majority of the poor will live in future depend on the assumptions used. One set of projections estimates that MICs will still account for around half of the remaining US$1.25 and US$2 poor people in 2020 or 2030. The other half of the poor, but possibly as low as one third, will be in LICs by 2030 (IDS, 2012). An alternative point of view is that as MICs continue to make progress against poverty, most poverty will again be concentrated in LICs and fragile states (Kharas and Rogerson). Some of the latter will be middle income. Almost one fifth of people living on less than US$1.25 are in so-called MIFFS (middle–income fragile or failed states) such as Iraq, Nigeria, Pakistan and Yemen (Gertz and Chandy, 2011). Nevertheless, by using the $2 per day criteria and establishing the number of people living on $2 and $10 a day as a definition at which individuals move into "middle" class, the Asian Development Bank (AsDB) has emphasised the precarious "frail middle" of those who may have been assumed to have moved out of poverty but are at high risk to fall back into poverty as social, economic and climatic factors influence growth.

22. Within the MICs, significant poverty still exists in rural, less accessible regions, especially where IFAD works. For example, developing economies of the Near East and North Africa area have large regional discrepancies and many poor people live in rural areas, especially in remote and mountainous areas. The same is true in India, where the human development indicators in some states are as low as parts of sub-Saharan Africa. Moreover, it is to be noted that often the policy and institutional context, and services and infrastructure in remote rural areas in many MICs is weak and often similar to conditions found in LICs or fragile states.

23. It is also important to emphasize that the differences between LICs and many lower middle-income countries can be small or non-existent. This is particularly true for many of the oil/mineral dependent countires in Africa, which are classified as MICs because their GNI per capita is marginally above the US$1,036 mark. These countries are statistically middle income, but the national wealth is derived from one source and heavily concentrated. They generally lack a mature and capable policy and institutional environment, and rural conditions in major parts of the country remain extremely poor and challenging. In some cases, the concentration of resources in a single sector, and the association with poor governance, can make achieving poverty reduction in rural areas more rather than less difficult.

24. Inequality is an important issue in most MICs. In Latin America and the Caribbean (LAC), while many of the region's countries are moving towards the higher end of the middle-income spectrum, economic and social inequities remain acute, with LAC's overall Gini coefficient about 0.53, the highest among the world's regions

(i.e. suggesting the least equitable income distribution). China and India still have the largest rural poor populations in the world. In Indonesia, 50 per cent of the total households remain clustered around the national poverty line, and 70 per cent of the poor live in rural areas. Moreover, the poverty gap index indicates that, although the proportion of Indonesia's people living in poverty has fallen to almost the pre-1997 crisis level, those who are poor now are worse off than before, especially in eastern Indonesia.[4]

D. How are middle-income countries different?

25. The fact that there are large numbers of poor people in both MICs and LICs raises an important question: how different are MICs, either from LICs or from each other? Many agencies and researchers question the categorization of MICs purely on the basis of their income levels. There is also a view that a single, broad categorization hides very significant differences within MICs as a group, and that the income thresholds themselves are not particularly meaningful or useful.

26. There are important general differences between LICs, LMICs and UMICs, some of which are shown in table 4 below. LICs tend to be far more dependent on ODA, more reliant on agriculture as a sector, and less urbanized. While still overwhelmingly rural (70-75 per cent), the composition of poverty is more urban in LMICs than in LICs, and a lower proportion of the poor are employed in agriculture. Average per capita income in the LMIC group is typically three times the level of LICs. The overall conclusion is that generally, the LMIC group is qualitatively different to and better off than the LIC group (Sumner, 2012).

Table 4
Differences between LICs, LMICs and UMICs

	LICs	*LMICs*	*UMICs*
Net ODA received (percentage of GNI)	12.6	1.0	0.1
Net ODA received (percentage of gross capital formation)	53.1	3.5	0.4
GDP in agriculture (percentage)	30.8	17.3	8.8
Urban population (percentage of total)	27.9	39.2	56.8
Agricultural raw materials exports (percentage of merchandise exports)	9.7	1.9	1.1
Total poverty gap (US$1.25) as a percentage of GDP PPP	8.4	1.3	0.2
Total poverty gap (US$2) as a percentage of GDP PPP	25.4	5.5	0.6

Source: Sumner (2012).

27. The relative size of the poverty problem is also much higher in LICs. Poverty rates have fallen at a much slower rate in LICs than in MICs over the past three decades, and the size of the problem relative to their GDP is much higher. The aggregate poverty gap[5] to GDP ratio is 1.3 per cent for LMICs but is still 8.4 per cent for LICs. This means that for MICs, unlike LICs, resources are unlikely to be the main limitation to ending poverty (US$1.25 per day) in most countries. The challenge for MICs "is not so much the amount of resources required by the poor, but development and implementation of policies and programs that help redirect those resources to the poor" (World Bank, 2013).

28. As suggested in the 2008 World Development Report (see para. 18 above), the agriculture-for-development agendas vary by type of country. Agriculture-based countries (typically LICs in sub-Saharan Africa) need to prioritize growth and food security. Transforming countries (typically South Asia and North Africa) need to reduce rural-urban income disparities and rural poverty. Urbanized countries

[4] IFAD's engagement with MICs. May 2011.
[5] The Aggregate Poverty gap equals the number of extremely poor people multiplied by the depth of poverty (how far the average extremely poor person is from the US$1.25 per day poverty line).

(typically MICs in Latin America and Europe) need to link smallholders to modern food markets and provide good jobs. Food quality and food safety progressively becomes more important than food security.

29. This general distinction between LICs – where resources are more of a constraint – and MICs – where the direction of resources is more the issue – is a critical one. Poverty will remain a major issue for MICs for the foreseeable future. However, the cost of ending that poverty, as a percentage of GDP, will be less for those countries that are currently LMICs and UMICs. This means that traditional ODA will be of limited relevance. The core variables will increasingly be national policies, national distribution and national political economy (Sumner, 2012).

30. While this may be true in general, the extent to which growth is equitable, and the size of the poverty gap, will be factors. Data on inequality is incomplete and depends on whether India and China are included, but the general picture is for the share of GNI to the poorest 20 per cent or 40 per cent to decrease with economic growth; the share of the richest 10 per cent to increase; and the share of the "middle classes" (the middle five deciles) to remain broadly similar (Sumner, 2012). Where growth follows a more unequal pattern and where the poverty gaps are larger – as may be the case in parts of India and sub-Saharan Africa – the availability of domestic financial resources may be insufficient.

31. The overall picture of MICs, in general, being qualitatively and quantitatively different from LICs – and, in general, UMICs being qualitatively and quantitatively different from LMICs – is correct. However, this is not inconsistent with the observation that there is much in common between LICs and LMICs, and particularly between LICs and those regions and social groups within MICs that have benefited less from economic growth. For example, two thirds of India’s poor live in states within India that have an average income below the LIC level. Similarly, while the percentage of poverty accounted for by agriculture as an occupation is lower in LMICs than LICs, fully one third of education, health and nutrition poverty in LMICs is concentrated in agricultural households. The rural characteristics of some LMICs are very similar to those found in LICs, and as mentioned earlier, the institutional and policy context in MICs is not always stronger. The assumption that MICs universally have adequate national capacity and enabling institutional and policy frameworks is not true. Subnational governments can also be weak in the poorer regions of MICs, as in the north-east of Brazil.[6] This is a critical factor also in determining the performance of IFAD-funded projects, which are generally located in remote, rural areas with low subnational capacity.

E. Trends in ODA and other resource flows

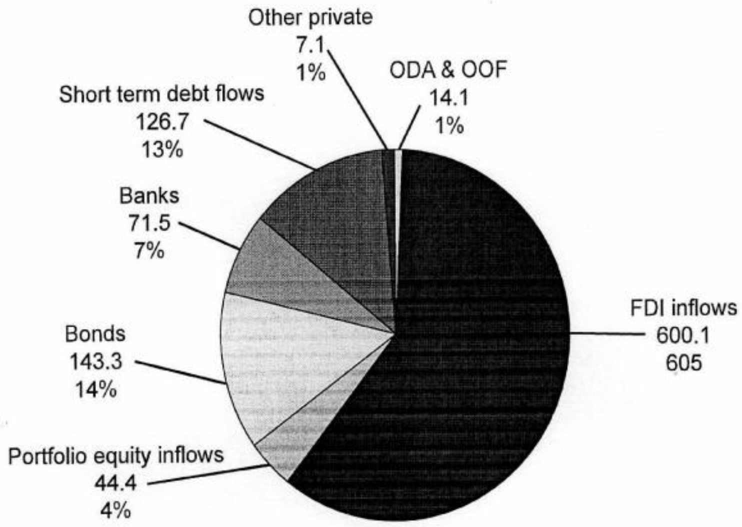
32. As shown in table 4 above, ODA[7] is much less significant in LMICs, and is even less so in UMICs. Flows of ODA are also changing as traditional donors increasingly focus their support on LICs. Over the period 2000-2011, an increasing percentage and volume of ODA went to LDCs and other LICs. The percentage of ODA to LMICs declined by 15 per cent, but volume increased by 29 per cent in real terms. The percentage of ODA to UMICs declined by 40 per cent and volume declined by 12 per cent.

33. Data from the OECD Development Assistance Committee (OECD DAC) shows that over the period 2001-2012, the percentage of ODA from OECD DAC countries to LDCs and other LICs increased from 39.6 per cent to 51.1 per cent; to LMICs ODA decreased from 37.8 to 32.4 per cent and to UMICs it decreased from 22.7 to 16.4 per cent. However, OECD DAC 2013-2016 projections indicate major increases in the volume of ODA to MICs, primarily in the form of soft loans to the populous MICs in Asia.

[6] IFAD – Brazil – COSOP Review 2011.
[7] See the OECD DAC definition at http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm#Definition.

34. The nature of capital flows and the relative importance of development assistance are changing rapidly. As recently as 2000, most development assistance was provided by traditional bilateral and multilateral donors. Since then, other non-traditional sources have grown fast. These, plus remittances and foreign direct investment (FDI) now dwarf ODA.[8] FDI to MICs is much higher than to LICs: US$207 billion in 2012 to MICs compared to around US$81 billion to LICs.[9]

Figure 1
International capital flows to developing countries, 2012
(Billions of United States dollars and as a percentage of total flows)[10]



Source: World Bank (2013).

35. In summary, while the diversity of MICs is important and incontrovertible, there are some important characteristics that, as national incomes increase, they are progressively distinguishable from lower-income countries. These include less-tangible characteristics such as the higher capacity of government and non-government institutions (but not always in all departments, decentralized governments, or the poorest regions); the size and structure of the private sector; and attitudes towards north-south and south-south cooperation. These and other characteristics, particularly the relative importance of external resources and internal policies, have important implications for the demand for IFAD services, as well as for the design and implementation of development assistance strategies. The latter will apply more to some types of countries (e.g. UMICs) than to others (e.g. LMICs) where rural conditions in the poorer regions are much less different from those in LICs.

[8] UK International Development Committee: The Future of UK Development Cooperation: Phase I: Development Finance (2014).
[9] http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=88.
[10] World Bank, Financing For Development Post-2015 (2013).

Key points

- The international community has not agreed upon a universally valid definition for MICs. However, the World Bank's income classification is the most widely used.
- Global poverty is now concentrated in MICs, where a large number of rural poor live. Such countries also manifest significant income inequalities.
- There is wide diversity within MICs, but MICs as a group is still qualitatively and quantitatively different in general from LICs.
- There is also diversity within some MIC countries. There is much in common between LICs and those regions and social groups within MICs that have benefited less from economic growth.
- Often the policy and institutional context, services and infrastructure in remote rural areas in many MICs is weak and often similar to conditions found in LICs or fragile states. In fact, several MICs are also classified as fragile states.
- Percentage of ODA to MICs is declining and has become relatively small, as compared to other capital flows. FDI in MICs is much higher than in LICs.

III. IFAD's engagement with middle-income countries

36. When IFAD was established in 1976, only a small percentage of its developing country members were classified as middle income. In 2004, 57 per cent of the developing country members were MICs. By 2013, the percentage had reached 72 per cent (table 5 below). Nine countries, mainly UMICs, ceased to be developing country members between 2004 and 2013. Almost half (46 per cent) of the UMIC members in 2013 had no ongoing IFAD loan-funded projects. If current trends continue, the proportion of LIC members will continue to decrease; the proportion of MIC members will increase; and more UMICs will either cease to have IFAD loan-funded projects or cease to be developing country members.

Table 5
IFAD's developing country membership, 2004 and 2013

	Number 2004	*Percentage 2004*	*Number 2013*	*Percentage 2013*
Non-fragile states				
LIC	30		16	
LMIC	39		36	
UMIC	28		43	
Fragile and conflict-affected states				
LIC	30		20	
LMIC	9		9	
UMIC	2		5	
All countries				
LIC	60	43%	36	28%
LMIC	48	35%	45	35%
UMIC	30	22%	48	37%
MICs	78	57%	93	72%
Total	138	100%	129	100%

Source: Compiled by the Evaluation Team based on IFAD's Project Portfolio Management System, World Bank list of economies, and World Bank Harmonized List of Fragile Situations.

A. IFAD's strategy in middle-income countries

37. A short paper on IFAD's role in MICs was prepared in 2008 for the consultation on the Eighth Replenishment.[11] At that time, one third of the world's poor lived in MICs. The paper reaffirmed that IFAD had made an important contribution in MICs and that its mandate to address rural poverty remained highly relevant to MICs. It

[11] IFAD's Role in Middle-Income Countries. October 2008.

also recognized that the rapid growth of many MICs, and their increasing ability to access resources from the international capital markets, had forced other IFIs to review the attractiveness of their financial products and to deepen the knowledge content of their initiatives. The paper concluded that IFAD needed to make a similar adaptation in order to enhance its contributions to MICs.

38. A follow-up strategy paper on IFAD's engagement with MICs was presented to the Executive Board in May 2011. This recorded broad support for IFAD's engagement in MICs, albeit with some concerns about whether this support detracted from its servicing of LICs.[12] The thrust of the paper was that, in view of the heterogeneity of MICs, a single all-encompassing policy for MICs would neither be effective nor efficient. IFAD should recognize that its Strategic Framework and polices applied as much to MICs as to other countries; that MICs and LICs needed to be treated in the same manner (except for lending terms, see below); and that the extreme diversity of MICs required a diverse response customized to each country's needs. The paper also recommended some enhancements to IFAD's financial and knowledge products and services.

B. IFAD financial support to middle-income countries

39. The main way that IFAD provides support to MICs is via long-term loans for investment projects. Since 2013, IFAD has offered three loan products: highly concessional, blend, and ordinary. The terms and eligibility criteria for these are summarized in table 6 below. Four types of loan products had previously been offered: highly concessional, hardened, intermediate and ordinary. Blend terms replaced hardened and intermediate terms as step in the progression from highly concessional to ordinary terms.

Table 6
IFAD loan products – term and eligibility (2014)

Type	*Eligibility*	*Maturity period (years)*	*Grace period (years)*	*Interest rate (%)*	*Service charge (%)*	*Concessionality charge (grant element)*[c]
Highly concessional	GNP per capita of US$805 or less in 1992 prices or classified as IDA-only countries	40	10	-	0.75	65%
Blend terms	Eligible for IDA blend terms	25	5[a]	1.25	0.75	50%
Ordinary	GNP per capita of US$1,306 or above in 1992 prices	15-18	3[a]	0.85[b]	-	16%[d]

[a] The Executive Board may vary the grace period and amount for each instalment for the repayment of loans on blend and ordinary terms.
[b] As of January 2010, IFAD resets its annual reference interest rate each semester on the first business days of January and July. The IFAD reference rate applicable to loans on ordinary terms is based on a composite SDR LIBOR six-month rate of the four currencies that constitute the SDR basket (US$, Japanese yen, euro and UK pound sterling) plus a variable spread. The spread applied by IFAD is a weighted average of the spreads applied by the International Bank for Reconstruction and Development (IBRD) to its variable lending rate for the same semester. The interest rate of 0.85 as listed in the table is the rate applied in January-June 2014.
[c] Calculated using the IDA methodology for concessionality and applying current discount rates.
[d] Ordinary terms have variable interest rates and the IDA methodology cannot be readily applied to calculate the inherent grant element. To calculate approximate comparative figures, the variable interest rate has been converted to fixed rates by applying market-interest-rate swap premiums and aligned to the maturity profile of the IFAD loans plus the current IFAD spread. The grant element for loans on ordinary terms is based on a 15-year maturity.

Source: Review of the Lending Policies and Criteria (IFAD, 2013); IFAD Intranet, information on lending rates http://www.ifad.org/operations/projects/lending.htm.

[12] IFAD's Engagement with Middle-Income Countries, 2011, para. 2

40. In addition to the above, in the context of the Debt Sustainability Framework adopted by the Board in April 2007, countries with high risk of debt distress (red-light) receive 100 per cent of their allocation in the form of grants and those with a medium risk (yellow light) receive 50 per cent in the form of grants. Table 7 below provides the number of countries (by type) eligible[13] for different lending terms in IFAD, including the Debt Sustainability Framework.

Table 7
Countries eligible for different types of IFAD financial products

Type	*Number of countries eligible*		
	LICs	*LMICs*	*UMICs*
Highly concessional	13	7	4
Debt Sustainability Framework[a]	8	5	2
Highly concessional/Debt Sustainability Framework[b]	15	6	1
Blend terms	0	17	2
Ordinary	0	9	39

[a] Red light countries.
[b] Yellow light countries.
Source: Compiled by the Evaluation Team based on information from IFAD Intranet (http://intranet.ifad.org/guides/manuals/lgs/lending.pdf) and the World Bank list of economies.

41. IFAD's Lending Policies and Criteria state that the total amount of highly concessional loans provided each year should amount to approximately two thirds of the total amount lent annually. In 2012, highly concessional terms applied to 71 per cent of total loans.[14] In line with the eligibility criteria, most of the highly concessional loans were for LICs. However, as can be seen in table 7, some MICs are eligible for highly concessional loans.

42. Since 2005, funds available for loans have been allocated according to the Performance-based Allocation System (PBAS). Within the overall limits set out in IFAD's Lending Policies and Criteria, the PBAS takes into account two needs factors: national per capita income and rural population; and three performance factors: (i) the Country Policy and Institutional Assessment; (ii) portfolio performance; and (iii) the institutional and policy framework for sustainable rural development. A system of "floor" and "ceiling" allocations also applies.[15] The PBAS allocation by country classification is shown in table 8. Over half (58 per cent) of the 2013 PBAS allocation was for MICs, including a 17 per cent allocation for UMICs.

Table 8
PBAS allocation

	2013 PBAS allocation (US$ m)	*2013 PBAS allocation (%)*
LICs	370	42.3
LMICs	355	40.6
UMICs	149	17.1
All MICs	504	57.7

Source: Progress report on implementation of the PBAS, IFAD (2013).

43. The PBAS provides an ex ante measure of the distribution of IFAD loan funds. Disbursements provide a better measure of the actual distribution between country types, as well as revealing how the distribution of funds is changing over time.

[13] A smaller number of UMICs actually receive highly concessional or DFS funding.
[14] Review of Lending Policies and Criteria (IFAD, 2013).
[15] The structure and operation of a PBAS for IFAD (IFAD, 2003).

Table 9 below shows disbursements by country type in 2004 and 2012. In 2004 almost two-thirds (62 per cent) of IFAD funds were disbursed to LICs. In 2012 over two-thirds (70 per cent) of funds were disbursed to MICs[16]. But, as noted above, given the fact that many IFAD members receive lending on highly concessional terms, only 12 per cent of 2012 disbursements went to ordinary term borrowers. The percentage disbursed to UMICs increased from 7 per cent in 2004 to 16 per cent in 2012.

Table 9
IFAD loan disbursements by country type, 2004 and 2012

	US$ m 2004	*% 2004*	*US$ m 2012*	*% 2012*
Non-fragile States				
LIC	163		164	
LMIC	87		195	
UMIC	23		108	
Fragile and Conflict-affected States				
LIC	33		45	
LMIC	8		23	
UMIC	0		3	
All countries				
LIC	196	62%	209	30%
LMIC	95	30%	370	54%
UMIC	23	7%	111	16%
All MICs	118	38%	481	70%
Total	314	100%	690	100%

Source: Elaborated by the Evaluation Team based on data provided by IFAD's Controller's and Financial Services Division.

C. MIC financial contribution to IFAD

44. From 1997 to 2012, Replenishment commitments covered about one third of IFAD's loans and grants, with two thirds covered by internal resources (loan reflows, loan cancellations and investment income).[17] Total contribution of Member States (pledges) to the IFAD9 Replenishment is around US$1.386 million, out of which high-income countries contribute US$1.241.6 million (around 89.6 per cent), MICs contribute US$141.7 million (around 10.2 per cent) and LICs contribute US$2.96 million (0.2 per cent). Seven out of 12 List B members pledged funds to IFAD9, as did more than 50 List C members. India, China and Brazil are the leading List C donors.

45. Table 10 below provides information on reflow (both principal and interests) from countries to IFAD. MICs provide an important amount of reflows to IFAD, even though it should be noted that not all MICs receive loans on ordinary terms. Reflows are important given the high proportion of the work programme funded from internal resources, and lending to MICs therefore is a crucial part of IFAD's financial model. Any reduction in reflows from MICs could have financial implications for IFAD's resource base, unless replaced by other sources of funding.

[16] Figures to October 2013 show 58 per cent to MICs. The IFAD 2012 Annual Report states that 70 per cent of new commitments in 2012 were to LICs, possibly helped by the Adaptation for Smallholder Agriculture Programme (ASAP).
[17] CLE on the achievements of IFAD replenishments (2014).

Table 10
Reflow from countries to IFAD by country type, 2004 and 2012

	US$ m 2004	*% 2004*	*US$ m 2012*	*% 2012*
Non-Fragile States				
LIC	78		58	
LMIC	81		103	
UMIC	20		69	
Fragile and Conflict-affected States				
LIC	19		28	
LMIC	6		9	
UMIC	0		2	
All countries				
LIC	97	47%	86	32%
LMIC	87	43%	112	42%
UMIC	20	10%	71	26%
All MICs	107	53%	183	68%
Total	204	100%	269	100%

Source: Elaborated by the Evaluation Team based on data provided by IFAD's Controller's and Financial Services Division.

46. Table 11 below shows the financing of IFAD-financed projects by country type. This shows a greater average percentage national contribution by higher GNI groups, and an average reduction in the grant percentage to higher GNI groups. However, these averages hide considerable country-to-country variation. Interestingly, the average percentage of cofinancing and the average percentage made up by an IFAD loan show less variation across country types.

Table 11
Financing of IFAD projects by country type, 2011-2013

2011-2013	*Number of projects approved*	*Average size of project $m*	*Average % national contribution*	*Average % of beneficiaries and other domestic contribution*	*Average % Cofinancing*	*Average % IFAD loan*	*Average % IFAD grant*
LICS	31	66.6	11.2%	13.0%	22.8%	29.0%	24.0%
LMICS	40	53.8	15.0%	18.9%	18.2%	42.6%	5.3%
UMICS	21	68.9	32.6%	17.4%	18.5%	30.7%	0.8%
All MICS	61	59.0	22.1%	18.3%	18.3%	37.8%	3.5%

Source: Elaborated by the Evaluation Team based on data from IFAD's Project Portfolio Management System.

Key points

- MICs have become a major part of IFAD's work. An increasing percentage of IFAD's developing country members are MICs (72 per cent in 2012 up from 57 per cent in 2004). An increasing percentage of IFAD disbursements go to MICs (70 per cent in 2012 up from 38 per cent in 2004).
- Reflows from MICs are an important part of IFAD's financial model.
- MIC contributions to replenishments are increasing (e.g. in IFAD9 as compared to previous Replenishments).
- IFAD produced a strategy paper on MICs in 2011. In view of the diversity of countries, the strategy rightly advocates the need to customise IFAD assistance depending on country context.

IV. IFAD evaluation findings

47. This section of the report synthesises the findings from IFAD's own evaluations. It draws on the project and CPE reports produced by IOE as well as the Annual Review of Portfolio Performance produced by PMD. The lessons and findings from the non-IFAD literature are considered in the next section.

A. Project performance

48. IOE has evaluated 196 projects since 2002. A summary of the ratings for LICs and MICs (classified at the time of project completion) is contained in table 12. This shows little difference in ratings between LICs and MICs as a whole. However, ratings for LMICs as a group are slightly higher than for LICs, and those for UMICs are lower.[18] The Annual Portfolio Performance Review by PMD-ESA also found that projects in MICs had lower average Project Status Report scores than those in LICs (see sub-section IV, D below).

49. Therefore, there is no evidence from the project data that IFAD-supported projects perform better in MICs than in LICs, possibly because IFAD-supported projects in MICs tend to be located in poorer, remote and more difficult regions, where context is similar to that found in LICs, and in some cases, to fragile states. Moreover, it is important to make two further qualifications: (i) the projects evaluated by IOE in MICs were designed around a decade ago and would not have benefitted fully from important reforms introduced in recent years (e.g., wider country presence, direct supervision, enhanced leadership of CPMs in project design processes, etc); and (ii) the sample is relatively small and therefore more data and close monitoring to validate and understand the differences in performance between UMICs and LMICs is needed. The above findings therefore need to be treated with caution.

[18] The same data minus fragile states shows LIC projects outperforming LMIC projects. However, the difference in this case, and in table 12, are not statistically significant.

Table 12
Percentage of projects rated moderately satisfactory or better

	LICs	All MICs	LMICs	UMICs
Relevance	95	90	92	85
Effectiveness	71	73	78	60
Efficiency	56	57	62	40
Project performance	77	78	81	70
Rural poverty impact	73	80	83	72
Sustainability	51	56	59	47
Innovation and scaling up	73	71	76	53
IFAD performance	66	73	75	56
Government performance	64	72	73	67
Overall project achievement	74	76	79	65
Number of projects with ratings[19]	112	83	63	20

Source: Elaborated by the Evaluation Team based on the IOE Independent Evaluation Database (as of December 2013).

B. CPE findings

51. This subsection presents a synthesis of the findings from 19 CPEs in MICs prepared by IOE between 2005 and 2014. A list of the CPEs is contained in annex – appendix III. It is important to underline that while this section reports CPE findings at the time of evaluation, some of the CPE findings and recommendations have been or are being implemented in the context of follow-up COSOPs and operations since the completion of the corresponding CPEs. The CPE findings focus on the performance of the lending portfolio and non-lending activities. Many of these are not materially different from the findings in CPEs of LICs. This is an important finding in itself: in many respects IFAD programmes face similar challenges in all types of countries. Programmes in MICs are not necessarily different from those in LICs. That said, there are some issues (e.g. non-lending) that are particularly important in MICs (especially UMICs) and/or are likely to become more so as national incomes increase. That said, IFAD's non-lending activities will be more successful if they are supported and complimented by an adequate lending programme.

Portfolio performance

52. **IFAD's mandate remains highly relevant for MICs.** All but one of the 19 CPEs found that the overall support provided by IFAD was moderately satisfactory or better. This reflects the fact that rural poverty is persistent in MICs, and agriculture is still central in the lives of most of the rural poor. In Viet Nam, for example, 90 per cent of the poor live in rural areas, and agriculture provides 60 per cent of all employment. In Argentina, in the northern region, where rural poverty is most concentrated, more than 50 per cent of the rural population lives below the poverty line.

53. IFAD's relevance also stems from its unique position as the only international development institution dedicated exclusively to eradicating rural poverty. In spite of its modest financial contributions, IFAD has a distinct and catalytic role in supporting achievement of the MDGs relating to the elimination of poverty and hunger. In several MICs, IFAD has enhanced its relevance by promoting pro-poor innovations, and served as a "demonstrator" of how to methodically design, implement, supervise, monitor and evaluate pro-poor agriculture and rural development projects. Its exclusive focus on rural poverty, bottom up and innovative approaches, commitment to increasing the involvement of civil society and NGOs in decision-making and resource allocation as well as its organizational

[19] Refers to the number of projects with ratings for Overall Project Achievement. The number of ratings for other criteria can be slightly less or more. Gender is not reported because of the much smaller number of ratings available.

flexibility is noted as distinguishing IFAD from other international organizations. This is as true in MICs as it is in LICs.

54. Three features have particularly enhanced IFAD's relevance in MICs. First, IFAD's clear emphasis on the poor has helped to address inequality, which is a major issue in most MICs.[20] The CPEs confirm that IFAD's approach at targeting was in general appropriate in most countries. This is discussed further below. Second, the recent shift to strengthening the links between the rural poor and markets has enhanced relevance, although implementation has remained challenging. In Nigeria, Viet Nam and Zambia, the introduction of support for value chains has increased the relevance of IFAD support for vulnerable groups such as landless labourers, farmers with very limited land and unemployed youth. Third, the use of local expertise and the participation of local stakeholders in the design and implementation of IFAD-supported interventions has enhanced the relevance of IFAD support for some MICs such as China.

55. While the overall picture with respect to the past and current relevance of IFAD is very positive, a number of CPEs point out that **IFAD will need to adapt if it is to retain its relevance and niche in future, especially in UMICs**. A common finding is that clients are becoming more interested in IFAD's global expertise, knowledge and experience. It is the package of knowledge plus lending that is increasingly in demand. The limited resources that IFAD can bring makes it even more important that there is close collaboration with the government in determining the nature of IFAD support, the allocation of its resources, and in explicitly defining the complementary roles and responsibilities of subnational governments, national institutions and IFAD.

56. Three areas warrant particular attention. First, **targeting needs to be both consistent with IFAD's objectives and appropriate**. This is not always straightforward. Many CPEs discuss the tensions between addressing the poor and the objective of increasing productivity. When poverty is predominantly focused in certain geographical areas, and when disadvantaged groups such as ethnic minorities are similarly concentrated, CPEs point to the advantages of geographical targeting.

57. However, geographical areas with a high incidence of poverty often face other limiting factors such as markets that operate, access to financial services, good transportation, availability of water and inputs, or other supporting programmes. As the CPE of the Plurinational State of Bolivia noted, poor communities may also lack the familiarity and capacity to access, and operate successfully within, such markets that do exist.

58. Several CPEs in MICs have therefore argued for a more nuanced approach to targeting, especially in countries where food security is less of an issue. A focus on the "productive poor" may be preferable to a focus on the poor in general. In the Republic of Moldova, this led IFAD to target somewhat better-off farmers who had the skills and entrepreneurship to enter commercial farming. In China, IFAD's target groups under the latest COSOP were the economically active, with capacity to exploit economic opportunities, but living in disadvantaged and remote provinces. In Zambia, the target consisted of smallholder farmers and other rural people who were already organized or who had the potential to join local organizations through which they could be linked to markets and services.

59. A key finding, irrespective of the targeting approach adopted, is the need for clarity and transparency in targeting, and better mechanisms for monitoring and evaluating targeting. Targeting can be more complex, especially in those in MICs where the rural poor might be a small minority and distributed amongst a relatively

[20] Viet Nam provides an example of a country where inequalities among the ethnic minorities is on the increase. The 2013 CPE for Indonesia notes that the Gini coefficient, a measure of consumption inequality, has increased from approximately 32 in 1999 to 35 in 2009. Regional disparities in poverty also persist: eastern Indonesia lags behind other parts of the country, notably Java.

better-off population. During implementation, transparency and clarity in targeting leads to better acceptability among the public. Lack of clarity was a factor in Nigeria, where the CPE found target group definitions too general and descriptive. In Bolivia and Ecuador, the CPE attributes some of the weak performance to a lack of clarity in targeting. In India, on the other hand, the CPE found that 16 of the 18 projects evaluated were rated as moderately or satisfactory partly because of the selective and clear focus on two broad target groups among those living below the poverty line: women and tribal communities.

60. Another common finding, also not restricted to MICs, is the need for greater geographical focus. The CPEs for Bolivia, Indonesia and Zambia concluded that projects and resources were spread too thinly over too large an area. In India, the wide and fragmented programme coverage posed challenges to programme coordination, monitoring, supervision, efficiency and the sustainability of benefits.

61. Second, **enhanced relevance in MICs will require more careful and customized portfolio design.** Four CPEs (Mexico, Zambia, Morocco and Pakistan) stressed the need for a more strategic approach to portfolio design that went beyond the sum of the individual projects. Cohesive programmes with synergies between the component interventions, both lending and non-lending, including grants, were required. While this point is not specific to MICs, it is particularly pertinent given the increasing demand for knowledge products and policy dialogue in addition to loans.

62. Another strategic design issue is for IFAD to work both in agriculture as well as non-agricultural economic activities for rural households, including value chain development, which can be facilitated through the generally stronger private sector in MICs. Enhancing private sector engagement is therefore key. In Indonesia, for example, the CPE found a limited focus on agricultural productivity aspects, which is IFAD’s comparative advantage and specialization. In Nigeria and India, the CPEs found that the Fund has not devoted adequate attention to agricultural activities commensurate with the centrality of agriculture as the main means of income and food security of the rural poor in these countries. However, this is changing in the several recent operations funded by IFAD since the CPEs.

63. The ownership of interventions at different levels is essential, particularly because of the small amount of funds that IFAD brings to many of these countries.[21] Convergence of IFAD assistance with much larger government schemes is critical, as is ensuring ownership at all levels, and can be a vehicle for scaling up successful innovations introduced through IFAD-funded projects. Working at the subnational level is already a feature of many IFAD programmes and is likely to become even more important in future, particularly in the larger MICs. However, building national ownership of projects, when IFAD is concentrated at the subnational levels, raises challenges that must be addressed. The Viet Nam CPE found that while the programme worked primarily at the provincial level, it has been important to engage with the national government on issues important for the effectiveness of the overall country programme. Working with the right national counterpart was an important lesson in the Plurinational State of Bolivia and Nigeria.

64. Finally, **improvements are required in results-based management.** Although CPEs note an improvement in monitoring after the introduction of the results-based COSOPs, monitoring and evaluation (M&E) was consistently noted as weak (12 CPEs) or in needing of strengthening (7 CPEs). CPEs noted the need for explicitly articulated results frameworks (Mexico, Senegal) and for improvement in the design and implementation of M&E frameworks more generally. The M&E of grants was also weak (China, Egypt, Ghana, Indonesia, the Republic of Moldova, Nigeria). These are not new criticisms, nor are they specific to MICs.

65. **IFAD lending for projects in MICs has generally been effective**. The performance of IFAD portfolio has been rated in the satisfactory range (moderately

[21] IFAD support can be very significant in terms of the smallholder sector, as is the case in LAC, but not overall.

satisfactory or better) in almost 90 per cent of the cases.[22] Overall, despite the relatively small scale of its support, CPEs record many successful results.

66. As in the case of the projects (paragraph 48-49 above), the CPEs also underline **there is some evidence of poorer performance in UMICs compared to LMICs**. In three of the six UMICs, effectiveness was rated as moderately unsatisfactory (Argentina, Ecuador, and Mexico), and in two it was moderately satisfactory (Brazil and Jordan). Only in China and India was it rated as satisfactory. The poorer performance is attributable to weak institutional capacity in the areas where IFAD was working; greater difficulties in targeting the poor (Ecuador and Mexico); and weak government ownership (Mexico). None of these were issues in China where convergence with government programmes generated significant government commitment.

67. **Implementation delays and challenges are cited in all CPEs.** Only in three countries (China, Nigeria and Viet Nam) has implementation been broadly satisfactory. The implementation challenges vary by country, but are generally related to weak institutional and human capacity, particularly in rural areas, and a lack of familiarity with IFAD processing guidelines, resulting in delayed procurement and processing.

68. **Despite their UMIC status, counterpart funding is still a problem in some countries.** The Indonesia and Viet Nam CPEs suggested that MIC Governments should provide a higher level of counterpart funding. This is likely to be the normal view. On this issue, CPEs find that there is no common pattern to the provision of counterpart funding across MICs. In fact, IOE finds that some LICs provide a greater proportion of counterpart funding as a percentage of total project portfolio costs, as compared to some MICs. It would not be unreasonable for MICs to provide a greater amount of counterpart funding, as compared to LICs or fragile states.

69. **The impact on poverty was moderate in most cases.** Adequate data to assess the impact of IFAD-supported programmes is often lacking. That aside, a variety of reasons explain the overall moderate performance. In some cases achieving increases in the agricultural productivity of poor farmers has proved challenging, sometimes because this was given insufficient priority (India, Indonesia). In Ecuador and Mexico, short-term project interventions were not an effective way of addressing long-term poverty. In Mexico the impact on rural poverty was marginal because the size of the group receiving direct benefits was very small in relation to the poor population. In the Republic of Moldova, a significant part of the programme support was not directly targeted at the rural poor but went to middle- and large-scale farmers. The rural poor may have benefited indirectly via increased employment and other "trickle down" effects, but the evidence for this was inconclusive. Where targeting only the poor is neither viable nor possible, a good ex ante justification, and good M&E is required.

70. **Most CPEs support the focus on value chains as potentially an effective way of linking the poor to markets in MICs, but stress the need for careful design.** This approach is being introduced in the majority of the 19 country programmes evaluated, but with different degrees of success. The overall finding is that designing the linkages between poor beneficiaries and markets is challenging and requires a considered approach. Careful design is needed in the form of preliminary studies, careful diagnostics, ensuring a connection with other IFAD support, building capacity among stakeholders and beneficiaries, and identifying and addressing risks or unintended impact on IFAD's desired beneficiaries. In Ghana, the challenge is to reach poorer farmers who are not members of producer groups, and to address the wider market failures that constrain value chain development in the north of the country: weak producer associations, inadequate

[22] The Egypt CPE did not include ratings, as was the practice when it was prepared. Ratings were inserted by the evaluator based on the CPE findings.

commodity-chain infrastructure, poor agriculture support services, and insufficient access to financing facilities. Other challenges noted in CPEs include an over-reliance on weak government agencies and limited private-public partnerships.

71. A related finding is that investments in rural infrastructure that help link poor farmers to markets can be very beneficial, but only where other supporting services exist or are developed. This was the case in China where benefits included savings in transport time and costs, and improved access to markets, services, and information. In Nigeria by contrast, the CPE found that inadequate market linkages were a significant constraining factor, followed by deficiencies in roads and transport conditions, storage, access to credits, and market information. In Ghana, flood roads have been repaired and improved in one district, but the lack of production planning and marketing channel support has prevented local producers from taking full advantage of the improved infrastructure.

72. **IFAD has contributed significantly to developing new and successful models for the provision of microfinance to the rural poor, the lack of which was identified as a key constraint in almost all the CPEs.** This was particularly true in India, where IFAD-funded operations have contributed to developing new models and helped link the rural poor and their organizations to commercial banks. However, further development is needed to ensure an even wider impact on poverty and to address the challenges in some situations. In Ghana, matching grants were found to be a promising tool, but require more testing and adaptation before scaling up. In Yemen, group lending was introduced as one approach to reducing the cost and risk of delivering credit to a dispersed population of small rain-fed farmers and artisanal fishers. In Jordan, the credit component has been important for non-farm income-generation, but lacked an appropriate institutional design to be able to reach IFAD's target groups.

73. **The Fund has not yet made the most of its unique position to address the effects of climate change, and environmental risks more generally, on the poor.** While projects have supported activities related to natural resources management and climate change, the approach has been mostly ad hoc and project-based. In China, while the portfolio has made many positive contributions in this domain, results were localized and were unable to influence national extension messages and strategies. In Egypt, IFAD has supported integrated pest management that has reduced the use of agrochemicals, as well as improved irrigation technologies that have reduced water consumption and the risk of salinization. The CPE notes that environmental issues have not been addressed systematically and the interventions in these areas are too recent to have had a visible impact. However, it is fair to underline that the CPEs reviewed would not have been able to capture the recent attention to and progress made by IFAD (for example, through the ASAP introduced in IFAD9) in addressing climate change issues.

74. **IFAD has promoted new approaches in community participation and helped to build the capacity of local governments and civil society.** In Argentina, IFAD has contributed to radical change in the institutions responsible for rural development and family farming. Positive results were also achieved in Nigeria, Moldova, Viet Nam and Senegal. Capacity in many countries is particularly weak at the subnational levels. In the case of Indonesia, insufficient capacity strengthening at the subnational levels led to moderately unsatisfactory results. The CPE notes that the lending operations did not adequately address the capacity deficit of the national and subnational authorities to enable small farmers to gain better access to technology, inputs, value chains for inputs and outputs, and knowledge.

75. **In the majority of countries, IFAD has made a meaningful contribution to gender equality and women's empowerment.** Satisfactory results were achieved in China, India, Mexico and other countries. In particular, CPEs reveal that IFAD-supported activities have helped link women to markets, contributed to their

empowerment and decision-making capacity, and enhanced access to rural financial services. There are however opportunities for further strengthening performance in this area, for example, by more attention to reducing their work load through introduction of better technology for agroprocessing.

76. Only one of the 19 CPEs assessed **sustainability** as strong. There are a variety of reasons for the weak sustainability. Some are more within IFAD's control, such as the partnerships or project design. In the Republic of Moldova and Senegal, weak attention to exit strategies during the design stage was one reason for low sustainability. Another was the need to ensure sustainability at national, regional and local levels, even for projects that are local in scope. This is likely to be particularly important for subnational projects in larger countries. In Zambia, the sustainability of some components of IFAD's intervention is limited, in part because of weak central government commitment to future financial obligations. Mechanisms that have worked in some places include embedding the project in a successful institution,[23] working with NGOs or other relevant agencies (including other donors) with a long-term presence, or building up viable grass-roots institutions. The latter approach has paid dividends in Yemen, although several other CPEs note the challenge of achieving sustainability in community-based organizations.

77. Several CPEs found that the country programme has been **innovative** in its use of participatory processes, its support for decentralization, and the enhancement of agricultural products (Brazil, India, Nigeria, Senegal, Viet Nam). However, for a variety of reasons, only two CPEs (Nigeria and Viet Nam) rate **scaling up** as strong. All other CPEs assess scaling up as moderately satisfactory or in need of strengthening. Overall, scaling up is typically ad hoc, without sufficient consideration for linkages with knowledge management, policy dialogue and partnership building. A more strategic and systematic effort might have ensured a wider replication and scaling up of successful innovations. Scaling up is particularly important in MICs with a large number of rural poor, for promoting sustainability of benefits as well as to ensure IFAD assistance can have a wider impact on rural poverty at the national level. Having said that, IFAD is devoted increasing efforts to scaling up in recent years.

78. Partnerships with government, private sector, and other donors are critical for scaling up, particularly given IFAD's relatively limited resources. With regard to governments, this also requires IFAD to work with a range of national-level counterparts, both technical and non-technical. This is however a challenge in some countries, for example in China, where limited dialogue is visible between IFAD and the national Ministry of Agriculture. A strong partnership could possibly offer opportunities for scaling up successful innovations tested in IFAD-supported projects into national policy and activities funded through domestic resources. Similar issues constrained scaling up in other larger decentralized countries like India and Mexico.

79. A common CPE finding is that **an IFAD country presence (e.g. in India) helps to enhance the development effectiveness**, and the lack of it has an adverse impact (e.g. Indonesia). Almost all CPEs where there has been recent in-country posting of the CPM comment on the benefits of having direct and regular supervision and implementation support capacity within the country. Out-posting also enhances, *inter-alia*, opportunities for identifying partnerships and developing a closer dialogue with Government and other key players. That said, local offices need to be better resourced and staffed if they are to make a significant contribution. The CPEs for Ghana, Nigeria, and Yemen all suggest strengthening the local office in order to allow it to play the necessary role in policy dialogue and knowledge management. The China CPE reported that delivery of the knowledge cooperation was significantly constrained by a shortage of professional staff and

[23] The two most successful examples of this, in the India portfolio, are the two microfinance projects (Maharashtra Rural Credit Project and National Microfinance Support Programme). CPE India, Para 167.

operational budget. Finally, the outposting of CPMs is important in MICs, as they are generally in a better position than national country programme officers to engage in policy and donor coordination processes, partnership building, especially with multilateral and bilateral organizations, and knowledge management.

Non-lending activities

80. **Non-lending activities have been the weakest area of IFAD's support, but show signs of improvement after 2011.** These activities – knowledge management, policy dialogue and partnerships – are particularly important in MICs and even more so in UMICs. The main reasons for the limited achievement are the lack of a strategic approach and the limited resources and incentives for the purpose. It is also important to underline again that, to ensure success and credibility, it is important to anchor non-lending activities in the experiences and lessons generated from IFAD-funded operations in a given country. A strong country presence, preferably with an out-posted CPM, is also a key driver for success.

81. **Policy dialogue** was rated as moderately satisfactory in under half of the CPEs. In the Plurinational State of Bolivia, as in other countries, the reasons for this weak performance include the relatively small size of IFAD operations; the lack of an in-country office (since rectified in most cases); the failure to articulate clearly in COSOPs the areas for policy dialogue; and the weak synergies between different elements of IFAD programmes, such as loans and grants. As an example of the latter, grants were not used to inform policies in a timely way.

82. There are, however, examples where policy dialogue has helped enhance the impact of IFAD support. In the Republic of Moldova, IFAD is the main partner for agricultural microfinance and has provided important inputs into policy. In Argentina, although not a big player, IFAD has made a significant contribution to improving rural development institutions and policies. It supported and promoted policy discussions at the subregional level, facilitated the participation of organizations of the rural poor in policy dialogue and supported the generation and dissemination of knowledge concerning rural development and family farming. These activities helped to generate debate on rural poverty in Argentina and increased the visibility of the sector in a country traditionally oriented towards agroindustry for export. In Zambia, with an outposted country director, IFAD has actively participated in policy dialogue and was able to influence some key rural development issues. And, in Ghana, the out-posted CPM chaired and actively participated in the donor group on agriculture.

Box 2
REAF: Building a forum for policy dialogue in MERCOSUR

MERCOSUR (Common Market of the South) now has five full members (Argentina, Brazil, Paraguay, Uruguay and the Bolivarian Republic of Venezuela) and two associate members (the Plurinational State of Bolivia and Chile). Although five million family farms account for 80 per cent of agricultural production in the MERCOSUR area, public policies have traditionally been tailored to export-orientated, large-scale agribusiness.

Between 2004 and 2011 IFAD supported REAF (Commission on Family Farming) as a platform where public policies and programmes are shaped through a consultation process involving both governments and small-scale farmers' associations. REAF has met in sixteen regional sessions, over 200 sessions of the respective national sections, and over 20 workshops and seminars. REAF is now functioning without IFAD support.

The main result of REAF has been to formalize the existence of the family farming sector and to create new fora for public policy dialogue on family farming within the countries of MERCOSUR. Specific results include new or strengthened institutions – such as the State Secretariat for Rural Development and Family Farming in Argentina and the General Directorate for Rural Development in Uruguay – and changes to regional and national policy agendas.

REAF succeeded in creating a long-term space for policy dialogue involving a wide range of public and private participants. IFAD is acknowledged to have played a significant role in supporting an efficient regional technical secretariat that was trusted and respected by all the players, and as a reliable and neutral partner that could articulate and facilitate dialogue.

Source: Differential Policies for Family Farming in MERCOSUR – contribution of political dialogue in the design of public policies and institutionalization. Susana Marquez and Alvaro Ramos.

83. **Knowledge management.** A greater role of IFAD in knowledge sharing as well as South-South and triangular cooperation is increasingly a priority in many MICs, especially UMICs. However, as mentioned above, IFAD's credibility and ability to effectively promote knowledge sharing (and policy dialogue) depends on its operational experience generated through the lending programme. This is especially true given the Fund's limited capacity and resources for undertaking research and analytic work more broadly. Moreover, it is indeed important for IFAD to have a solid knowledge management function in MICs, as it can contribute to an "escalator effect" for the development of LICs. That is, IFAD's experiences and lessons in small agriculture development in MICs is of particular significance to LICs for the latter's development, given many of the countries today classified as MICs were LICs until recently. The escalator effect would also apply for the transfer of relevant knowledge from UMICs to LMICs, implying the need for IFAD to continue engagement with MICs in general.

84. Country offices can contribute to better knowledge management. This was the case in Viet Nam, with an outposted country programme manager since around 2008, where the local office launched a country portfolio website in 2010 which described (in Vietnamese) the experience, events and lessons learned from various projects, and provided source material on learning issues for project staff. Positive experiences were also noted in India and Zambia, but not in Indonesia – the CPM is based in Rome and there is not yet an IFAD country office.[24]

85. Although IFAD's global experience is largely transferred through the lending programme, there is also need, particularly for UMICs, for knowledge cooperation programmes that are independent of the lending programme. The problem is that there are limited grant resources to develop these, particularly for UMICs. The CPEs for Bolivia, Brazil, China, Indonesia, Nigeria and India all reported that grant resources for such non-lending activities were scarce.

86. The limited availability of grant resources[25] makes it even more important that they are carefully deployed. This has not always happened. The lack of a strategic approach towards grants is noted by a majority of CPEs as having reduced the

[24] Although a junior national officer (consultant) works as IFAD's country presence and efforts are under way to sign a host country agreement, which will also facilitate the outposting of the CPM.
[25] Grants account for around 6 per cent of IFAD's programme of work in 2004-13 (Grants CLE, March 2014).

benefits that accrued. In India, Indonesia and Senegal, CPEs note that while many of the grants have been useful and most were given for worthwhile activities, an overall guiding strategic vision for the design and use of these grants was largely absent. Many CPEs note a disconnect between grants and other parts of the country programme, and suggest that grants need to be better linked to both lending and non-lending activities. A high degree of alignment of national level grants with both national objectives and with IFAD's priorities was only noted in the Ecuador CPE. Most CPEs comment on the need to utilize grants more effectively for testing innovative solutions, which can then be applied more broadly through loan operations. Grants need to better complement operations and be utilized for effective knowledge management.

87. **Partnerships.** Strong partnerships at different levels are critical for IFAD, given the generally weak capacity in its target area (rural and often remote areas) and its relatively limited level of resources. As the Nigeria CPE concluded, this makes effective partnerships and cofinancing essential for replication, scaling up and joint pro-poor policy dialogue.

88. Partnership with government in general is found to be very good, as it is with civil society and the NGO community. But as the Nigeria and Indonesia CPEs found, it is important to identify the right partner, and to avoid too many partnerships that would add to the complexity of implementation. Partnership with the private sector has been less strong, though there are good examples in India, Indonesia, Morocco, Viet Nam and Zambia. In Indonesia, IFAD is collaborating with a private company (Mars) to improve the cocoa grown by the smallholders. Global agricultural and food companies are increasingly influential players in MICs, where many commodity supply chains originate. Large numbers of poor smallholders are involved. For example, there are an estimated 1.5 to 2 million cocoa farms in West Africa, and more than 4.5 million worldwide.

89. There are examples of partnerships with IFIs and United Nations organizations (including the Rome-based agencies), but they are few. In general, there are opportunities for improving partnership with such organisations at the country level. In Viet Nam, the CPE notes that no IFAD-supported project has been cofinanced with the World Bank or the Asian Development (AsDB), even though both have financed several projects in the agriculture sector in the country. Likewise in China, meetings and cooperation with the AsDB and World Bank are rare and ad hoc and there has been limited cooperation with FAO and other United Nation agencies. In Brazil, the CPE in 2008 noted that there was no engagement between IFAD and donors on policy issues or any systematic efforts for exchanging good practices and knowledge on rural poverty matters.[26] The same holds true in India, even today. Such partnerships are desirable in order to build on each agency’s comparative advantage, co-finance operations, reduce transaction costs, avoid duplication of effort, and better coordinate development interventions.

[26] A large grant has been funded since the CPE for knowledge management in north-east Brazil.

Box 3
IFAD's experience in Sao Tome and Principe

During the period 2003-2012, IFAD, the Government of Sao Tome and Principe, local cooperatives of cocoa and coffee producers, and the private sector developed key partnerships for sustainable cocoa and coffee value-chain development. These efforts produced partnerships with four companies: KAOKA (France), which imports organic cocoa; Cafédirect (UK), which imports Fairtrade certified cocoa; Hom&Ter/Agrisud International (France), which imports organic pepper; and Malongo (France), which imports organic coffee. In addition, 5,500 smallholders were involved in the partnerships that resulted in the export of 700 metric tons (MT), 9 MT of dried coffee beans and 4 MT of pepper in 2011.

Before the project activities began in 2003, about 700 farmers were producing and locally trading only 50 MT tons of cocoa beans. Owing to the partnerships that were developed, nearly 2,200 farmers are now growing cocoa certified as organic or Fairtrade for the international chocolate industry, and due to the average increase in annual income, farmers who were living at 25 per cent below the poverty line are now living at 8 per cent above the poverty line. About 8,000 people have directly or indirectly benefited from the creation of new jobs. The experience of Sao Tome and Principe demonstrates the importance of building long-term partnerships with private companies that are willing to work within ethical frameworks and to provide know- how to and share experiences with organized farmers.

Source: IFAD: Small-scale producers in the development of cocoa value-chain partnerships (2103).

C. CLE findings

90. The CLE of IFAD's efficiency contains a number of relevant findings.[27] A major conclusion was that IFAD was spreading itself too thin and that greater selectivity – thematic, country and strategic – was required. It noted that the number of countries with active IFAD programmes had expanded from 90 to 118 between the Seventh and Eighth Replenishments, and that 30 countries – 80 per cent of them were MICs – had three year allocations (2010-2012) of US$5 million or less: "maintaining meaningful lending relationships with these countries has implications for IFAD's institutional efficiency".[28] Strategic partnerships, rather than IFAD stand-alone operations, might be a better option in countries with very small PBAS allocations.

91. The CLE made two other important points. First, while concluding that current country allocations "reflect adequate poverty focus", the CLE suggested that higher cost sharing from MICs would be a reasonable expectation. Second, it noted that IFAD's core in-house technical skills are already insufficient to allow adequate participation on key missions; the high dependence on consultants with negative effects on in-house learning; the significant workload implications on CPMs arising out of new initiatives, not all of which are funded (scaling up, policy dialogue, private sector partnerships); and the cost pressures resulting from the expansion of IFAD's country presence. Taken together, these reinforce the case for greater focus and selectivity. IFAD cannot be expected to do more, and to do better, in all the places it currently works. However, the CLE recognized that greater country selectivity might be inconsistent with IFAD's universal mandate.

92. A CLE on the achievements of IFAD replenishments was finalized in 2014. Key points from this are, first, that ODA in absolute terms has declined, and that a further decrease is expected, but that ODA to agriculture shows an increasing trend. Food security continues to remain a significant concern. Second, the share flowing through the multilateral system is projected to decline. This has led to increased efforts to diversify the sources of multilateral funding to include MICs and the private sector. New sources of funding are emerging and rapidly expanding. Third, competition for funds and donor earmarking (non-core funding) are on the increase. The EUR 300 million Spanish Food Security Cofinancing Facility Trust Fund (Spanish Trust Fund) and the proposed US$500 million loan from KfW are examples of supplementary funds allocated outside the PBAS, mainly or exclusively for MICs. This is happening at the same time as OECD projections already indicate

[27] IFAD's institutional efficiency and efficiency of IFAD-funded operations (July 2013).
[28] It is important to note that the PBAS allocations for 2013-2015 have changed: 13 countries (92 per cent of them are MICs) have allocations of $5 million or less.

major increases in ODA projected for MICs – probably in the form of soft loans – and for significant reductions in ODA for the poorest countries where concessional resources are more important.[29]

D. Portfolio review reports

93. The five Annual Portfolio Performance Reports (APPR) prepared by IFAD Management for 2012-2013 provide some interesting insights on MICs. For the Latin America and the Caribbean Division (LAC), where 96 per cent of the countries are MICs, a major challenge has been how to meet the increasing demand for investment resources in the context of a shrinking PBAS allocation (cut from 18 per cent to 12 per cent from 2000 to 2012) and declining ODA more generally. The Spanish Trust Fund has allowed LAC to respond to this demand in a way that would not have been possible with replenishment resources alone. Such "alternative" financing models are essential if IFAD is to be able to engage effectively with MICs such as those in LAC.

94. A second challenge has been to deliver the sophisticated knowledge, innovation and policy work requested by MICs without the necessary staff resources. The grant portfolio helps to close this gap by financing policy-orientated work from specialized agencies and think tanks in the region. The 2013 grant budget approved for the region was reduced by 45 per cent compared with 2012.

95. The small-island states in the English-speaking Caribbean poses a third challenge for LAC. As identified in the efficiency evaluation, there are high administrative costs involved in designing and delivering many small loans to many small states. LAC is exploring a multi-country programme approach as a possible solution.

96. The Near East, North Africa and Europe Division (NEN) also has a high proportion of MICs (89 per cent). Large regional disparities and rural poverty still exist in these countries, especially in the remote and mountainous areas. According to the APPR, IFAD is recognized as being willing and able to support programmes in these difficult areas, and to be able to provide an added value beyond financing: its specialist knowledge; a focus on the local level; innovative project designs; and the quality of project supervision. The APPR noted some reluctance among MICs to continue borrowing IFAD’s traditional financial products. Some countries have exceeded their foreign debt ceiling or are demanding technical assistance instead of investment projects. The new reimbursable technical assistance (RTA) instrument may be attractive for these reasons, even though some MICs are reluctant to pay for technical assistance in general.

97. Most of the poor in Asia and the Pacific now live in MICs. These comprise 83 per cent of the countries covered by the Asia and Pacific Division (APR). This is leading to a demand for a new range of support and services from IFAD, in addition to traditional low interest loan financing. For example, China and Indonesia have expressed interest in IFAD playing a lead role as a knowledge broker on rural poverty reduction options and models as well as enhance its efforts in South-South and triangular cooperation. Declining ODA to the rural sector also means that the mobilization of cofinancing continues to be a challenge. This is forcing APR to look at mobilizing cofinancing from non-traditional resources, notably the private sector.

98. Government cofinancing is also a challenge in the area of the West and Central Africa Division (WCA), although in this case it is the predominance of LICs that is the issue. With less than half of the countries classified as MIC (mostly LMIC), and the highest concentration of fragile states in IFAD, mobilizing adequate counterpart funds during implementation is a challenge and impacts negatively on performance.

99. The East and Southern Africa Division (ESA) similarly has a minority of MICs (41 per cent). As in 2012, the 2013 APPR found that projects in MICs had lower average PSR scores than those in LICs. Results and impact achieved in MICs has

[29] http://www.oecd.org/newsroom/aidtopoorcountriesslipsfurtherasgovernmentstightenbudgets.htm.

been "limited". For ESA, this underlines the particular challenges, and different needs, of MICs with respect to implementing "classic" IFAD project designs. One reason may the disconnect between the focus on MIC governments on large agroenterprises, and IFAD's focus on smallholder agriculture and poverty reduction. According to the APPR, those MICs with access to alternative funding "feel that the non-financial costs and rigidities associated with project lending outweigh the benefits associated with IFAD involvement." Technical assistance to support government policies that effectively empower marginalized groups and improve their access to productive assets may be a better niche for IFAD in some MICs.

Key points

- MICs are a large and diverse group. The evaluation findings reported in this chapter are not therefore specific to all countries classified as MICs.
- IFAD remains highly relevant in MICs. IFAD programmes have made significant positive contributions.
- There is no evidence from the project data that IFAD-supported projects perform better in MICs than in LICs, possibly because IFAD-supported projects in MICs tend to be located in poorer, remote and more difficult regions, where context is similar to that found in LICs, and in some cases, to fragile states.
- IFAD will need to adapt and improve in order to maintain its relevance and niche in MICs. Programmes need to be more strategic and poverty targeting needs to be clearer.
- Non-lending activities – knowledge management, policy dialogue and partnerships – are particularly important in MICs. These have been the weakest area of IFAD's support, but show signs of improvement since 2011. Many MICs also would like to see IFAD enhance its role in South-South cooperation and triangular cooperation.

V. Wider evaluation findings and lessons

100. This section draws on this wider debate on MICs including, two non-IFAD evaluations that have specifically addressed ODA to MICs (from the World Bank and IDB). It addresses two questions:

(a) What is the case for continuing development assistance to MICs?

(b) How does development assistance to MICs need to change?

101. There is a respectable argument that MIC status should not be used to guide the allocation or implementation of development assistance. "Middle income" is a statistical line. The middle-income threshold has stayed broadly the same in real terms for the past 40 years; is based on market exchange rates rather than relative purchasing power (unlike the US$1.25/day threshold); and as an average per capita figure takes no account of the distribution of income, other dimensions of poverty, or the national/international resources available for tackling poverty.[30] It also takes no account of governance, the policy and institutional context, and the likelihood that external resources will be well used to reduce poverty. And as previously mentioned, MICs are a very heterogeneous group of countries.

102. While all these points are valid, the fact remains that average per capita income has to be one factor that is considered in the lending term and, as such, the allocation of ODA. The LIC/LMIC/UMIC classification is widely used and there are general and meaningful differences between MICs and LICs, and between LMICs and UMICs. Alternative classifications and criteria may well be required, but MIC/LMIC/UMIC are valid groupings that will continue to be used. This does not necessarily mean that the GNI thresholds should, by themselves, be used to

[30] Investments to End Poverty. Development Initiatives, 2013, p.23.

determine the scale and nature of development assistance, nor that MICs should be treated as a single group.

A. The case for continuing development assistance to MICs

103. There are three main arguments for continuing development assistance to MICs. The first, and arguably most persuasive, argument is that the MICs are where most of the poor live, and the poor matter wherever they are. Three quarters of the poorest people (on less than US$1.25 per day) live in MICs, and that situation will remain the same. According to one study, there will still be a 50:50 split between poverty in LICs and MICs in 2020 and 2030.[31] Many of those who have escaped poverty remain relatively poor and vulnerable to shocks. Transitioning to middle-income status does not mean the end of poverty. However, an important qualification to this argument is that most of the poor live in a very small number of MICs. This is therefore more of an argument for continued development assistance to a select sub-sample of MICs than for all MICs.

104. The second argument is the persistence of high inequality within MICs. Even in MICs with relatively small numbers of poor people, inequality is often high. Significant number of poor people live in rural areas, often correlated with socially excluded groups and/or remote areas. While overall economic progress has been strong, progress in sharing prosperity has been mixed. A steady increase in inequality may eventually choke off growth by causing political instability, distorting incentives and reducing social mobility.[32]

105. The third argument is the potential for positive and negative global and regional spillovers from MICs. Knowledge transfer from MICs to LICs – South-South learning – is one example of a positive spillover. LICs may have much to learn from how MICs crossed the poverty threshold, and how the higher level of income is being maintained and enhanced. Development assistance agencies can support and broker this knowledge transfer. MICs also have the potential to negatively affect the prospects of LICs, as in the case of greenhouse gas emissions. Climate change will negatively affect the poorest countries and the poorest people within them. Targeted development assistance to identify and tackle specific negative spillovers from MICs could be justified.[33]

106. There are two main arguments for reducing development assistance to MICs. The first is that development assistance should be focused on LICs and fragile states where it is most needed. Compared to MICs, LICs are more dependent on ODA, and the depth of poverty is generally greater. One study estimates that, while MICs currently contain most of the world's poor, by 2015, 80 per cent of the poor will be in fragile, mainly low-income states in Africa.[34] MICs have relatively more resources, and the responsibility to tackle poverty and inequality within their own countries. In an era of flat or declining ODA, it can therefore be argued that development assistance should be re-directed from (non-fragile) MICs, and particularly UMICs, to LICs and fragile states.

107. This argument is linked to the pursuit of efficiency. Most non-United Nations donors recognize the high costs of having a programme in every country, and of spreading themselves too thinly. If it makes sense to focus development assistance on a subset of countries, relative need should be an important criterion.

108. The second and related argument is that MICs have the resources to tackle poverty and inequality themselves. Many are successfully doing so. MICs have more domestic resources, and more access to other international resources than LICs.

109. The counter-argument is that some MICs cannot, or will not, make sufficient progress towards eradicating poverty and addressing inequality themselves. Some

[31] Sumner, A. (2012).
[32] World Bank Group Strategy (October 2013).
[33] Kanbur, R. The Role of the World bank in MICs (2010).
[34] Kharas, K. and Rogerson, A. (2012).

countries do not have the potential to end poverty through retributive taxation. Those that do have a large enough tax base may not be targeting poor and vulnerable groups, may face real governance problems, or may lack capacity in poor provinces/states. Nor is middle-income status necessarily permanent. Between 1978 and 2003, 25 countries fell back from middle-income to low-income status.[35] And as already mentioned, a number of MICs are either fragile states or have fragile and conflict-affected regions. Middle-income status, fragility, conflict and poverty overlap in many places.

110. Whatever the merits of the arguments for continuing development assistance to MICs, and particularly the LMICs with large numbers of poor people, the reality is that there is pressure to reduce ODA to MICs, and especially to UMICs. To the extent that development assistance continues, concessionality is also likely to decline. Assistance will increasingly be in the form of loans at near-market rates as has been shown by the extent of lending by IBRD, and the lending facilities of the IDB, AsDB and AfDB, all of which use market-sourced funds to provide concessionary financing (at a similar level to IFAD's ordinary terms) to UMICs that have graduated from replenishment-sourced "funds". Access to grants from bilateral donors is likely to decrease.

B. How does development assistance to MICs need to change?

111. On the assumption that there is a good case for some continuing development to some MICs, and particularly to those LMICs with large pockets of poverty, the next question is whether and how assistance needs to change.

112. There is some concern among IFIs that as more countries graduate to middle-income status and gain access to international capital markets, the demand for their loans and services will decline. This was a particular concern in the World Bank prior to the global financial crisis in 2008. The World Bank recognized that the environment in MICs had changed significantly: institutional capacity was strengthening; the role of the private sector was increasing; and alternative sources of development finance and knowledge were expanding. New lending to MICs from the World Bank represented a small and declining share of national investment, and repayments on existing World Bank loans exceeded new disbursements by a large margin in the previous decade.[36]

113. An Independent Evaluation Group (IEG) evaluation of World Bank support in MICs was completed in 2007. This concluded that World Bank support in fostering growth and reducing poverty had been appreciated by MICs, and that the World Bank had made a contribution to the considerable progress in these areas. Less progress had been made in important issues beyond the growth agenda: rising inequality, corruption and environmental challenges. The World Bank had not been as agile as it could have been, nor kept pace with the speed at which MIC client needs and demands had been changing. The evaluation recommended more attention to arrangements for knowledge transfer across countries; quicker adaptation of World Bank services and areas of focus to meet MICs evolving needs; and an expansion in the choice of services it offers. These could include new financial products for subnational challenges and new arrangements for fee-for-service technical expertise.[37]

114. Strategic concern about the role of the World Bank in relation to MICs is now less acute. A major reason for this was the financial crisis, which brought many countries back to the IBRD and IMF out of necessity. Financial year 2010 was the largest IBRD lending year ever. The poverty case for continued involvement in MICs such as India, with its large number of extremely poor, has also been widely accepted. Simple categorizations such as LIC, LMIC and UMIC have been replaced with a more nuanced view that reflects the heterogeneity of MICs and the need for

[35] BOND. Do middle-income countries need aid? (2013).
[36] IEG World Bank Development Results in MICs (2007).
[37] IEG World Bank Development Results in MICs (2007).

tailored solutions. The World Bank continues to have a substantial lending programme in several MICs. In others, World Bank lending is decreasing or has ceased, and/or demand for knowledge and advisory services is increasing.

115. Another reason for the reduced concern has been the expansion in reimbursable advisory services, which have expanded far faster than envisaged. Forty countries have reimbursed the World Bank in part or in full for knowledge and advisory services. The World Bank has a unique breadth and depth of knowledge that is globally recognized, as is its potential role as knowledge broker between MICs and LICs.

116. The World Bank has also introduced more differentiation in the terms and conditions of its loans since 2007 in order to make them more attractive. Single Borrower Limits – such as the one for India – have been relaxed. The aim is to provide more customized development solutions that are flexible and responsive to MIC needs.

117. While the MIC issue has faded somewhat within the World Bank, it has not gone away. This is reflected in the new World Bank Strategy, which introduces a new goal of particular relevance to MICs: promoting shared prosperity. This aims to foster income growth of the bottom 40 per cent in every country, thereby seeking to maintain World Bank relevance in countries with a relatively small number of people living on less than US$1.25 per day.

118. Nor has the financial challenge presented by the long-term decline in IBRD lending necessarily gone away. In 2012, for the first time ever, IDA lending exceeded IBRD lending. A major cost-cutting exercise is in progress. The jury is still out on whether the shift to "global practices" will be equal to the challenge of providing MICs with staff who have the skills and experience required. These countries need rapid access to the highest quality staff. While reimbursable advisory services has been a success, it is concentrated in a few regions and is heavily dependent on third-party grant funding with an uncertain future (e.g. from the European Union).

119. A recent evaluation by IDB of its engagement with higher MICs presents a consistent picture with the earlier World Bank evaluation. These countries account for most of IDB's lending portfolio. The evaluation concluded that IDB remained a valued and trusted development partner in most of the case study countries, and that it remained financially competitive, especially during the financial crisis. However, UMICs wanted greater agility and speed from IDB (e.g. speed of project preparation); a review of the role and content of country strategies; clearer engagement with the private sector; and some expansion in the financial products offered. Better accessibility to IDB's knowledge products, and more direct engagement with subnational entities, was also required. Fee-based services had potential, but would need to be agile and efficient if they were to meet UMIC needs.

120. Discussions with IDB staff confirmed the need for lending products that were relevant, flexible and competitive in terms of price and service. Clients wanted maximum speed and minimum transaction costs. Some reservations about the potential for rapidly expanding fees-for-services were expressed. This is a new policy at the IDB. While the demand for knowledge and technical assistance was recognized, meeting that demand was likely to be challenging. Finally, some caution was expressed about the extent to which there were parallels between the experiences of large IFIs, such as the IDB and World Bank, and small, specialized agencies such as IFAD.

Box 4
The age of choice

"Traditional donors need to recognise that, in the age of choice, countries are likely to have more options when it comes to sources of development assistance. Ensuring assistance supports country ownership and is well aligned will be critical in ensuring that traditional assistance is still in demand. Donors may also need to be clearer on their own "niche" in relation to other kinds of providers. They need to improve the speed of disbursement, which has emerged as a key government priority."

Source: ODI Working Paper 364 (2013).

121. The most important message of this section is that development agencies need to recognize that the aid landscape has fundamentally changed. MICs now have more choice, and traditional donors (multilateral and bilateral) are now in a more competitive market for their funds and services. ODA has become a relatively less important source of investment finance for MICs, particularly for UMICs. There are now alternative sources of finance, and alternative providers of knowledge. Developing countries welcome the greater choice available, not least because it allows them to prioritize between alternative sources in relation to the terms and conditions. Greater choice allows developing countries to prioritize ownership, alignment with national priorities and speed. It also allows them to be more selective about who they want to work with, and what loan and knowledge products they want. Even grants may be rejected if there are conditions and safeguards attached, or if the approval process takes too long. Development agencies need to adapt their products and approach if they are to remain relevant to MICs. This is as true for IFAD as it is for the larger IFIs.

Key points

- The use of MIC as a single category for all practical purposes is not useful for IFAD. There is broad agreement that MICs are different and diverse, and an important group.
- The wider literature contains respectable arguments for and against continued development assistance to MICs. On balance there is a strong poverty case for continued support.
- ODA plays an increasingly minor role compared to other capital sources. ODA (especially grants) to MICs (particularly UMICs) from bilateral donors is likely to shrink.
- There is some concern among IFIs about the change in nature of the demand for loans and services from MICs. Products and services are being adapted in response.
- Development agencies need to recognize that the aid landscape has fundamentally changed. MICs now have more choice, and are able to be more discriminating. The private sector is an increasingly important actor.

VI. Assessment of IFAD's strategy and approach in MICs

122. This section assesses IFAD's strategy and approach in MICs in four areas: relevance, business model, financial products and services, and non-financial products and services. It draws on a review of recent COSOPs; interviews with IFAD country and regional staff; interviews with selected members of IFAD Executive Board; and five country visits (Argentina, Brazil, China, Tunisia and India) undertaken specifically in the context of the preparation of this synthesis report.

123. Reference has already been made to the paper on IFAD's Engagement in MICs approved by the Executive Board in May 2011. IFAD does not have a single policy or approach for MICs. Rather, the 2011 strategy paper recommended that IFAD customize its approach to each country's specific situation, and to make some

enhancements to IFAD's financial and knowledge products in order to make them more attractive to MICs. An approach to graduation was also to be elaborated.

124. Progress has been made since 2011 and IFAD is an organization on the move. For example, new financial sources and products are being explored, including additional resource mobilization. Knowledge management is receiving greater attention, as has the scaling up agenda. More IFAD country offices are being established to enhance development effectiveness on the ground. There are some good examples of South-South cooperation, which can nevertheless be further intensified and systematized.

A. Relevance

125. IFAD's relevance in MICs was covered in the review of CPE findings in section IV above. This found that IFAD remains highly relevant for MICs of all types, with the possible exception of highly urbanized countries such as Jordan where there is limited potential for rural poverty alleviation via agricultural interventions. The findings from the interviews and country visits reinforce these evaluation findings.

126. IFAD's focus on poor and vulnerable farmers in less advantaged, remote and/or challenging areas is highly relevant in MICs and is much appreciated by all the countries visited. Many of these have rural poverty. In large countries, IFAD's overall development contribution might be considered as relatively marginal. However, in its niche area IFAD is seen as a crucial partner, not least because these are areas that larger financing institutions are unwilling or unable to enter. It has demonstrated models and innovations to help poor and marginalized groups in these areas. Its work on women's development, tribal development and microfinance has been very important. In Brazil, its clear targeting helps prevent the political diversion of resources, something that is said to happen with other IFI projects. In Argentina, IFAD provided a window of opportunity for Government to engage and experiment with approaches that were later scaled up with funds from other sources. Its other significant value added was capacity-building at subnational and national levels. More generally, IFAD is seen as a leader in incorporating a participatory approach in its projects and has had considerable success in working with community-based organizations.

127. The overall approach proposed in the 2011 MICs strategy of tailoring IFAD's interventions to the specific needs of each MIC – rather than have the same package for all countries in the income group (LMIC or UMIC) – is the right one. This is borne out by the CPEs and COSOPs reviewed. IFAD programmes show considerable country-specific variation, even though more can be achieved in terms of customisation of approaches and activities funded.

128. While MIC views of IFAD's relevance are generally very positive, it can be questioned whether IFAD is evolving enough to the different agricultural and rural development issues in transforming and urbanized countries (see para. 18 above). For example, issues of food quality and safety require more sophisticated agricultural development projects; rapid urbanization is a driver of rural change and agricultural development; and the private sector has an increased role in supply chains and in rural-urban markets more generally, but is a relatively new partner for IFAD compared with government.

129. It can also be questioned whether global allocation of IFAD resources is necessarily appropriate. A mandate of addressing rural poverty wherever it exists would suggest a wide dispersion of effort regardless of country income category. However, a goal of maximizing the total impact on poverty (as implied by the IFAD9 targets) would suggest that resources should be allocated in line with the distribution of rural poverty, and in a way that maximizes the likely impact of those resources. The PBAS does not do this.[38] First, the PBAS over-allocates resources to MICs and

[38] It is to be noted that, as agreed with IFAD Governing Bodies, the PBAS is a "performance" based allocation system, not a "poverty" based allocation system.

MIC regions with relatively small numbers of extremely poor people (tables 13 and 14 below). Although some MICs have large numbers of poor people (as defined by the international US$1.25 and US$2 per day benchmarks), many such as Jordan and the Republic of Moldova do not (see annex - appendix V). Twenty-five per cent of the 2013 PBAS allocation goes to two largely MIC regions – LAC and NEN – containing 1.7 per cent to 2.3 per cent of the rural people living in extreme poverty (US$1.25/day) or poverty (US$2/day) respectively.

Table 13
Number of poor people by regions[39]

	Number of rural people in extreme poverty <US$1.25/day (millions)	*%*	*Number of rural people in poverty <US$2/day (millions)*	*%*
Sub-Saharan Africa	306	30.3	433	24.0
Asia and the Pacific	687	68.0	1 325	73.6
Latin America and the Caribbean	11	1.1	24	1.3
Near East, North Africa and Europe	6	0.6	19	1.0
World	1 010	100	1 801	100

Source: Rural Poverty Report (IFAD, 2011).

Table 14
IFAD PBAS allocation by region

Region	*LICs*	*LMICs*	*UMICs*	*All MICs*	*Total*	*% MICs*	*No. of countries with PBAS allocation*	*PBAS 2013-2015 allocation (US$ million)*	*PBAS 2013-2015 allocation (%)*
LAC	1	7	18	25	26	96.15%	19	300.7	11.44%
NEN	3	11	14	25	28	89.29%	19	344.5	13.11%
APR	5	15	9	24	29	82.76%	20	842.8	32.07%
ESA	13	3	6	9	22	40.91%	18	597.9	22.75%
WCA	12	9	1	10	22	45.45%	22	542.0	20.63%

Source: IFAD (2013).

130. Second, by spreading IFAD's loans, grants and staff over 97 countries, many countries (especially MICs) end up with very limited resources. The financial resources on offer may be too little to make a significant difference – or even to be of interest – and the country presence will either be non-existent or very limited. As the efficiency evaluation pointed out, greater country selectivity would ensure that IFAD was able to deploy a minimum "critical mass" of resources wherever it worked. This is not the case at present. The difficulty with this is that IFAD is a global organization with a mandate to lend to all Member States.

131. This is related to the issue of graduation. Countries self-graduate by opting not to borrow or not to renew their membership. Subject to the PBAS and grant allocation rules, replenishment resources are available to all List B and C members regardless of their income level. This is different to World Bank IDA, where replenishment

[39] Note that the regions used in table 13 and 14 are different. Table 13 uses geographical regions. Table 14 uses IFAD regions. The difference is not judged to invalidate the comparison.

resources are only available to a sub-set of IDA qualifying countries (currently those with GNI per capita up to US$1,205).

B. Business model

132. The CPEs reviewed found positive impacts from an IFAD country presence, as did the country visits for this synthesis. IFAD's focal point in Tunis facilitates good communication between the Government and IFAD headquarters. In Brazil, the country office provides valuable support, facilitating links between projects and Government. The country office was also appreciated in India but, as concluded in the CPE, needs to be reinforced if it is to be properly effective.[40] Project design should make greater use of local knowledge, institutions and research, and entail greater interaction with state and local governments. However, as mentioned earlier, there are merits in promoting greater outposting of CPMs where IFAD country offices have been established, such as in the case of Nigeria, Viet Nam and Zambia.

133. A comparison of 11 COSOPs prepared before and after the 2011 Board paper on MICs found few evident changes, except in China and more widely in respect of non-lending activities and climate change. There is broad support for COSOPs as a useful framework for discussing and providing a framework for IFAD interventions. In India it was felt that it would be helpful if the COSOP could be aligned with the five-year planning exercise, but otherwise there were few criticisms.

134. The role of supervision and implementation support missions, and the quality of projects in general, is appreciated by countries visited. The process intensity that leads to this quality needs to be maintained. As frequently observed in CPEs, IFAD's strengths are its flexible procedures (which lowers transaction costs) and its clear targeting (which ring-fences resources). The continuity and flexibility of IFAD staff was praised in Brazil and Argentina. In Tunisia, while the use of country systems for local procurement was appreciated, IFAD's use of project implementation units was viewed less favourably.[41] IFAD needs to work for greater convergence with government programmes in India.

C. Financial products and services

135. Country visits and interviews raise two related but distinct issues: the scale of funding available to MICs, and the terms and conditions of that funding. As particularly observed in the LAC Portfolio Review, the demand for IFAD loan and grant resources from MICs greatly exceeds the available supply from replenishment resources. The additional resources provided by the Spanish Trust Fund has been invaluable in this regard. The proposed loan from KfW is viewed similarly.

136. All the MICs visited wanted a higher level of funding than is allowed by the current Replenishment-driven financing levels. The quality of IFAD loans is appreciated, and can be very effective if used strategically, but quantity still matters. In Tunisia, IFAD lending is seen as small compared to the urgent needs. In order to supplement its resources, IFAD will need to actively explore cofinancing with the private sector and other non-traditional funding partners, and/or secure further loans from public sources for on-lending to MICs. Indeed, efforts to mobilize alternative resources are ongoing and receiving attention by Management.

137. Unsurprisingly, there is a continued high demand for grant funding, but an appreciation that this needs to be better integrated in the country programme. A number of CPEs have made the same comment. Unfortunately, grant funds are likely to be increasingly limited.

138. The financial terms of IFAD loans are not seen as an issue – apart from in Tunisia where a longer grace period was mentioned – and are broadly competitive with

[40] A host country agreement between IFAD and the Government of India, which will facilitate the outposting of the India CPM, has recently been signed.
[41] This is an ongoing debate. Project management will be the learning theme in the 2014 Annual Report of Results and Impact of IFAD Operations.

other IFIs (see appendix VI). IFAD loans complement other national and international resources. A number of changes have also been made following the 2011 Executive Board paper on engagement with MICs. For example, the General Conditions have been amended to facilitate lending in currencies other than SDR.[42] There was some mention of the need for "other financial instruments" – such as direct lending to the private sector or subnational public entities – but no specific demand or proposals were identified during discussions. This does not appear to be a priority issue, not least because of the constrained supply of funds for existing instruments.

139. The non-financial terms and conditions of IFAD loans may be an area where improvements could be made. As mentioned earlier, MICs are increasingly sensitive to the conditions and speed of loans. Tunisia commented that IFAD needed to continue to shorten the time from project request to implementation, and to speed up the release of funds. In India, the project approval process is regarded as too long-winded. Funding delays are said to be compounded by IFAD's complex accounting and, contrary to the view in some other countries, procurement procedures are viewed as too rigid and time-consuming.

D. Non-financial products and services

140. MICs, and particularly UMICs, represent a different context for IFAD. There is increasing demand for IFAD knowledge products and services (including South-South and triangular cooperation) as well as, and increasingly instead of, finance.[43] This has been observed by other IFIs as well.

141. IFAD's knowledge of agriculture is widely respected. It is a recognized, if not highly visible, leader in demonstrating new models and approaches to help poor and marginalized people in difficult geographical locations. It also has the global reach to mobilize the required expertise.

142. While there is a demand for IFAD knowledge, and a supply of IFAD knowledge (albeit often fragmented and tacit), the challenge for IFAD is how to join these in an effective and affordable way. Knowledge management has not been one of IFAD's strengths in the past, although as mentioned, performance is improving.

143. MICs present an especially acute challenge for IFAD for two reasons. First, MICs are increasingly knowledgeable in their own right. Any knowledge or technical assistance provided by IFAD has to be clearly superior to that available nationally, as well as timely. This is recognized as a challenge by the World Bank, whose depth and breadth of knowledge resources is unparalleled. Second, most IFAD knowledge has tended to be provided via the lending programme or via grants. As more and more MICs request IFAD services in addition to lending programmes, and as grant resources become even more scarce for MICs, IFAD will need to find new ways of delivering knowledge, and being paid for it. RTA provides one potential model. The first RTA projects are due to start in Algeria and Mauritius, and there are plans to expand these. Similar services have been a qualified success in the World Bank, but the jury is still out on whether these present a sustainable long-term model. Such services require spare capacity in highly qualified and experienced staff, and a source of third-party grant funding where countries or regions are interested in RTA but lack the resources to pay for it. This may be the case in LMICs or in poorer regions within MICs.

144. South-South learning has recognized potential. Knowledge gained in MICs (and in divisions with a high percentage of MICs such as NEN and LAC) could be of great value to other developing countries including LICs, and MICs could benefit much more than they have done from IFAD's global knowledge and experience (e.g. on rural microfinance). There is largely unrealized potential in making such global and regional knowledge available, although good examples exist (e.g. with EMBRAPA in

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[42] Single currency loans are under consideration for at least one country.
[43] This is not the case in LAC where there is still a strong demand for finance.

Brazil). But as with knowledge services more generally, the challenge will be to find the necessary staff and resources, and to realize the potential in a way that has not happened previously. Increased cooperation across the Rome-based agencies needs to be explored more actively.

Box 5
IFAD as a knowledge organization

"The assessment team sees the Fund emerging as a "knowledge organisation"… The Fund must see itself as more than an innovator. It bears the responsibility, and has the potential, to be the world's leading repository of information on rural development, and the world's most influential adviser in this challenging, complex activity. This will require a major change in the corporate culture of the Fund, [and] a significant increase in human and financial resources."

Source: Report of the Rapid External Assessment of IFAD (1994).

145. Policy dialogue at the country level is another area where IFAD's track record is mixed, and where MICs represent an even more demanding context. Historically, IFAD has influenced official policy less by dialogue than by demonstration. As a relatively small lender, IFAD's direct influence on national policy is understandably limited, especially in large countries. However, the demonstration effect of its projects has impacted on specific policy areas, and IFAD has been able to "nudge" central or state level governments to allocate counterpart funds to marginalized groups and areas. There is also potential for IFAD to work on strengthening the access of, and links between, poor rural households/communities to existing national policies and programmes aimed at the poor.

146. Once again, this is going to become more demanding in MICs. If lending programmes shrink, so the opportunity for IFAD project-based policy influence will decline. Policy influence without projects is much harder and might have less credibility. Some MICs are also increasingly confident and some are more resistant to any external influence on national policy. And as with knowledge, MICs are increasingly capable, which means that any policy work that IFAD supports will have to be of high quality.

147. MICs are a diverse group but appear to split into three subgroups: (a) those that still want IFAD loans for projects (often state-level), sometimes more than PBAS can provide; (b) those that increasingly want IFAD expertise and knowledge; (c) those that no longer want anything from IFAD. This is the minority at present. There are several MICs that want a combination of (a) and (b). Unless current trends are reversed and additional resources mobilized, subgroups (b) and (c) are likely to increase.

148. None of the above contradicts the positive findings regarding IFAD's general relevance in MICs, its strong reputation in its niche, and the high regard in which its products and staff are generally held. It does, however, present a challenge. MICs are a changing and more demanding market. IFAD needs to respond and adapt accordingly.

Key points

- Country visits and interviews confirm that IFAD remains a relevant and valued partner in MICs. Its focus on poor and vulnerable farmers in less advantaged, remote and/or challenging areas is still highly relevant in MICs. Its flexibility and targeting are appreciated.
- The global context, and IFAD's MIC clients, are changing fundamentally. IFAD is adapting, though further change is needed.
- The non-financial terms and conditions of loans could be improved. MICs are increasingly sensitive to the conditions and speed of loans and grants.
- Improving IFAD non-lending performance is a priority. High knowledge and policy work in MICs are essential.
- As the CLE on IFAD's efficiency concluded, spreading IFAD's resources over so many countries is not efficient. Greater selectivity and differentiation is needed in order to achieve the critical mass and quality required.

VII. Storyline, conclusions and strategic implications

A. Storyline

149. IFAD plays and will continue to play a relevant role in the foreseeable future in supporting MICs to reduce rural poverty, given its global mandate and the significant number of rural poor people and inequality in such countries. At the same time, there is increasing demand and interest from MICs for continued partnership and support from IFAD, also given the Fund's specialization, comparative advantage and track record in smallholder agriculture and rural development.

150. Taking into account the heterogeneity of MICs and that several MICs are also fragile states, there are opportunities for IFAD to further sharpen some of its existing products and instruments to ensure that it can continue to effectively and efficiently satisfy the diverse requirements of MICs. While loan-funded innovative projects which can be scaled up by other partners are IFAD's core business and still a major priority in many MICs, some other MICs have a greater demand for IFAD's assistance in non-lending activities – knowledge management, policy dialogue and partnership building – and South-South and triangular cooperation.

151. There have been improvements in IFAD's non-lending activities since 2011, though more efforts and resource allocations will be required in the future in these areas. Moreover, the Fund is increasingly recognising that partnership with the private sector is key, as the private sector fulfils a central role in smallholder agriculture, especially in MICs. Cooperation with the Rome-based agencies and bi-lateral and multilateral development organizations is also important in MICs, *inter-alia,* as they have financial resources and complementary expertise that can be leveraged.

152. At the same time, there are concerns among some traditional donors about channelling resources mobilized by IFAD through replenishment processes to MICs, especially UMICs. This concern is based on the fact that IFAD has relatively limited resources, which should largely be used to support LICs and fragile states, given that MICs are relatively better off and may address their rural poverty concerns using domestic resources or by accessing alternative sources of funds.

153. That said, it is important to underline at least two issues that merit reflection in any debate on the topic in the future. Firstly, there are risks that some MICs, especially LMICs that are affected by conflict or fragility or are dependent on one major resource, could become worse off and cross the border into the LICs category if their development challenges are not adequately addressed over a sustained period of time. Secondly, while replenishment processes make a significant contribution to IFAD's resource base, reflows of loans to and increasing

replenishment contributions by MICs also have a prominent role in ensuring the organization's financial sustainability.

154. Notwithstanding the aforementioned, the reality is that global demand for IFAD's assistance from all country categories is high, also given that smallholder agriculture development is central to the efforts of many recipient countries to promote inclusive growth and better livelihoods. This only further reinforces the need for IFAD to build on its ongoing efforts in additional resource mobilization from alternative sources.

B. Conclusions

155. **MICs are a highly diverse group** (see paras 15-16 and 19-24)[44]. Over 100 countries with GNI per capita of US$1,036 to US$12,615 are classified as MICs. They range in size from China, Brazil and India to Antigua and Lesotho. The group includes a number of countries with democratic governments, but also some with less stable politicial and institutional environments as well as some countries with fragile and conflict affected areas. It also includes a number of resource-rich countries that are classified as MICs, since their GNI per capita is marginally above the US$1,036 mark. In the latter type of MICs, the extent of rural poverty, and the institutional and policy context, are not very different from many LICs.

156. A key fact is that most of the poor people now live in MICs. For instance, 74 per cent (around 900 million) people live on less than US$1.25 per day in MICs. This figure increases to around 80 per cent (around 1.8 billion) when considering people who live on less than US$2 per day. Around 65 per cent of the world's poor live in just five MICs: China, India, Indonesia, Pakistan and Nigeria[45].

157. **GNI per capita should not be used as the single criteria for determining IFAD's engagement** (paras 13-14, 18, 101 and 147). The diversity within MICs as a group makes generalization difficult and poses challenges to IFAD's overall approach and strategy. It is therefore not appropriate to consider all MICs as a single group, and it is worth reflecting if GNI per capita alone should be used as the main basis for determining the nature of development activities to be funded in MICs. There are other important constraints that MICs face, such as weak infrastructure in rural areas, wide rural-urban disparity, and limited institutional capacity at the local level, which are also critical for improving livelihoods and should therefore be carefully considered in decisions about IFAD's future engagement.

158. **IFAD's 2011 strategy for engagement with MICs** (paras 55, 119-120, 127 and 148). This strategy underlined the importance for IFAD to tailor its country strategies to specific contexts. This was and remains the right approach to follow, given the diversity within MICs. There is no case for a single strategy to guide work in MICs. However, evaluations reveal there are opportunities for IFAD to better differentiate among MICs and to further customise its development approach and assistance. As such, COSOPs can provide the starting point for defining IFAD's engagement in MICs, taking into account the specific circumstances and needs of individual countries.

159. That said, it is useful to underline that MICs are, in general terms, qualitatively different from LICs and become increasingly more so as GNI increases. On average, they are less dependent on ODA and more urbanized. The institutional and policy context is normally stronger (though as mentioned above, not necessarily at the local level where IFAD works), and resources are progressively less likely to be the main limitation to ending poverty. But as already said, in some respects MICs, and especially LMICs below the IDA threshold (US$1,205), are not so different from LICs. Many MICs have significant pockets of rural poverty, weak

[44] References to paragraphs in this section guides the reader to specific sections in the main findings in order to illustrate the evidence trail of the evalution synthesis report.
[45] These countries include 63 per cent of the world's poor on less than US$1.25/day or 66 per cent on less than US$2/day.

capacity at subnational level, and high income inequality. In some countries, such as resource-dependent MICs in Africa, the poverty challenge in rural areas can be exacerbated by the concentration of wealth in the oil/mineral sector.

160. **MICs are an important part of IFAD's work** (para 36 and 43)**..** This is because currently a large number of its recipient member states are classified as MICs, where a significant number of poor people live. Naturally, therefore, most of its projects are in countries classified as MICs and large amount of its funds are disbursed to MICs. In 2004, 62 per cent of IFAD funds were disbursed to LICs. In 2012, 70 per cent were disbursed to MICs.

161. **IFAD's mandate is highly relevant in MICs** (paras 52-54). The findings of IFAD-funded project evaluations and CPEs show that IFAD's mandate remains highly relevant in MICs. While small compared to other sources of finance overall, IFAD can be a very significant source of finance for rural smallholder agriculture development in MICs. Projects have generally been effective and IFAD has contributed significantly to developing new and successful models for rural poverty reduction, for example, in microfinance, community participation, building local capacity, and gender equality and women's empowerment. The more recent focus on value chains is appropriate as an effective way of linking the poor to markets, provided it is carefully designed. IFAD also has much to contribute to MICs in terms of its global experience and knowledge with rural project design, supervision processes, and evaluation methods and processes.

162. **There is a good poverty case for IFAD's continued engagement in MICs** (paras 103-105 and 125-126). In LMICs, there is a significant demand and need for assistance in IFAD's core niche. This includes grants and loan-funded projects to support disadvantaged people in remote rural areas, for instance, for linking them to markets, enhancing productivity and promoting food security using climate smart agriculture, and developing basic infrastructure. IFAD-funded project activities are essential, also because they help generate the required experience and lessons to further the Fund's policy dialogue with Governments and other national partners as well as knowledge management activities, which are areas of increasing demand in many MICs.

163. The need to support UMICs is also important especially to combat inequality, as well as to ensure their continued engagement in supporting IFAD's mandate and resource base. Continued cooperation in UMICs is also important because of the potential for positive and negative spill overs from MICs to LICs (something which has led organizations such as the Bill & Melinda Gates Foundation to become involved in MICs, despite its focus on the poorest countries). The potential for enhanced South-South learning is one example of a positive spill over.

164. **Project and non-lending performance in MICs** (paras 48-49 and 80-89). Overall, the performance of past IFAD operations, based on independent evaluation data, has not been better in MICs than in LICs, and is no better in UMICs than in LMICs. It is however important to make two qualifications: (i) the projects evaluated by IOE in MICs were designed around a decade ago and would not have benefitted fully from important reforms introduced in recent years (e.g., wider country presence, direct supervision, enhanced leadership of CPMs in project design processes, etc); and (ii) the sample is relatively small and therefore more data and close monitoring to validate and understand the differences in performance between UMICs and LMICs is needed.

165. Non-lending activities – policy dialogue, knowledge management and partnerships – have been the weakest area of IFAD's support, but show signs of improvement after 2011. These activities are particularly important in MICs as they are critical for scaling up impact by partners (e.g., government, private sector, other donors, etc.). More resources, systematic attention and incentives will however be needed to strengthen results in non-lending acitvities in the future. Also, while there are

examples of activities to promote south-south cooperation, this is an area where additional attention would be welcome by MICs.

166. **Targeting the poor** (paras 56-60). Despite an appropriate approach to targeting the poor, the impact on poverty was moderate or insufficiently evidenced in most cases. Pathways to poverty reduction need to be even clearer in MICs, particularly when the poor living on less than US$2 per day are indirect rather than direct beneficiaries, which may be a necessary strategy. Indirect effects are important in MICs, particularly in those with large number of rural poor and sizeable government budgets that can scale-up successful innovations piloted by IFAD-supported projects.

167. **Country visits confirm the value of and demand for IFAD's assistance** (see section IV). The five dedicated country visits undertaken indicate that IFAD remains relevant and valued in MICs, including in UMICs. It has an excellent reputation in its niche, and a strong brand. However, the economic and institutional changes broadly associated with rising GNI per capita could risk making IFAD progressively less relevant particularly in UMICs**.** In this regard, it is however useful to note that IFAD is on the move to ensure its continued relevance in MICs, and has started to explore new instruments (e.g. RTA) and opportunities for additional funding beyond replenishment contributions. But, further change is required. Country programmes could be made more strategic. For example, while lending is and will remain IFAD's core business, a closer link between grants, loans and non-lending activities is required, so that all the support and activities can collectively lead to rural poverty reduction at a larger scale.

168. **IFAD needs new and additional funding sources and partners for its work in MICs** (paras 68, 92, 110 and 135-136). The amount of resources available to IFAD are relatively limited to satisfy demand from MICs and other countries. In this regard, IFAD has in the past few years made good efforts to mobilise additional funding (e.g., Spanish loan) and other similar efforts are underway (e.g., KfW Bank financing). Tapping resources from the private sector – as, for example, from the Tata Trust which has co-financed IFAD-funded projects in India – is also an area of importance. Given global trends in aid flows and the magnitude of rural poverty, it is important that IFAD continue its efforts to mobilise additional funding – whether in the form of co-financing operations, borrowing at the institutional level from governments or other sources. This will require further strengthening and expanding IFAD's capacities and skills in this area.

169. **Efficiency is also a consideration** (paras 90-91 and 130). Operating in close to 100 countries has efficiency implications for IFAD, although it is to be recognised that being a specialised agency of the United Nations, IFAD has a universal mandate to help poor people in all countries. However, as the CLE on efficiency concluded, greater thematic and country selectivity would help to improve institutional efficiency. The number of poor people living in rural areas should be one further key criteria (see paragraph 159) in determining IFAD's country selectivity.

170. **Enhancing partnership with the private sector** (para 70 and 78). The MICs represent a progressively demanding and discriminating market for development assistance, also because many of them can access a large volume of loan funds from public and private sources, and a large volume of private sector investment in smallholder-related agriculture. IFAD needs to expand its engagement with private companies in the agriculture and food sector, who play an increasing role in MICs, for example, in agro-processing, input supply, and provision of financial services. IFAD's experience with smallholders and value chains equips it well for partnerships aimed at ensuring socially and environmentally responsible commodity supply chains. Many of these originate in MICs.

C. Strategic implications

171. Going forward, there are two views of how IFAD could further adapt to the new reality of MICs:

- That its current business model can more or less be continued with some enhancements. In this scenario, IFAD will continue to remain highly relevant in MICs, and there is good potential for it to work effectively with subnational entities. Projects can help pilot solutions for the significant amount of rural poor people that live in MICs. Reflows from MICs are important to the IFAD financial model. Replenishment resources supplemented by loans from public sources may be sufficient for some work to continue in most MICs, albeit at a smaller scale, to address relative poverty and inequality.
- That the current business model is further developed, taking into account that replenishment funds for work in non-IDA MICs will not be provided to the same extent, particularly if not clearly targeted at the rural poor who live on less than US$2 per day. In this scenario, IFAD will need to access or broker larger amounts of additional funding from public and private sources possibly work in fewer MICs.

172. Given the diversity within MICs as a group, both views are arguably valid. In LMICs, and particularly those countries whose GNI per capita is just above the line to classify them as MICs, much less needs to change. In fact, in such countries, the immediate context for IFAD's work is not so different from than in LICs. In better-off MICs, and particularly UMICs, more emphasis will be needed on non-lending activities, technical assistance, and south-south and triangular cooperation, linked to an adequate lending programme.

173. As is the convention with IOE evaluation synthesis reports, this report does not make recommendations. However, five priority areas are suggested as a contribution to the on-going discussion:

- New and substantial funding sources (public and private) are needed to support IFAD's work in MICs. Good efforts are on-going in that direction, but further work will be required in the future.
- Gear up to provide the knowledge, policy and investment partnership/brokering services that MICs require for scaled-up impact; and develop the financial model to support these. RTA is one model. It is also important that COSOPs more clearly ensure that non-lending activities, technical assistance, and south-south and triangular cooperation are anchored in the experiences of operations funded by IFAD.
- Development of a more differentiated model of engagement with MICs in COSOP and project design, which is carefully customised to country context and demand.
- Expand IFAD's engagement with the private sector, including large private companies in the agriculture and food sector especially at the country level.
- Adaptation of IFAD's evaluation methods to ensure that it takes into account crucial issues for its work in MICs identified in this report, such as a systematic approach to assessing scaling up activities.

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16. Paolo Silveri, Country Programme Manager, LAC
17. Tomas Ricardo Rosada, Country Programme Manager, LAC
18. Claus Reiner, Country Programme Manager, LAC
19. Geoffrey Livingston, Regional Economist, ESA
20. Ambrosio Barros, Programme Officer, ESA
21. Dina Saleh, Portfolio Advisor, NEN
22. Natalia Toschi, Team Leader, Financial Planning and Analysis
23. Chung Jin Kim, Partnership Officer, PRM
24. Louise McDonald, Evaluation Officer, IOE and Former Country Programme Manager, ESA
25. Mattia Prayer Galletti, Senior Technical Adviser, Policy and Technical Advisory Division

IFAD Governing Bodies:

26. Angola, Carlos Alberto Amaral, Executive Board Director
27. Brazil, Henrique Pissaia de Souza, Executive Board Representative
28. China, Zhengwei Zhang, Executive Board Director
29. Germany, Michael Bauer, former Executive Board Director
30. Hideya Yamada, former Executive Board Director
31. Indonesia, Agus Saptono, Executive Board Representative
32. Netherlands, Wierish Ramsoekh, Executive Board Director
33. United States of America, Clemence Landers, Executive Board Representative

Country visit Argentina

34. Aicardi, Margarita, Ministry of Economy and Finance
35. Aparicio, Susana (former consultant with IFAD's IPDERNOA grant in Tucumán and independent researcher)
36. Campos Bilbao, Carla , Secretary for Rural Development and Family Agriculture
37. Catalano, José A., INTA Director
38. Ferreyra, Silvina, FAO knowledge management
39. Gaggero, Elba, World Bank specialist on environment and rural issues
40. Jacobs, Eduardo, Chief of Cabinet of the Ministry of Agriculture
41. León, Carlos, former director of Fontar, currently adviser to UCAR rural competiveness clusters
42. Márquez, Susana, UCAR's Director of strategic planning and management
43. Martínez Nogueira, Roberto, expert in public administration and public policies
44. Neiman, Guillermo, Director of CEIL
45. Nussbaumer, Beatriz, former World Bank specialist for rural development, currently university professor and independent researcher
46. Patrucchi, Maria, Dirección Nacional de Proyectos con Organismos Internacionales de Crédito, Ministerio de Economía y Finanzas Públicas
47. Persico, Emilio, Undersecretary for Family Agriculture
48. Raposo, Daniela, UCAR staff dealing with IFAD and other IFI-supported projects
49. Soverna, Susana, researcher/staff of the Ministry of Agriculture
50. de Villalobos, Ruy, Rural development expert and IFAD Project Controller (PCM) for Argentina in the early 1980s, former Undersecretary of Agriculture and former IFAD consultant

Country visit Brazil:

51. Avila Flavio, EMBRAPA Impact evaluation expert
52. Belluco Benvindo, SEAIN Secretario Adjunto
53. Brasileiro Angela, IFAD grant SEMEAR, manager, Bahia
54. Buainain Antonio, WORLD BANK and IFAD consultant, rural development expert
55. Butto Andrea, Secretary of state for territorial development, MDA
56. Damiani Octavio, IFAD Direct Supervision consultant
57. De Souza Henrique Pissaia, SEAIN General coordinator of policies with international organizations
58. Lisboa de Oliva Helbeth, Produzir Project, WORLD BANK, Bahia
59. Maynart César, Coordinator of Gente de Valor (IFAD supported) Project, Bahia
60. Mendonça Vivaldo, Presidente da CAR, Bahia
61. Miranda Carlos, IICA Rural development expert
62. Oliveira Humberto, former secretary of state for territorial development
63. Otero Manuel, IICA Representative in Brazil
64. Reifschneider Francisco, EMBRAPA Coordinator of IFAD grant
65. Sena Joao, Produzir Project, WORLD BANK, Bahia

66. Schwengber Rovane Battaglin, Research associate, Centro Internacional de Politicas para o Crescimento Inclusivo (IPC-IG)
67. Sidersky, Pablo, IFAD consultant
68. Veras Fabio, Research coordinator International Policy Centre for Inclusive Growth (IPC-IG)
69. Vieira Hardi M. Wulf, IFAD CPO Brazil, Bahia
70. Wolf Gregor V., World Bank Sector Leader Sustainable Development

Country visit China:

71. Mr Li Xinhai, Deputy Director General, International Department, Ministry of Finance (MOF)
72. Ms Li Guohui, Deputy Director General, Department of Foreign Capital and Overseas Investment, National Development and Reform Commission (NDRC)
73. Mr He Yupeng, Deputy Director General, Department of Rural Economic Studies, Development Research Centre of the State Council (DRC)
74. Mr Chen Changfei, Deputy Director General, Foreign Capital Project Management Centre (FCPMC), State Council Leading Group Office of Poverty Alleviation and Development
75. Mr Guo Wensong, Director, International Financial Institution Division III, International Department, MOF
76. Ms Wang Wei, Director, Finance and Statistics Division, International Department, MOF
77. Ms Guan Xiuzhen, Director, Finance and Statistics Division, International Department, MOF
78. Mr Geng Dali, Director, Foreign-Funded Project Division I, Foreign Economic Cooperation Centre, Ministry of Agriculture (MOA)
79. Mr Zhu Zidong, Director, Foreign Economic Cooperation Division V, Foreign Economic Cooperation Centre & South-South Cooperation Programme Office, MOA
80. Mr Li Rui, Deputy Director, IFI Division III, International Department, MOF
81. Ms Wang Jing, Deputy Director, Monitoring and Evaluation Division, FCPMC
82. Ms Mu Tingting, Finance and Statistics Division, International Department, MOF
83. Ms Zhang Xi, IFI Division III, International Department, MOF
84. Mr Liao Sheng, Loan Division I, Department of Foreign Capital and Overseas Investment, NDRC
85. Mr Wu Zhenjun, Department of Rural Economic Studies, DRC
86. Mr Lv Shenshen, Monitoring and Evaluation Division, FCPMC
87. Mr Klaus Rohland, Country Director, World Bank, Beijing Office
88. Mr Hamid L. Sharif, Country Director, Asian Development Bank, China Resident Mission
89. Ms Shen Xin, Senior Project Officer (Agriculture and Natural Resources), AsDB China Resident Mission
90. Mr Niu Zhiming, Senior Project Officer (Environment), AsDB China Resident Mission
91. Mr Christophe Bahuet, Country Director, UNDP China Office
92. Mr Brett Rierson, Representative, WFP Representation in China
93. Mr Percy Wachata Misika, Representative, FAO Representation in China

94. Mr Zhang Zhongjun, Assistant Representative, FAO Representation in China
95. Ms Fu Rong, Programme Officer, FAO Representation in China
96. Mr Sun Yinhong, Country Programme Officer, IFAD
97. Ms Han Lei, Associate Country Programme Officer, IFAD
98. Mr Liu Ke, Associate Country Programme Officer, IFAD

Country visit India:

99. Sindushree Khullar, Secretary, Planning Commission
100. Vineet Tuhil, Joint Secretary, Planning Commission
101. Arvind Mayaram, Secretary, Dept. of Economic Affairs, Ministry of Finance
102. Sigy Thomas Vaidhyan, Deputy Secretary, Dept. of Economic Affairs, Ministry of Finance
103. Ashish Bahuguna, Secretary, Dept. of Agriculture & Cooperation, Ministry of Agriculture
104. Sanjeev Chopra, Joint Secretary, Dept. of Agriculture & Cooperation, Ministry of Agriculture
105. Vijay Kumar, Additional Secretary & Mission Director, National Rural Livelihoods Mission, Ministry of Rural Development
106. Sadhana Rout, Joint Secretary, Ministry of Tribal Affairs
107. Peter Kenmore, FAO Representative in India
108. Michael Jensen, Country Director a.i., World Food Programme
109. Shobha Shetty, Sector Manager, Rural Development and Livelihoods, The World Bank
110. Julian Parr, Director-Asia, International Potato Centre (CIP)
111. Meera Mishra, ICO, IFAD

Country visit Tunisia:

112. M. Lotfi Frad, Directeur Générale financement, Investissement et organismes professionnel, Ministère de l’agriculture de la République tunisienne
113. Mme. Lamia Jemmeli, Directrice des projets à financement extérieur, Ministère de l’agriculture de la République tunisienne
114. M. Khlass Mehdi, Sous Directeur du Budget, Ministère de l’agriculture de la République tunisienne
115. M. Bejaoui Mourad, Chargé du portefeuille du FIDA, Ministère de l’agriculture de la République tunisienne
116. M. Mohamed Tahrani, Directeur de Développement, Ministère des finances, de développement et de la coopération de la République Tunisienne
117. M. Taoufiq Bennouna, Specialiste Principal en Gestion des Ressources Naturelles, Banque Mondiale
118. M. Mohamed Tolba, Chief Agronomist, Agriculture and Agro-industries Department (OSAN), African Development Bank
119. M. Denis Pommier, Développement Rural, Union Européenne Commission, Delégation en Tunisie
120. M. Didier Berdaguer, Chargé de Projets, Environnement/Développement rural, Agence Française de Développement

121. Mme. Andrea Wetzer, Chef de Mission, Agriculture Durable et Développement Rurale, GIZ

122. M. Dridi Kame, Director, Project Implementation Unit, IFAD Siliana Project

123. M. Ghoudi Zine El Abidine, FIDA/IFAD Point Focal, Tunis

World Bank:

124. Mr. Nick York, Director, Country, Corporate and Global Evaluations, Independent Evaluation Group (IEG)

125. Ms. Anjali Kumar, Lead Economist, Country, Corporate and Global Evaluations, IEG

126. Mr. Ismail Arslan, Senior Evaluation Officer, Country Evaluation and Regional Relations, IEG

127. Mr. Kostantin Atanesyan, Senior Evaluation Officer, Country, Corporate and Global Evaluations, IEG

128. Mr. John R. Heath, Senior Evaluation Officer, IEG

129. Mr. Juan Jose Fernandez-Ansola, Consultant, Country Evaluation and Regional Relations, IEG

130. Mr. Otaviano Canuto, Senior Advisor, Development Economics

131. Mr. Thomas O'Brien, Country Programme Coordinator

132. Mr. Vijay Pillai, Country Programme Coordinator

133. Ms. Ina-Marlene Ruthenberg, Country Programme Coordinator

134. Ms. Barbara Lee, Manager, Country Services Department

135. Mr. Stefano Curto, Programme Coordinator, Country Services Department

136. Mr. Robert Townsend, Senior Economist, Global Programmes Agriculture and Food Security

137. Mr. Sanjiva Cooke, Operations Officer, Global Programme Agriculture and Food Security

138. Mr. Brett Libresco, Change Management

Inter-American Development Bank:

139. Mr. Jonathan N. Rose, Economics Lead Specialist, Office of Evaluation and Oversight

140. Mr. Hector V. Conroy, Evaluation Economist, Office of Evaluation and Oversight

141. Ms. Monica Huppi, Principal Advisor, Office of Evaluation and Oversight

142. Mr. Jose Ignacio Sembler, Economics Senior Associate, Office of Evaluation and Oversight

143. Ms. Anna Crespo, Project Evaluation Coordinator, Office of Evaluation and Oversight

144. Ms. Clotilde Charlot, Office of Strategic Planning and Development Effectiveness

145. Ms. Sonia M. Rivera, Chief, Grants and Co-financing Management, Office of Outreach and Partnerships

146. Ms. Hector Malarin, Chief. Natural Resources and Disaster Risk Management Division

Others:

147. Mr. Maximo Torero, Director, Markets, Trade and Institutions Division, IFPRI

148. Mr. Anil Sood, Centennial Group and Emerging Markets Forum

List of countries with CPEs reviewed

Table 1
List of countries by IFAD regions and date of CPEs

	Region	*CPEs*	*Date*
1	Asia and Pacific	China	2013
2		Indonesia	2013
3		Viet Nam	2012
4		India	2010
5		Pakistan	2008
6	West and Central Asia	Senegal	2013
7		Ghana	2012
8		Nigeria	2009
9	East and Southern Africa	Zambia	2013
10	Latin American and Caribbean Division	Argentina	2010
11		Bolivia	2013
12		Brazil	2008
13		Ecuador	2012
14		Mexico	2006
15	Near East, North Africa and European Division	Yemen	2012
16		Moldova	2012
17		Jordan	2012
18		Egypt	2005
19		Morocco	2008

Table 2
List of countries with some selected indicators

Member States	*GNI per capita*	*Type*	*GINI index*	*Income Gini coeffi.*	*Gender Inequality Index*	*% of IFAD Financing*	*% of co financing*	*% of domestic financing*
Senegal	1,040	LMIC	40.3	39.2	0.540	47.01	29.23	23.76
Pakistan	1,260	LMIC	30.0	30.0	0.567	22.73	17.51	59.75
Yemen	1,270	LMIC	37.7	37.7	0.747	32.51	40.37	27.11
Zambia	1,350	LMIC	57.5	54.6	0.623	65.51	8.35	26.14
Viet Nam	1,400	LMIC	35.6	35.6	0.299	70.46	8.55	20.98
Nigeria	1,430	LMIC	48.8	48.8	N.A.	33.08	26.04	40.87
India	1,530	LMIC	33.9	33.4	0.610	34.92	15.71	49.37
Ghana	1,550	LMIC	42.8	42.8	0.565	33.20	34.20	32.60
Bolivia	2,220	LMIC	56.3	56.3	0.474	53.41	20.00	26.59
Moldova	2,250	LMIC	33.0	33.0	0.303	61.65	9.01	29.34
Morocco	2,950	LMIC	40.9	40.9	0.444	12.96	21.72	65.32
Egypt	3,000	LMIC	30.8	30.8	0.590	48.48	7.62	43.90
Indonesia	3,420	LMIC	38.1	34.0	0.494	49.54	23.17	27.29
Jordan	4,720	UMIC	35.4	35.4	0.482	37.71	24.29	38.00
Argentina	5,170	UMIC	44.5	44.5	0.380	29.80	20.56	49.64
Ecuador	5,200	UMIC	49.3	49.3	0.442	39.60	29.48	30.93
China	5,680	UMIC	42.1	42.5	0.213	40.08	4.88	55.04
Mexico	9,600	UMIC	47.2	48.3	0.382	50.49	6.80	42.71
Brazil	11,630	UMIC	54.7	54.7	0.447	35.66	8.87	55.47

List of countries with COSOPs reviewed

Member states	*Region*	*GNI per Capita*	*Year of obtaining MIC status*	*Classification*	*Previous COSOPs (Approved Date)*	*Latest COSOPs (Approved Date)*
China	APR	5,680	1999	UMIC	Dec-05	Sep-11
India	APR	1,530	2007	LMIC	Dec-05	May-11
Viet Nam	APR	1,400	2009	LMIC	Sep-08	Apr-12
Laos	APR	1,260	2011	LMIC	Sep-05	Sep-11
Zambia	ESA	1,350	2011	LMIC	Apr-04	Sep-11
Honduras	LAC	2,070	1998	LMIC	Apr-07	Dec-12
Nicaragua	LAC	1,650	2005	LMIC	Dec-05	Dec-12
Ghana	WCA	1,550	2011	LMIC	Apr-06	Dec-12
Egypt	NEN	3,000	Before 2000	LMIC	Apr-06	Sep-12
Bosnia and Herzegovina	NEN	4,650	Before 2000	UMIC	Sep-05	Dec-13
Sudan	NEN	1,450	2007	LMIC	Apr-09	Dec-13

Data on poverty in MICs

No.	IFAD Member States	IFAD Region	Total population	GNI per Capita (US$)	Classification	% of population living below $1.25 PPP per day *	Rural population	Poverty headcount ratio at rural poverty line (% of rural population)**
1	Albania	NEN	3 162 000	4 090	UMIC	0.6	1 440 417	NA
2	Algeria	NEN	38 480 000	4 110	UMIC	NA	10 118 280	NA
3	Angola	ESA	20 820 000	4 580	UMIC	NA	8 347 740	NA
4	Argentina	LAC	41 090 000	5 170	UMIC	0.9	3 023 751	NA
5	Armenia	NEN	2 969 000	3 720	LMIC	1.3	1 064 012	36
6	Azerbaijan	NEN	9 298 000	6 030	UMIC	0.4	4 287 211	NA
7	Belize	LAC	324 100	4 180	UMIC	NA	179 562	NA
8	Bhutan	APR	741 800	2 420	LMIC	10.2	472 239	16.7
9	Bolivia	LAC	10 500 000	2 220	LMIC	15.6	3 440 283	66.4
10	Bosnia and Herzegovina	NEN	3 834 000	4 650	UMIC	0	1 962 467	NA
11	Botswana	ESA	2 004 000	7 430	UMIC	NA	756 424	NA
12	Brazil	LAC	198 700 000	11 630	UMIC	6.1	30 053 874	NA
13	Cabo Verde	WCA	494 400	3 810	LMIC	21	181 326	NA
14	Cameroon	WCA	21 700 000	1 170	LMIC	9.6	10 273 039	NA
15	China	APR	1 351 000 000	5 680	UMIC	13.1	651 364 560	NA
16	Colombia	LAC	47 700 000	6 990	UMIC	8.2	11 656 291	46.8
17	Congo	WCA	4 337 000	2 550	LMIC	54.1	1 558 051	74.8
18	Costa Rica	LAC	4 805 000	8 740	UMIC	3.1	1 676 971	25.8
19	Cuba	LAC	11 270 000	5 440	UMIC	NA	2 798 466	NA
20	Djibouti	NEN	859 700	1 030	LMIC	18.8	196 336	NA
21	Dominica	LAC	71 684	6 460	UMIC	NA	23 442	NA

No.	*IFAD Member States*	*IFAD Region*	*Total population*	*GNI per Capita (US$)*	*Classification*	*% of population living below $1.25 PPP per day **	*Rural population*	*Poverty headcount ratio at rural poverty line (% of rural population)***
22	Dominican Republic	LAC	10 280 000	5 470	UMIC	2.2	3 061 796	49.4
23	Ecuador	LAC	15 490 000	5 200	UMIC	4.6	4 960 096	49.1
24	Egypt	NEN	80 720 000	3 000	LMIC	1.7	45 444 639	32.3
25	El Salvador	LAC	6 297 000	3 580	LMIC	9	2 188 546	43.3
26	Fiji	APR	874 742	4 200	UMIC	5.9	414 388	44
27	Gabon	WCA	1 633 000	10 070	UMIC	4.8	221 089	NA
28	Gaza and West Bank	NEN	4 047 000	1 340	LMIC	NA	NA	NA
29	Georgia	NEN	4 512 000	3 280	LMIC	15.3	2 121 466	30.7
30	Ghana	WCA	25 370 000	1 550	LMIC	28.6	12 043 540	NA
31	Grenada	LAC	105 483	7 110	UMIC	NA	63 825	NA
32	Guatemala	LAC	15 080 000	3 140	LMIC	13.5	7 505 699	71.4
33	Guyana	LAC	795 400	3 410	LMIC	NA	568 776	NA
34	Honduras	LAC	7 936 000	2 070	LMIC	17.9	3 751 671	65.4
35	Hungary	NEN	9 944 000	12 370	UMIC	0.2	2 992 414	NA
36	India	APR	1 237 000 000	1 530	LMIC	32.7	845 151 713	25.7
37	Indonesia	APR	246 900 000	3 420	LMIC	18.1	119 858 489	15.1
38	Iran	APR	76 420 000	4 290	UMIC	1.5	23 518 552	NA
39	Iraq	NEN	32 580 000	5 870	UMIC	2.8	10 922 952	NA
40	Ivory Coast	WCA	19 840 000	1 220	LMIC	23.8	9 522 564	NA
41	Jamaica	LAC	2 712 000	5 140	UMIC	0.2	1 297 577	NA
42	Jordan	NEN	6 318 000	4 720	UMIC	0.1	1 077 181	NA
43	Kazakhstan	NEN	16 800 000	9 750	UMIC	0.1	7 803 831	NA
44	Kiribati	APR	100 786	2 260	LMIC	NA	56 373	NA

No.	IFAD Member States	IFAD Region	Total population	GNI per Capita (US$)	Classification	% of population living below $1.25 PPP per day *	Rural population	Poverty headcount ratio at rural poverty line (% of rural population)**
45	Laos	APR	6 646 000	1 260	LMIC	33.9	4 298 268	NA
46	Lebanon	NEN	4 425 000	9 190	UMIC	NA	559 324	NA
47	Lesotho	ESA	2 052 000	1 380	LMIC	43.4	1 470 945	NA
48	Libya	NEN	6 155 000	12 930	UMIC	NA	1 359 741	NA
49	Macedonia	NEN	2 106 000	4 700	UMIC	0	853 975	NA
50	Malaysia	APR	29 240 000	9 800	UMIC	0	7 788 932	3.4
51	Maldives	APR	338 400	5 750	UMIC	NA	195 507	NA
52	Marshall Islands	APR	52 555	4 140	UMIC	NA	14 639	NA
53	Mauritania	WCA	3 796 000	1 110	LMIC	23.4	2 209 734	NA
54	Mauritius	ESA	1 291 000	8 570	UMIC	NA	751 423	NA
55	Mexico	LAC	120 800 000	9 600	UMIC	1.2	26 119 249	63.6
56	Moldova	NEN	3 560 000	2 250	LMIC	0.4	1 837 606	30.3
57	Mongolia	APR	2 796 000	3 160	LMIC	NA	857 139	35.5
58	Morocco	NEN	32 520 000	2 950	LMIC	2.5	13 852 056	NA
59	Namibia	ESA	2 259 000	5 640	UMIC	31.9	1 379 052	37.4
60	Nicaragua	LAC	5 992 000	1 650	LMIC	11.9	2 524 868	63.3
61	Nigeria	WCA	168 800 000	1 430	LMIC	68	84 029 583	52.8
62	Pakistan	APR	179 200 000	1 260	LMIC	21	113 678 524	NA
63	Panama	LAC	3 802 000	9 850	UMIC	6.6	920 783	50.4
64	Papua New Guinea	APR	7 167 000	1 790	LMIC	NA	6 265 945	41.6
65	Paraguay	LAC	6 687 000	3 290	LMIC	7.2	2 512 067	44.8
66	Peru	LAC	29 990 000	5 880	UMIC	4.9	6 724 164	53
67	Philippines	APR	96 710 000	2 470	LMIC	18.4	49 201 307	NA

No.	IFAD Member States	IFAD Region	Total population	GNI per Capita (US$)	Classification	% of population living below $1.25 PPP per day *	Rural population	Poverty headcount ratio at rural poverty line (% of rural population)**
68	Romania	NEN	21 330 000	8 150	UMIC	0.4	10 055 721	NA
69	Saint Lucia	LAC	180 870	6 530	UMIC	NA	150 178	NA
70	Saint Vincent and the Grenadines	LAC	109 373	6 380	UMIC	NA	55 017	NA
71	Samoa	APR	188 889	3 220	LMIC	NA	151 694	NA
72	Sao Tome and Principe	WCA	188 100	1 320	LMIC	NA	69 009	59.4
73	Senegal	WCA	13 730 000	1 040	LMIC	33.5	7 842 005	57.1
74	Seychelles	ESA	87 780	11 640	UMIC	0.3	40 370	NA
75	Solomon Islands	APR	549 598	1 130	LMIC	NA	434 647	NA
76	South Africa	ESA	51 190 000	7 610	UMIC	13.8	19 233 051	NA
77	Sri Lanka	APR	20 330 000	2 920	LMIC	7	17 235 745	9.4
78	Sudan	NEN	37 200 000	1 450	LMIC	19.8	24 777 161	57.6
79	Suriname	LAC	534 500	8 480	UMIC	NA	159 721	NA
80	Swaziland	ESA	1 231 000	2 860	LMIC	40.6	969 455	73.1
81	Syrian Arab Republic	NEN	22 400 000	2 610	LMIC	1.7	9 751 694	NA
82	Thailand	APR	66 790 000	5 210	UMIC	0.4	43 750 230	16.7
83	Timor-Leste	APR	1 210 000	3 670	LMIC	37.4	862 543	NA
84	Tonga	APR	104 941	4 240	UMIC	NA	80 212	NA
85	Tunisia	NEN	10 780 000	4 150	UMIC	1.4	3 607 186	NA
86	Turkey	NEN	74 000 000	10 830	UMIC	0	20 473 673	38.7
87	Tuvalu	APR	9 860	6 070	UMIC	NA	4 834	NA
88	Uzbekistan	NEN	29 780 000	1 720	LMIC	NA	18 970 236	NA
89	Vanuatu	APR	247 262	3 080	LMIC	NA	184 914	NA

No.	IFAD Member States	IFAD Region	Total population	GNI per Capita (US$)	Classification	% of population living below $1.25 PPP per day *	Rural population	Poverty headcount ratio at rural poverty line (% of rural population)**
90	Venezuela	LAC	29 950 000	12 500	UMIC	6.6	1 888 469	NA
91	Viet Nam	APR	88 780 000	1 400	LMIC	16.9	60 653 020	27
92	Yemen	NEN	23 850 000	1 270	LMIC	17.5	16 003 154	NA
93	Zambia	ESA	14 080 000	1 350	LMIC	68.5	8 500 543	77.9

Source: *UNDP Multidimensional Poverty Index (https://data.undp.org/dataset/MPI-Population-living-below-1-25-PPP-per-day-/ehe9-pgud) and World Development Indicators (http://data.worldbank.org/indicator/SI.POV.RUHC).*

Summary of comparative lending terms

	Type of loan	*Interest rate*	*Service charge for credits*	*Maturity*	*Grace period*	*Commitment fee*	*Currency*	*Principal repayment terms*
IFAD	Highly concessional terms	NA	0.75 per cent per annum	40 years	10 years	NA	SDR	6 monthly
	Blend terms	1.25 per cent	0.75 per cent per annum	25 years	5 years	NA	SDR	6 monthly
	Regular: Country with a high risk of debt distress (red-light) receive 100 per cent of their allocation in the form of grants and those with a minimum risk (yellow light) receive 50 per cent in the form of grants. Grants are not subject to repayment fees, but carry a 20 per cent volume discount on the country's allocation	NA	0.75 per cent p.a. of disbursed and outstanding credit balance	40 years	10 years	0.-0.5 per cent of the undisbursed balance. Reviewed annually. Often fully or partially waived.	SDR	6 monthly - Year 11-20: 2.0 per cent - Year 21-40: 4.0 per cent
IDA	Blend: Countries with GNI per capital above the operational cut-off for more than two consecutive years	1.25 per cent	0.75 per cent p.a. of disbursed and outstanding credit balance	25 years	5 years	0.05 per cent of the undisbursed balance. Reviewed annually. Often fully or partially waived	SDR	6 monthly - Year 5-15: 3.3 per cent - Year 16-25: 6.7 per cent
	Hard-term lending: Countries receiving loans on blend terms are eligible for hard-term credits	Fixed interest rate set on an annual basis as the fixed rate equivalent of IBRD interest rates less 200 bps	0.75 per cent p.a. of disbursed and outstanding credit balance	25 years	5 years	0-0.5 per cent of the undisbursed balance	SDR	6 monthly - Year 5-15: 3.3 per cent - Year 16-25: 6.7 per cent
	(IDA credits include an acceleration clause providing for doubling of principal payments from creditworthy borrowers where per capita income remains above eligibility thresholds)							

	Type of loan	*Interest rate*	*Service charge for credits*	*Maturity*	*Grace period*	*Commitment fee*	*Currency*	*Principal repayment terms*
AsDF	Asian Development Fund		1.5 per cent p.a. of disbursement and outstanding credit balance	40 years	8 years	0	SDR	6 monthly
	Sovereign or sovereign-guaranteed borrowers							
AfDF	African Development Fund		0.75 per cent p.a.			0	SDR	Equal instalments of principal. Frequency: semi-annually for US$, EUR, and JPY, quarterly for ZAR.
			Project loan	50 years	10 years			
			Line of credit	20 years	5 years			

	Type of loan	Interest rate	Maturity	Grace period	Commitment fee	Currency
IFAD	Ordinary terms	Variable reference interest rate determined semi-annually	15-18 years	3 years (Grace period may be increased up to six years by exception for ordinary terms)	NA	SDR
IBRD	Flexible loan. Fixed spread (6 month LIBOR) US$*	Spread over reference interest rate: Average maturity 12 years or less: 60bps Average maturity 12-15 years: 80 bps Maturity 15-18 years: 105 bps	Average 12-18 years. Final maturity 30 years max		Commitment fee 0.75 per cent p.a. Front end fee 1 per cent	US$, Euro, Yen
	Flexible loan. Variable spread (6 month LIBOR) US$*	Average maturity 12 years or less: 29 bps Average maturity 12-15 years: 39 bps Maturity 15-18 years: 49 bps	Average 12-18 years. Final maturity 30 years max.		Commitment fee 0.75 per cent p.a. Front end fee 1 per cent.	US$, Euro, Yen
	* Loans are also offered in EUR and JPY for which spreads vary. Reference rate for Euro-denominated loans is EURIBOR					
AsDB	LIBOR-based loan					
	Sovereign or sovereign-guaranteed borrowers	Floating lending rate consisting of a cost-base rate (6-month LIBOR for US$ and JPY, 6-month EURIBOR for EUR) plus an effective contractual spread (40 basis points) and a maturity premium (10 basis points for loans with a maturity period of 13-	19 years		15 basis points on flat amounts of undisbursed balances	EUR, JPY, US$, and other currencies in which AsDB can

	Type of loan	*Interest rate*	*Service charge for credits*	*Maturity*	*Grace period*	*Commitment fee*	*Currency*	*Principal repayment terms*
		16 years, 20 basis points for loans with a maturity period of 16-19 years) Fix lending rate: Fixed-rate funding cost of the AsDB for the relevant maturity payable by AsDB under the related hedge swap transactions						efficiently intermediate
		For floating rate loans, the lending rates will be reset every six months The floating lending rate may be converted to a fixed rate, or vice versa, for the residual maturity of the loan or part thereof						
AfDB	Sovereign-guaranteed loan	Base rate (floating: 6-month LIBOR for US$ and JPY, 6-month EURIBOR for EUR, 3-month JIBAR for ZAR) Fixed: calculated as the swap market corresponding to the principal amortization schedule of a particular tranche of a loan) + funding margin (the Bank's cost of borrowing relative to LIBOR, resetting every 6 months) + lending margin (60 basis points)		20 years	5 years	Time-dependant graduated commitment fee for policy-based loans	US$, EUR, JPY, ZAR	
IDB	Ordinary capital	Rate based on 3-month LIBOR, automatically fixed when the outstanding loan balance reaches 25 per cent of the financing or US$3 million		30 years	6 years		US$	

Source: Review of the lending policies and criteria (IFAD, 2013).