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Investing in rural people

IFAD10 programme of work

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For: Review

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Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
COSOP	country strategic opportunities programme
FAO	Food and Agriculture Organization of the United Nations
FFR	Financing Facility for Remittances
HIPC	Heavily Indebted Poor Countries
MDG	Millennium Development Goal
PBAS	performance-based allocation system
PoLG	programme of loans and grants
PoW	programme of work
ODA	official development assistance

Executive Summary

1. **The context: rural poverty and hunger.** There are about 840 million hungry people living in developing countries, while another one billion people suffer from some form of malnutrition. Of the 1.3 billion extremely poor people in the world, 70 per cent live in the rural areas of developing countries, and most are directly or indirectly dependent on agriculture. Though poverty rates are coming down in many developing countries, the numbers of poor people have increased in some, particularly in fragile states and conflict-prone countries. While by 2015 the Millennium Development Goal target related to poverty and hunger will be nearly met globally, in many countries it will not.
2. **Factors shaping the scope of the IFAD10 Replenishment.** It is generally accepted that there are substantial unmet requirements for agricultural investment in developing countries, including for official development assistance (ODA) to agriculture.. In addition, investment in smallholder agricultural development and rural poverty eradication will certainly play its part in the achievement of the post-2015 development agenda: ODA will be needed to contribute to this. The total demand for loans and grants from IFAD over the three-year replenishment period (2016-2018) is estimated at around US\$4.9 billion. However, drawing on the approach developed by the International Development Association for its 17th Replenishment, IFAD estimates that the need for incremental resources to manage climate-related disasters and build climate change resilience will increase investment costs by 10-20 per cent, resulting in an overall demand for IFAD resources under IFAD10 of around US\$5.5 billion.
3. Over the past few years, IFAD has been able to expand its programme of loans and grants (PoLG) – under IFAD9 to a programme of US\$3.0 billion – while also both enhancing its operational performance and development impact, and improving its administrative efficiency. At this stage, the organization would almost certainly be able to manage a programme greater than this amount, while at the same time striving for further improvements in performance and administrative efficiency. The level of demand for IFAD resources, and the success of IFAD’s business model in IFAD8 and IFAD9, thus point to the need for an expansion in IFAD’s PoLG. On the other hand, the current budget outlook is difficult for many Member States in what is a period of financial austerity, suggesting a challenge in raising funds. These two “bookends” provide the basis for the high- and low-case IFAD10 financing scenarios, built around the third, medium-case scenario. For all three scenarios, an overall programme of work (PoW) has also been defined, by adding cofinancing – both domestic and international – to the PoLG at an assumed ratio of US\$1.2 per US\$1.0 of IFAD loans and grants.
4. **The three replenishment scenarios.** A medium-case scenario for IFAD10 consists of a US\$3.0 billion IFAD PoLG (identical to that established for IFAD9) and an overall PoW of US\$6.6 billion, based on: (a) a replenishment of US\$1.44 billion, including both regular replenishment and complementary contributions; and (b) internal resources of US\$1.56 billion, consisting of loan reflows and other sources of internally generated funds, and future net flows, net of IFAD’s administrative expenses. The high-case scenario has been established at a US\$3.2 billion PoLG and a US\$7.0 billion PoW, for a replenishment of US\$1.53 billion. This scenario would ensure that IFAD’s funding does not fall in real terms; it goes furthest in responding to the demand for IFAD funding and services; and it will also leverage more cofinancing. The low-case scenario – a US\$2.8 billion PoLG and a US\$6.2 billion PoW, with a US\$1.34 billion replenishment – would significantly reduce IFAD’s poverty impact, with the organization able to take out of poverty possibly 20 million fewer rural people than under the high-case scenario. This scenario would also be inconsistent with both the current international recognition of the importance of stimulating agriculture and rural development in developing countries, and IFAD’s track record in expanding its programme, enhancing its performance and impact, and improving its efficiency.

5. **Distribution of IFAD10 loans and grants.** Under the medium-case scenario, some 48 per cent of the total PoLG would be expected to go to sub-Saharan Africa; a further 28 per cent would go to Asia and the Pacific; and 19 per cent would go to Latin America and the Caribbean and the Near East, North Africa and Europe. About 19 per cent would be lent on ordinary (near market) terms, 10 per cent would be lent on blend rate terms, and 43 per cent on highly concessional terms. Debt Sustainability Framework grant funding would constitute 21 per cent, and country grants 1.5 per cent. IFAD's global and regional grants would make up 5 per cent of the total PoLG.
6. To ensure that IFAD resources remain focused on where they are most needed, it is proposed for consideration by the IFAD10 Consultation that the Executive Board review, and possibly adjust, the performance-based allocation system (PBAS) formula. Two issues are highlighted: first, a modification to the coefficient attached to per capita income, which would serve to increase the relative funding allocation to countries with low per capita incomes. A second possible change could be to introduce an additional variable in the PBAS equation to take into account the impact of climate change on the agricultural sector.
7. **Consolidation and mainstreaming in the programme of work.** The PoW for IFAD10 will serve to implement the IFAD Strategic Vision, 2016-2025. It will be characterized by both consolidation and mainstreaming. IFAD's current role – investing in rural people – will remain unchanged under IFAD10. So will IFAD's goal of enabling poor rural people to improve their food security and nutrition, raise their incomes and strengthen their resilience. There is also likely to be little change in the areas in which IFAD works: natural resource management; climate change adaptation and mitigation; agricultural technologies and production services; financial services; agricultural value chains; rural enterprise development and non-farm employment; technical and vocational skills development; and support to rural producers' organizations.
8. **The programme of work and the post-2015 development agenda.** However, to contribute more effectively to the emerging post-2015 development agenda, IFAD will organize its work around four new entry points that support a process of sustainable rural transformation: investing in smallholder agriculture for global food security and nutrition; promoting an empowerment agenda for rural livelihoods; promoting the resilience of poor rural households; and leveraging the rural-urban nexus for development. The programme will also be characterized by a new focus on mainstreaming a number of critical cross-cutting themes of relevance to most or all country programmes and projects. These include adaptation to climate change; nutrition; gender; innovation, learning and scaling up; country-level policy engagement; and global policy dialogue. All will see significantly strengthened emphasis under IFAD10.
9. **Results and impact under IFAD10.** While the results framework for the programme will be developed in a separate consultation document, impact targets have been developed for each scenario. The proposed targets for numbers of rural people to be reached are 100 million, 90 million or 80 million according to the scenario; and for numbers of people to be taken out of poverty, they are 90 million, 80 million and 70 million. Supporting outcomes to be targeted may include: increased incomes and enhanced food security and nutrition; improved policy and regulatory frameworks for agriculture and rural development; strengthened and inclusive rural producers' organizations; strengthened institutional capacity for pro-poor agriculture and rural development, in particular in fragile states; smallholder agriculture better adapted to climate change and more effectively confronting environmental degradation; and more sustainable management of natural resources.

IFAD10 programme of work

I. Introduction

1. This document presents the proposed programme of loans and grants (PoLG) and programme of work (PoW) for the IFAD10 period, 2016-2018. Both are dedicated to achieving the IFAD Strategic Vision, 2016-2025.¹ The PoLG represents the total of IFAD resources committed to all IFAD-supported projects approved during the three-year replenishment period. It is financed from two sources: the current replenishment; and IFAD's own resources, which include repayments of past loans made by IFAD, investment income, reimbursement for debt relief under the Heavily Indebted Poor Countries (HIPC) Debt Initiative and future net flows. The PoW represents the total value of all IFAD-supported projects approved during the replenishment period: it is therefore made up of the PoLG – IFAD's contribution to those projects; plus all cofinancing in support of those projects coming from the borrowing/recipient governments themselves, other international development agencies, the private sector and farmers themselves. Finally, it is also important to bear in mind that IFAD's country programmes increasingly link support for projects to policy engagement and to knowledge management activities; and while these are becoming important services for IFAD to offer its Member States, they are not reflected in these purely financial definitions of the PoLG and PoW.
2. This document is organized as follows. Section II looks at the needs of developing countries for assistance to support agriculture and food security. Section III focuses on their demand for loans and grants from IFAD, while section IV reflects on IFAD's capacity to manage the PoW. Section V provides an overview of the scenarios for the PoLG and PoW for IFAD10. Section VI describes the types of programmes and projects to be financed during IFAD10 and highlights how IFAD will consolidate its approaches while at the same time mainstreaming a number of newer elements. Section VII provides some initial ideas on the expected outcomes and impacts of the PoW, and section VIII draws the document together in a short set of conclusions. While this document describes what IFAD will do under IFAD10, the business model to implement the programme (the "how") is described in a separate consultation document.²

II. Developing country needs for assistance to boost agriculture and food security

3. The most recent estimate by the Food and Agriculture Organization of the United Nations (FAO) suggests that about 840 million people in developing countries (about 12 per cent of humanity) are hungry.³ An additional one billion people suffer from some form of malnutrition. While the total number of undernourished people has fallen by 17 per cent since 1990-1992, further declines are highly dependent on agricultural commodity prices not increasing once more, because the world's poor spend 50-70 per cent of their income on food. Of the world's 1.3 billion people living on less than US\$1.25 a day, about 70 per cent live in the rural areas of developing countries, and most are directly or indirectly dependent on agriculture.⁴ The consensus is that the Millennium Development Goal (MDG) target related to poverty and hunger will be nearly met by 2015 globally, although it will not be met in many countries.
4. Despite the successes of some countries, in many developing countries the agricultural sector will require profound changes if it is to deliver global food security and improved nutritional outcomes, provide employment for rural people

¹ See consultation document: IFAD Strategic Vision, 2016-2025.

² See consultation document: The business model to deliver IFAD10.

³ FAO/IFAD/World Food Programme, State of Food Insecurity in the World (Rome: FAO, 2013).

⁴ IFAD, Rural Poverty Report 2011(Rome: IFAD, 2011).

and eradicate rural poverty, manage the natural resource base sustainably and protect the environment, and be resilient to the effects of climate change. It must achieve all this against a backdrop of harsher environmental conditions; resource constraints; climate change, which is expected to have major negative impacts on food security and poverty eradication efforts;⁵ demographic and market transformations; and a track record of declining rates of agricultural productivity growth, which was one of the probable factors behind both the peaking of food prices in 2007-2008 and the associated higher levels of food insecurity.

5. Yet not only is there a recognition that agricultural growth is a precondition for a country's economic structural transformation; there is also much evidence that in most developing countries investment in agriculture development is extraordinarily powerful as a vehicle for poverty reduction, in addition to contributing to food security and to reduced agriculture prices. Agriculture growth, as opposed to growth in general, is typically found to be the primary source of poverty reduction: agriculture is 2.5 to 3 times more effective in increasing the incomes of the poor than is non-agriculture investment; and a 1 per cent per annum increase in agriculture growth, on average, leads to a 2.7 per cent increase in the incomes of the lowest three income deciles in developing countries.⁶ Smallholder agriculture development can also create rural jobs and result in more vibrant rural areas, thereby bringing benefits to urban areas by reducing the level of rural-urban migration.⁷
6. It is private investment by farmers themselves, including from remittances, that represents the largest source of investment in agriculture in developing countries; and it far exceeds the flows from governments, donors and foreign investors. Yet public investment by governments is necessary to finance the public goods and services that make it possible for the private sector – from farmers themselves to foreign investors – to invest in agriculture: it creates the incentives for them to do so, and increases the efficiency of their investment. Flows of official development assistance (ODA) comprise a relatively minor share of agricultural investment, but they can be significant and important for some countries; and for many more, they may serve to assist governments in adding value to the quality of public investment to the sector.
7. That said, commitments of ODA to agriculture peaked in the 1980s at 18 per cent of total ODA. During the 1990s, commitments to agriculture declined steadily, both in absolute terms and as a share of total ODA, reaching less than 3 per cent in the early 2000s. Since the mid-2000s, renewed international attention to agricultural development and concerns about rising international food prices have led to a partial recovery in the level of ODA to agriculture and its share in total ODA (table 1). However, at 6.4 per cent of total ODA, agriculture remains well below the share achieved in the 1980s.

Table 1
Official development assistance for agriculture, forestry and fisheries

	<i>US\$ billion per annum</i>	<i>Percentage of total ODA</i>
2006	4.7	3.6
2008	7.4	4.7
2010	9.2	5.5
2012	11.5	6.4

8. How do these levels of ODA compare with the levels of investment required to achieve the goals of eradicating rural poverty and hunger, and exploiting the full

⁵ International Panel on Climate Change, *Climate Change 2014: Impacts, Adaptation, and Vulnerability, Summary for Policymakers*. Fifth Assessment Report (Geneva: IPCC, 2014).

⁶ World Bank, *World Development Report* (Washington, D.C.: World Bank, 2008).

⁷ IFAD, *IFAD Post-2015 Policy Briefs* (Rome: IFAD, 2014).

potential for smallholder agriculture growth? Although there are no definitive answers, a number of attempts have been made to assess at least the order of magnitude of investment required. The International Food Policy Research Institute (IFPRI) has estimated total agricultural investment needs in developing countries as being about US\$275 billion per annum,⁸ while FAO has come up with a not dissimilar estimate of investment requirements for primary agriculture and its downstream industries in developing countries of around US\$210 billion per year.⁹ IFPRI also assesses actual investments – from domestic savings (both private and public), foreign direct investment, remittances, ODA and global philanthropy – at about US\$168 billion, suggesting that there is a major investment gap in the agricultural sector.

9. With regard to requirements for additional ODA in support of agricultural investment, the World Bank put the ODA gap at US\$14 billion per annum in 2008 prices,¹⁰ or about US\$17 billion per annum in 2012 prices. An estimate of the incremental agricultural ODA required to meet the MDGs, made following the 2009 G8 meeting in L'Aquila, totalled US\$22 billion for three years. While the September 2010 report of the United Nations System High-Level Task Force on the Global Food Security Crisis did not quantify the ODA needs to address the MDG hunger objectives, it found "general agreement on the need to reverse the rapid decline in investment in agriculture, food and nutrition security over the past 25 years". The key point is that, while the various estimates differ in their definitions, scope and purpose, they are consistent in showing that there are substantial unmet requirements for agricultural investment in developing countries, and for ODA to agriculture in particular.
10. Next year the world's nations will sign up to a new post-2015 development agenda. While the goals of that agenda are yet to be agreed, there seems little doubt that the agenda will be built on issues such as poverty eradication, food security and nutrition, gender equality and women's empowerment, economic growth, employment, sustainable consumption and production, and ecosystems and biodiversity. Investment in smallholder agricultural development and rural poverty eradication will play a part in the achievement of outcomes in all these areas: additional ODA is therefore needed to contribute to the achievement of the post-2015 development agenda.

III. Demand for loans and grants from IFAD

11. The demand for IFAD resources during the period 2016-2018 is not the same as the need for public investment in agriculture and for agricultural ODA. Demand for IFAD resources is shaped by additional factors, including: how borrowing/recipient countries view IFAD's value added as a source both of development finance and of technical and policy expertise; the alternative resources available to them; and the extent to which support to smallholder farmers and the rural poor represents a policy priority for them.
12. To arrive at an estimate of the total demand for IFAD resources over the IFAD10 period, IFAD staff undertook a country-by-country assessment of the demand for IFAD loans and grants, excluding the funds needed for climate change adaptation. This resulted in an estimate of approximately US\$4.85 billion (see table 2 for a regional breakdown).

⁸ International Food Policy Research Institute, *From Subsistence to Profit* (Washington, D.C.:IFPRI, 2013).

⁹ J. Schmidhuber, Bruinsma J. and Boedeker G., *Capital Requirements for Agriculture in Developing Countries to 2050*, paper presented at the FAO Expert Meeting, 24-26 June 2009, Rome, on "How to Feed the World in 2050".

¹⁰ World Bank, *World Development Report on Agriculture* (Washington, D.C.: World Bank, 2008).

Table 2
Projected demand for IFAD loans and grants, 2016-2018
 (Millions of United States dollars)

<i>Region</i>	<i>Demand</i>
Asia and the Pacific	1 310
East and Southern Africa	1 000
Latin America and the Caribbean	670
Near East, North Africa and Europe	500
West and Central Africa	1 370
Total	4 850

13. In addition to this demand, the International Development Association (IDA) 17th Replenishment highlighted the need for incremental resources to manage climate-related disasters and build resilience in countries impacted by climate change. It estimated the additional costs of improving resilience for development at 25 to 30 per cent. The additional costs were for climate-proofing investments (particularly infrastructure), building institutional capacity, improving multisectoral planning, supporting recovery from disasters, and other expenses. For IFAD, the additional costs – of climate-proofing investments, including rural infrastructure such as rural roads and water management systems; building institutions and smallholder resilience; setting up early warning systems and insurance mechanisms; and ensuring rapid on-farm deployment of climate-smart agriculture research results – will all increase the costs of the projects it finances. Based on the IDA17 analysis (and taking into account the fact that IFAD’s portfolio is less “infrastructure intense” than IDA’s), it appears that achieving climate resilience through IFAD development assistance will increase investment costs by 10 to 20 per cent on average. The total, overall demand for IFAD resources projected for IFAD10 is therefore in the order of US\$5.5 billion.
14. The conclusion from the above analysis is that, given the investment gap identified above, it will be difficult to achieve the international goals relative to food security, hunger and poverty reduction, while also addressing the need to adapt to the impacts of climate change and to reduce the currently unmanageable rate of rural-urban migration. However, expanded investment and policy attention to agriculture, rural development and climate change adaptation can make a real and important difference; and IFAD can make a significant contribution. Given a total demand for IFAD loans and grants of about US\$5.5 billion for the three-year IFAD10 period, the appropriate level of resources to be put through IFAD will not be constrained by needs, or the demand for IFAD support, but rather by the likely supply of resources made available to IFAD. This document now turns briefly to the size of the programme that IFAD is capable of managing, before summarizing the replenishment scenarios setting out the likely availability of resources to IFAD under IFAD10.

IV. IFAD’s capacity to manage the programme of work

15. Between 2007 and 2012, IFAD’s PoLG almost doubled, from US\$556 million to over US\$1.04 billion.¹¹ During this period, IFAD measured, and reported on, the results it achieved, using a measurement system that was developed and enhanced over a number of years. This shows that the performance of IFAD-funded projects improved slightly in terms of relevance, efficiency and effectiveness; while the

¹¹ As pointed out in IFAD at the Midterm of the Ninth Replenishment (document IFAD10/1/R.2), the programme fell to US\$877 million in 2013, the dip reflecting the slower start in the first year of each replenishment period, as the three-year programme takes time to gear up fully and many projects take more than a year to design. In addition, several loans slipped to 2014 as negotiations could not be completed on time.

proportion of projects rated moderately satisfactory or better increased substantially both against a range of measures of rural poverty impact, and in terms of their sustainability, innovation, scaling up and gender. And, at the same time, while over this period there has been a slow increase in IFAD's administrative costs in absolute terms, its efficiency ratio of administrative budget compared with loans and grants has steadily fallen. This evidence of improved performance is shown in IFAD at the Midterm of the Ninth Replenishment (document IFAD10/1/R.2), presented at the February 2014 Consultation meeting.

16. In summary, IFAD has shown that it could expand its PoLG, while at the same time both strengthening its operational performance and development impact, and improving its administrative efficiency ratio. Moreover, with an IFAD9 PoLG amounting to US\$3.0 billion, it is currently demonstrating its ability to manage a programme of this size. All of this suggests that IFAD will be fully capable of handling a PoLG of US\$3.0 billion and more, while at the same time striving for further improvements in performance and administrative efficiency.

V. Programme of work and replenishment scenarios for IFAD10

A. Programme of loans and grants, and programme of work scenarios

17. The situation in which total developing country requirements for funds for agriculture and rural development greatly exceed the ODA available, and the success of IFAD's business model in IFAD8 and IFAD9, suggests the need for an expansion in IFAD's PoLG, and in the cofinancing IFAD mobilizes, in support of rural poverty eradication during the period 2016-2018. On the other hand, the current budget outlook is difficult for many Member States in what is a period of financial austerity, suggesting a challenge in raising funds. These two "bookends" (the huge financing needs of developing countries and a successful IFAD business model, confronting the difficult financial situation in much of the world) provide the basis for the high- and low-case IFAD10 financing scenarios, built around the third, medium-case scenario.
18. It is precisely IFAD's recognition of the huge financing needs of developing countries for investment in rural poverty eradication that lies behind its long commitment to mobilizing cofinancing resources for the projects that it supports. As a result, over the past decade (2004-2013), IFAD has succeeded in leveraging about US\$1.2 from other sources for every US\$1.0 it has invested. Those resources have come from domestic sources (US\$0.7 of the US\$1.2) – principally the borrowing/ recipient governments themselves but also farmers and rural communities (often as in-kind contributions) – and from international cofinanciers (US\$0.5), among which the World Bank, Spain (the Spanish Trust Fund), the OPEC Fund for International Development, the African Development Bank and the Asian Development Bank have been the most important in quantitative terms.¹²
19. Under IFAD10, the commitment to mobilize additional resources will continue, and the overall PoW for the period has been defined by adding to the PoLG the expected project cofinancing. The cofinancing ratio is assumed to be maintained at 1:1.2 (IFAD to cofinancing), with the projection reflecting evidence of declining ODA available for cofinancing in a growing number of countries, offset to a limited extent by IFAD's efforts to tap new sources in the private sector and foundations. Through the use of this ratio, therefore, for each of the three IFAD10 financing scenarios, a PoLG and a significantly larger PoW have both been defined (table 3).

¹² International cofinancing sources have been far broader than these, however. During the 10-year period, IFAD cofinanced projects with well over 50 international agencies, including 18 bilateral agencies and a range of multilateral/regional organizations, United Nations organizations and programmes, and international NGOs and foundations.

Table 3

Three IFAD10 scenarios, based on replenishment and reflow/income
(Millions of United States dollars)

Replenishment period	IFAD's loans and grants financed from:		Total PoLG	Cofinancing	Total PoW
	Replenishment	IFAD's own resources and future net flows ^{a/}			
7 th (2007-2009) (actual)	639	1 141	1 840	2 174	4 015
8 th (2010-2012) (actual)	1 147	1 721	2 868	4 038	6 906
9 th (2013-2015) (projected)	1 423	1 577	3 000	3 600	6 600
10th (2016-2018) (projected):					
Low-case scenario	1 338	1 462 ^{b/}	2 800	3 360 ^{c/}	6 160
Medium-case scenario	1 437	1 563 ^{b/}	3 000	3 600 ^{c/}	6 600
High-case scenario	1 534	1 666 ^{b/}	3 200	3 840 ^{c/}	7 040

^{a/} IFAD's own resources include loan repayments to IFAD, investment income, reimbursement for debt relief under the HIPC Initiative and future net flows.

^{b/} Not included in the above is the additional amount of IFAD's own resources that will be used to cover its operating costs and HIPC payments under IFAD10. This additional amount is projected to total US\$593 million under all three scenarios.

^{c/} Cofinancing includes traditional project cofinancing, loans to IFAD from Member States set up in a special trust fund (such as the Spanish Trust Fund) rather than co-mingled with IFAD's own resources, and supplementary funds provided to IFAD.

20. A medium-case scenario for IFAD10 consists of a US\$3.0 billion PoLG (identical to the target established for IFAD9) and an overall PoW of US\$6.6 billion. These are based on:
- An IFAD10 replenishment of US\$1.44 billion, including both regular replenishment and complementary contributions; and
 - Loan reflows and other sources of internally generated funds, and future net flows, net of IFAD's administrative expenses, at US\$1.56 billion.
21. The high-case scenario would ensure that IFAD's funding does not fall in real terms; and it goes furthest in responding to the recognition that the need and demand for funding and programmes of the type supported by IFAD is far beyond the likely availability of funds. In addition, given IFAD's success in leveraging other resources, domestic and international, a large programme will leverage more cofinancing. IFAD's weight in allocating other resources to agriculture and rural development increases as its own size increases. Its policy prescriptions are taken more seriously, and its successful programmes can be scaled up more easily. Realistically, however, a high-case scenario could expect to obtain only a slight increase in the replenishment level over the IFAD9 target, and was therefore capped at US\$1.53 billion, in order to arrive at a US\$3.2 billion PoLG and a US\$7.0 billion PoW.
22. The low-case scenario – a US\$1.34 billion replenishment, resulting in a US\$2.8 billion PoLG and a US\$6.2 billion PoW – would significantly reduce IFAD's potential poverty impact. Not only would it result in a reduction in IFAD's PoW, it would also mean that IFAD would be able to take out of poverty 20 million fewer rural people as compared with the high case. As a scenario, it would be inconsistent, on one hand, with the current international recognition of the importance of stimulating agriculture and rural development in developing countries; and, on the other, with the Fund's track record in expanding its programme, improving its performance and impact, and reducing its efficiency ratio. Certainly it would lead to an increase in IFAD's administrative efficiency ratio, until such time as IFAD is able to adjust by dismantling some of the operational capacity established to handle the programme under IFAD8 and IFAD9. It would also make IFAD a less influential and attractive partner to governments and other donors: this would make IFAD's scaling-up agenda more difficult to implement, and

ultimately render IFAD a less effective organization in contributing to global efforts to eradicate poverty.

B. Distribution of IFAD10 loans and grants by region and financial modality

23. The projected distribution by region of IFAD10 loan and grant resources under the medium-case scenario, based on the performance-based allocation system (PBAS) parameters of 2013-2015 (as at December 2013) and adjusted for internal graduation, is shown in table 4.

Table 4

Projected distribution of IFAD10 loans and grants by region and financing instrument

(Millions of United States dollars)

<i>Region</i>	<i>Debt Sustainability Framework</i>	<i>Highly concessional</i>	<i>Blend</i>	<i>Ordinary</i>	<i>Country grants</i>	<i>Total</i>
Asia and the Pacific	119	348	156	205	17	844
East and Southern Africa	117	610	-	30	10	767
Latin America and the Caribbean	27	4	35	165	7	238
Near East, North Africa and Europe	100	22	19	169	6	317
West and Central Africa	266	314	93	5	5	684
Total country programmes	630	1 298	303	575	44	2 850
Global, regional and small grants	-	-	-	-	-	150
Total programme of loans and grants						3 000

24. The likely distribution of IFAD loan and grant resources under the medium-case scenario would involve some 48 per cent of the total going to sub-Saharan Africa; a further 28 per cent going to Asia and the Pacific; and 19 per cent going to Latin America and the Caribbean and to the Near East, North Africa and Europe. Loans on ordinary terms (near market rates) would come to about US\$575 million, or about 19 per cent of the total PoLG. Blend rate (between ordinary and highly concessional) lending would amount to US\$303 million (10 per cent), and highly concessional lending at US\$1.30 billion (43 per cent). Debt Sustainability Framework grant funding would total US\$630 million (21 per cent), and country grants would amount to US\$44 million (1.5 per cent). IFAD's global and regional grants would amount to US\$150 million (5 per cent).
25. To ensure that IFAD resources remain focused on where they are most needed, it is proposed for consideration by the IFAD10 Consultation that IFAD's Executive Board review, and possibly adjust, the PBAS formula. Two issues are highlighted here. First, the coefficient attached to per capita income could be reviewed. Per capita income is one of the two needs-based indicators used to define the allocation of resources to a country (the other is rural population size). As per capita income increases, the PBAS allocation declines, all other things equal. An increase in the negative exponent attached to per capita income would serve to increase the relative funding allocation from IFAD's resources to countries with low per capita incomes. A second possible change that could be considered is to introduce an additional variable in the PBAS equation to take into account the impact of climate change on the agricultural sector. These, and other possible modifications to the PBAS, would be discussed in the PBAS Executive Board Working Group in 2014 and 2015 with a view to subsequently presenting proposals to the Executive Board by the end of 2015.

VI. Consolidation and mainstreaming in the IFAD10 programme of work

A. The broad approach

26. The IFAD Strategic Vision, 2016-2025, prepared for the Consultation, envisages a post-2015 world in which extreme rural poverty is eliminated through inclusive and sustainable agriculture transformation; where every rural family lives in dignity; where poor rural people and communities are empowered to build prosperous and sustainable livelihoods; where rural families no longer go hungry, assured of their food and nutrition security; and where young people can hope to realize their aspirations for a better life in their own rural communities.
27. The PoW for IFAD10 will serve to implement that vision. And in order for it to do so, on the one hand, IFAD will consolidate its experiences so as to enhance its development effectiveness, and, on the other, it will mainstream into the PoW a number of critical cross-cutting themes – a twin-track approach that will enable it both to respond in a new way to the changing context for smallholder agriculture and rural development unfolding in large parts of the developing world, and to contribute more effectively to implementing the emerging post-2015 development agenda while also measuring its contribution.
28. Consolidation will require building on what IFAD already does. The organization's role – investing in rural people – will remain central under IFAD10. So will IFAD's goal of enabling poor rural people to improve their food security and nutrition, raise their incomes and strengthen their resilience. So too will the linked areas in which IFAD works, all of which are focused on achieving this goal. These will likely comprise: (a) natural resources – land, water, energy and biodiversity; (b) climate change adaptation and mitigation; (c) agricultural technologies and effective production services; (d) a broad range of inclusive financial services; (e) integration of poor rural people within value chains; (f) rural enterprise development and non-farm employment opportunities; (g) technical and vocational skills development; and (h) support to rural producers' organizations.¹³ Yet the way in which these "building blocks" are organized may certainly change; within the thematic areas, there will be new initiatives and approaches pursued; and the mainstreaming of critical cross-cutting issues will not only build on existing good practice to ensure consistency across and throughout the PoW, but will also require testing new approaches and learning lessons for subsequent scaling up. Neither consolidation nor mainstreaming will limit IFAD's commitment to innovation.
29. The following two sections highlight some of the key issues within its core areas of work where IFAD will place particular focus during IFAD10. These are organized relative to four new "entry points", in addition to a number of cross-cutting themes that IFAD will mainstream into its PoW. Some of these issues and themes are entirely new, some will need to be addressed in new ways, and some will warrant the continuation and strengthening of current approaches that have established IFAD's comparative advantage over the years.¹⁴

B. Consolidation through four entry points

30. In its work in support of the process to define the post-2015 development agenda, IFAD has identified four areas that it considers to be critical to the debate and that may provide the entry points through which it can most effectively contribute to a process of sustainable rural transformation; that is, one that ensures global food security and improved nutritional outcomes, provides employment for rural people and eradicates rural poverty, manages the natural resource base sustainably and protects the environment, and is resilient to the effects of climate change while reducing the rural sector's contribution to greenhouse gas emissions. These four entry points are (a) investing in smallholder agriculture for global food security and

¹³ These are the thematic areas identified in IFAD's Strategic Framework 2011-2015.

¹⁴ This approach is expected to be pursued in the forthcoming IFAD Strategic Framework 2016-2018.

nutrition; (b) promoting an empowerment agenda for rural livelihoods; (c) promoting the resilience of poor rural households; and (d) leveraging the rural-urban nexus for development.¹⁵ In support of these, and drawing from IFAD's current areas of engagement, some of the key issues and themes where IFAD will place particular focus under IFAD10 are discussed below.

31. Investing in smallholder agriculture for global food security and nutrition.

There is broad agreement that smallholder agriculture needs to change in order to meet increasing demands – resulting particularly from rapid urbanization, increased incomes and rural-urban integration – while at the same time facing harsher environmental conditions, more competitive and volatile markets, and the growing effects of climate change. In support of this transformation agenda, IFAD will:

- Promote small farmers' secure tenure over natural resources, giving particular attention to women's access to land and their security of tenure;
- Assist smallholder farmers to increase their agricultural productivity, sustainability and resilience by supporting agricultural advisory and research services and promoting a pluralistic approach to their delivery;
- Promote sustainable value chains and inclusive business models, on one hand harnessing the growing interest of, and partnering with, larger private investors in agricultural markets, and on the other strengthening the capacity and organization of smallholder farmers to participate in those value chains; and
- Focus explicitly on maximizing the contribution of agriculture to improved nutritional outcomes, by using a nutrition lens in designing projects.

Box 1: 'Public-private-producer partnerships' (4Ps)

Projects focusing on such partnerships have already been expanding in number and type during IFAD9. They usually involve a large private-sector investment or investments devoted to marketing or processing agricultural products purchased from small farmers. The private investor typically finances the costs of the processing plant, marketing and transport, and input supply. Governments, with IFAD support, finance the public goods necessary to reduce the company's risk and transaction costs. IFAD or its agents broker the relationship. Support typically includes strengthening of producers' cooperatives, which can supply the agricultural commodity to the company; it also can extend to infrastructure, agricultural technical services such as research and extension, public policy and the regulatory framework, food safety standards, etc. Measures are introduced to ensure that the land, property and natural resource rights of both smallholder farmers and investors are protected and/or strengthened.

An example that shows the direction for IFAD10 is the Uganda Vegetable Oil Development Project. Now in its second phase, the project is aimed at reducing Uganda's heavy reliance on imported vegetable oils and addressing the country's low levels of oil consumption. The project introduced oil palm as a new crop to Uganda and provided a framework for a major 4P in the sector. IFAD's role was in helping to leverage the private investment (so far worth around US\$120 million); assisting the Government in preparing an environmental impact assessment; ensuring that an equitable pricing structure for smallholders was included in the framework agreement with the firm; developing mechanisms to ensure that negotiated prices were applied; and financing the establishment of an ultimately self-financing institutional mechanism for mobilizing smallholders' participation in the project, the Kalangala Oil Palm Growers' Trust. Smallholders benefit from the stable demand and prices for their produce, which are linked to world market prices, and they also benefit from access to credit and extension services.

32. Promoting an empowerment agenda for rural livelihoods. While many developing countries have achieved great progress in reducing poverty over the last 30 years, in many contexts poor rural people continue to suffer from social and economic marginalization. IFAD will take as its point of departure rural people and their livelihoods, the opportunities open to them to overcome poverty and the challenges they face in doing so. This is not new, but it will remain central to all of the organization's work under IFAD10. Country programmes and projects will support processes that empower rural people, individually and collectively, to

¹⁵ See the four IFAD Policy Briefs on these themes at <http://www.ifad.org/governance/post2015/>.

acquire key skills and capacities, access the productive resources they require for increasing their incomes, obtain the goods and services they need, and at the same time participate meaningfully in decision-making that affects their livelihoods. A majority of these rural people will be smallholder farmers, though a sizeable and growing minority will be those seeking economic opportunities in the larger rural economy. The agenda under IFAD10 to empower rural people to participate in rural transformation will be based on two elements:

- **Social empowerment.** This involves enabling rural people as individuals to build the skills and knowledge necessary to take advantage of new economic opportunities in agricultural production and value addition, and in rural enterprises and employment, and to manage risk better. IFAD will promote a range of organizations of rural people that enable them to more effectively manage assets, engage with private-sector market intermediaries and influence local government investments and policies. These will include water users' associations, savings and credit groups, organizations for common property resource management, village associations and farmers' enterprise groups. Beyond grass-roots organizations, IFAD will also support federations and unions of farmers' associations and national apex organizations, contributing through this multilevel approach to sustainability, empowerment and scaling up.
- **Economic empowerment.** Poor rural people need access to productive assets, inputs, technology and finance. This enhances their ability to take advantage of knowledge and opportunities, generate income and become more attractive partners for microfinance institutions, banks and private-sector companies. Access to assets and natural resources is a key incentive to becoming creditworthy; it also builds resilience and creates a conducive environment for additional investment. For example, women who hold recognized land rights are often found to be more active citizens.

Box 2: Farmers' and other rural organizations

IFAD has widespread relationships with farmers' organizations in country programmes in all regions, and these are continuing to grow and strengthen. These partnerships have a dual purpose, supporting both the provision of economic services to smallholders and institutional capacity-building for the farmers' organizations. In addition, "advanced partnerships", empowering producers' organizations to participate directly in project planning, implementation and monitoring, are found in about 20 per cent of ongoing projects. These partnerships will be further expanded under IFAD10, while IFAD's Farmers' Forum will continue to provide a unique forum for dialogue with, and among, farmers' organizations from all regions.

Partnerships developed through IFAD-supported projects have resulted in innovative approaches and results at the grass-roots level. One example is IFAD's support to cooperative/farmers' organization business plans through projects in Honduras and Paraguay. Using a two-step process, farmers' organizations first propose and receive funding for a capacity-building plan to improve institutional management, governance, credit management, and technical skills related to their major crops. In a second step, the farmers' organizations design investment plans (or business plans) and then request the project to fund them. This approach is combined with an assessment of the maturity of each farmers' organization, which determines the type of support that the project will provide. The process strengthens the capacities of farmers' organizations and empowers them by putting them in charge of managing the funds for capacity-building and business plans. Another example is in Guinea, where the farmers' organizations are strategic partners in charge of implementing components of an IFAD-supported project, are members of the steering committee (with a majority share), and are responsible for planning, monitoring and reporting.

Direct support to farmers' organizations has also increased significantly over the last 10 years, and this will be sustained and expanded under IFAD10. Support will be both through IFAD grants directed to farmers' organizations and through the recently approved second phase of regional capacity-building programmes in Africa (Support to Farmers' Organizations in Africa Programme) and Asia (Medium-term Cooperation Programme).

33. Rural populations are generally extremely heterogeneous, and within them IFAD will give particular attention to those groups that are most likely to be marginalized or deprived of the opportunities that can enable them to move out of poverty:

- It will build on its work to date, and in all of its projects promote economic empowerment to enable rural women and men to have an equal opportunity to participate in, and benefit from, profitable economic activities. Women will continue to receive the most training in business and entrepreneurship, will participate most actively in community management topics, and will be the main clients of rural financial services as both savers and borrowers.
- It will work more consistently with rural youth. Not only do rural youth face high levels of unemployment; they are also the most likely to migrate to the urban areas. This not only puts ever-greater pressure on the cities, but it also deprives the rural areas of that swathe of the population that is most likely to innovate and contribute to the transformation of the rural areas. Projects focused on youth will typically involve technical and vocational skills development, formation of youth groups involved in productive activity, and promotion of non-farm rural businesses.
- In some countries, indigenous peoples will represent a particular focus for IFAD: there are more than 370 million self-identified indigenous people in the world, living in at least 70 countries, many of whom have been impoverished and marginalized through loss of control over their traditional lands and natural resources. IFAD10 will continue to support the economic and social empowerment of indigenous peoples, tapping into their innovative adaptation capacity. IFAD-funded projects with indigenous communities will support access to and management of natural resources; access to productive assets and financial services; and inclusive local governance approaches such as community-driven development.

34. **Promoting the resilience of poor rural households.** Poor rural people are vulnerable to a range of shocks that push them into poverty, keep them poor or prevent them from moving out of poverty. As the recent report of the Intergovernmental Panel on Climate Change makes clear: "Climate-change impacts are projected to slow down economic growth, make poverty reduction more difficult, further erode food security, and prolong existing and create new poverty traps." The rural people living in marginal lands, whom IFAD exists to serve, will be the most affected of all by climate change. Other important risks that IFAD can assist rural people in responding to include the price and market uncertainties characteristic of weakly connected and marginal rural areas; and the growing competition for land and water resulting from the increasing demand for food and agricultural products. Under IFAD10, the content of country programmes, projects and policy advice will continue to evolve, as IFAD:

- Fully mainstreams climate change adaptation into all relevant projects and programmes by the end of IFAD10;
- Continues to fund projects and/or project content targeted at better management of land, water, livestock, fisheries and forests, where there is often synergy with climate change adaptation;
- Promotes sustainable use of forest resources as an important element for the livelihoods of many forest-dependent poor people, particularly indigenous populations;
- Continues to play a leading role in promoting financial inclusion for poor rural households, and, in particular, promoting the adoption of products that assist them in better managing risks – including group savings, warehouse receipts systems, weather risk insurance and remittance investment; and
- Expands off-farm opportunities for rural enterprise creation and employment, and equips rural people to access these, for diversification of household income sources.

Box 3: Financial inclusion

With close to 16 per cent of its overall portfolio in rural financial systems, IFAD is currently one of the largest microfinance funders according to the Consultative Group to Assist the Poor Funder Survey. The SmartAid for Microfinance Index – an external, independent assessment of donors' effectiveness in microfinance, which measures and rates the way donors support microfinance – has found that IFAD has, overall, significantly improved its internal systems over the last four years. Having largely discarded the old paradigm of providing lines of credit for targeted and subsidized lending, IFAD has shifted its focus in rural finance to the development of diverse, viable financial service providers that increase the long-term access of rural people to a wide range of financial services.

In IFAD10, building on the wealth of its past experiences, the diversity of institutional models it has funded and its commitment to support sustainable approaches, IFAD will promote access to financial services in rural areas on a larger scale. This will involve supporting innovative approaches and specific knowledge generated by its three innovation hubs: the Financing Facility for Remittances; the Weather Risk Management Facility; and the Platform for Agricultural Risk Management. IFAD will use a variety of delivery mechanisms and enter into various types of partnerships. It will adopt a financial systems approach in which rural finance is part of a comprehensive financial inclusion strategy. Equally important, it will work closely with national governments to promote an enabling environment for the development of a wide range of financial services (e.g. credit, savings, insurance, remittances) and investments in agriculture through public-private partnerships.

35. **Leveraging the rural-urban nexus for development.** While global attention is increasingly focused on sustainable urban development, the rural space needs to play a central role in creating more sustainable and inclusive economies and societies. Rural people need to be supported to enable the efficient and sustainable provision of a broad range of goods and services, and the rural space needs to become a place where people want to live and responsible private-sector investment can thrive. During IFAD10, country programmes and projects will:
- Redress rural marginalization by supporting effective decentralization and community-driven development processes that bring government closer to rural people and strengthen mechanisms of accountability to them;
 - Promote integrated territorial and ecosystem governance, in order to maximize opportunities for broad-based, sustainable economic growth;
 - Use public resources to leverage responsible private investments that provide services, jobs or markets for rural people;
 - Promote both innovative remittance systems that facilitate and expand the flow of remittances to the rural areas, and support investment channels for migrants;
 - Promote the expansion of environmental service markets, including for carbon sequestration, which poor rural people can be assisted in accessing and can benefit from; and
 - Strengthen rural-urban connectivity, including through small-scale, "last mile" infrastructure.

Box 4: Remittances, migration and development

According to IFAD estimates, more than US\$450 billion in remittances reach the developing world every year, of which 40 per cent goes directly to rural areas. This amount is equivalent to around four times ODA and exceeds foreign direct investment inflows in most developing countries. The driving force behind this phenomenon is an estimated 220 million migrants, sending on average US\$100-200 each up to ten times a year to their families in their home countries. For their dependants and families, these remittance flows represent a stable source of funds for their social needs and economic investment.

IFAD's Financing Facility for Remittances (FFR) is one of the few entities in the world dealing directly with migrant and remittance-specific issues, implementing innovative and sustainable initiatives that allow migrants and their families to use remittances to foster their economic and social development. Since its start-up in 2006, the FFR has co-funded nearly 50 pilot projects in more than 40 countries, and built a network of some 200 partners from the public, private and civil society sectors.

Under IFAD10, the FFR will continue to pioneer initiatives in the remittance field that respond to stakeholder demand, while fostering the introduction of new business models that can subsequently be scaled up. In cooperation with key national and international partner organizations, the FFR will maximize the impact of successful models launched during the pilot phase by scaling these up, thereby bringing benefits to a larger number of rural people over a wider geographic area more quickly, equitably and lastingly. At policy and advocacy level, the FFR – as the driving force behind the Global Forum on Remittances — will enhance its role as a knowledge resource partner for governments, international organizations and forums, strengthening its substantial contribution to the global debate on remittances, migration and development, and positioning itself as one of the leading actors in this domain.

C. Themes to be mainstreamed

36. While IFAD will focus its PoW on a limited number of areas, there are a number of cross-cutting themes that are of relevance to most or all country programmes and projects, irrespective of thematic area; and these will see a new and significantly strengthened emphasis under IFAD10, with a view to their being mainstreamed in IFAD's PoW.
37. **Adaptation to climate change.** Climate change is transforming the context for IFAD's work. It is adding to the overall cost of lifting rural people sustainably out of poverty – a point made in section III above; and it is stimulating a rapid programme of climate mainstreaming so that the climate risk to IFAD's portfolio is minimized. The Adaptation for Smallholder Agriculture Programme (ASAP), launched in 2012 to promote climate mainstreaming in IFAD-supported projects, was designed to build on IFAD's long history of work on natural resource management by incentivizing the inclusion of risk factors related to climate change more explicitly in IFAD-supported project designs and implementation. This inclusion of climate risk has so far led to three main ways in which projects are evolving: analysis, through the preparation and use of more detailed vulnerability analyses that take into account current climate-related (and other) threats; innovation, through the addition of more climate-risk related activities to projects; and the scaling up of sustainable agriculture techniques.
38. This approach has led to an improvement in country strategic opportunities programmes (COSOPs) and project designs related to climate change,¹⁶ but analysis suggests that about one third of new projects are still not sufficiently assessing and protecting themselves from climate risks. The objective therefore is to achieve 100 per cent mainstreaming by 2018 and the end of IFAD10, when climate change will be more explicitly factored into all IFAD country strategies, designs, corporate policies, communications, policy dialogue and implementation. This will be achieved through a 10-point plan for climate mainstreaming, with the following actions: (a) climate risk screening further integrated into the review process for all COSOPS and IFAD-funded projects; (b) a second phase of IFAD

¹⁶ IFAD has made excellent progress in "walking the talk" on climate change, as reflected in significant improvements so far during IFAD9: one half of all new COSOPs and one third of all new projects have fully integrated climate change into their design; portfolio review guidelines have been updated to include climate change; a quality assurance climate marker has been introduced; climate adaptation indicators have been added to IFAD's Results and Impact Management System (RIMS); one third of all IFAD professional staff have been trained in climate adaptation; and an online training module has been launched.

internal training on climate integration rolled out; (c) a Senior Management “climate champion” designated to help guide and promote the mainstreaming agenda; (d) technical support for climate mainstreaming increased; (e) use of the Global Environment Facility and other cofinancing resources expanded; (f) use of IFAD grants as a tool for climate mainstreaming at the country level expanded; (g) a scaled-up programme implemented on the use in IFAD of satellite/global information systems tools; (h) a climate vulnerability index investigated for possible inclusion in the PBAS formula; (i) communication and knowledge-sharing on lessons and results from IFAD's climate-related work expanded; and (j) IFAD's role in managing climate finance expanded.

39. With respect to point (j) above, there are various actual and potential channels for expanding IFAD's role in managing climate finance, including: (a) increasing core contributions on the basis that climate change is significantly raising the costs of rural poverty reduction; (b) attracting unrestricted complementary contributions on the basis of an ambitious and result-based commitment by Management to achieve full mainstreaming of climate change by 2018; (c) attracting supplementary and/or complementary contributions to a new phase of ASAP from Members and (as supplementary) non-Members; and (d) multilateral funding sources such as the Global Environment Facility and possibly the Green Climate Fund.

Box 5: Types of climate-mainstreaming investments financed by ASAP during IFAD9 that provide the model for IFAD10

Bangladesh	Systematic analysis and scaling up of village protection works to reduce flood damage; greater diversification of food production and income-generation options; early-warning systems in flood-risk hotspots and where flash floods possible
Bolivia (Plurinational State of)	Inventory of indigenous techniques for climate risk management; community-based natural resource management at landscape/watershed level; better availability of weather information; competitions for activities related to climate risk management prioritized by local communities
Djibouti	Fish stock inventory and information system; protection of coastal infrastructure from erosion in hotspots; rehabilitation of mangrove shelterbelts and coral reefs; improved post-harvest cooling and storage system to buffer effects of reduced fish stock due to migration; improved access to fresh water for fish processing
Kyrgyzstan	Identification of hotspots for erosion due to rainfall aggressiveness in the IFAD programme area; protection of livestock from climate-related disasters and diseases; community-based management and restoration of degraded pastures and rangelands; early warning systems for extreme weather events
Mali	Increased access of farmers to renewable energy technologies; greater diversification of farming activities and income sources; crowdsourcing of weather information to improve meteorological forecasts
Mozambique	Improved water management (including run-off harvesting and shade structures) to buffer dry spells in value chains for irrigated horticulture, cassava and red meat; strengthening of the weather station network; monitoring of climate-induced pest infestation
Nicaragua	Preventive measures to reduce water stress in coffee and cocoa value chains (e.g. through shade crops); diversification of income sources in drought hotspots; strengthening of meteorological services for coffee and cocoa farmers
Nigeria	Identification of hotspots for erosion and rainfall aggressiveness in the IFAD programme area; improved rural roads to harvest excess run-off and prevent flood damage; improved access to diversified energy sources; scale-out of effective technologies to counter erosion
Rwanda	More robust building codes for post-harvest processing and storage facilities; commercial landing incentives for green technologies and climate risk reduction; improved climate information services for processing hubs
Viet Nam	Installation of a salinity monitoring system; diffusion of mixed rice/aquaculture system to reduce increasing salinity risk; saline-tolerant catfish breeding; integration of climate-risk information into district development plans
Yemen	Identification of hotspots for erosion and flash floods across the IFAD programme area; rehabilitation and improvement of rural feeder roads to capture run-off from extreme rainfall events; diversification of energy systems; integrated watershed management at landscape level

40. **Improved nutrition impact.** Although improving the nutritional status of the poorest rural people is a fundamental objective of IFAD, the emphasis of IFAD's past investments has been on increasing agricultural production and consequently farm income. Nutritional improvement was assumed to be an accompanying result. However, it is now recognized that higher levels of production and income alone have limited impact on improving nutrition. Therefore, in addition, agriculture should work to increase the nutrient value of foods, link production to consumption through education, and partner with other sectors to optimize impact on nutrition. Diverse, nutritious foods should be available and accessible, either from the market or from a household's own production, at all times. To leverage the contribution of agriculture to nutrition during IFAD10, a nutrition lens will be used to design project interventions. This will help shape the food system as a whole in ways that improve nutrition and diet quality, especially for women and young children. Investments will, for example, orient supply chains to improve nutrition by scaling up the use of micronutrient-rich crops and increasing the demand for and supply of more diverse foods. Other actions will support homestead production and farm-level nutrition knowledge about food quality, storage, preservation and preparation. During

IFAD10, projects will increase support for nutrition-sensitive country strategies and project design – at minimum 30 per cent of COSOPS and 20 per cent of projects will be nutrition-sensitive; they will also support country-level policy dialogue on the contributions that agriculture and smallholders can make to nutrition.

41. **Gender.** IFAD has had good results on the ground from its gender work. In 2012, women accounted for approximately half of all those receiving services from IFAD-supported projects. Over 90 per cent of those projects are found to have moderately satisfactory or better gender impacts. However, there is more to do, as women still suffer less access to assets such as land, water, credit and education, reducing their productivity and income. The principal thrust of the majority of IFAD-funded projects will be to promote economic empowerment to enable rural women and men to have an equal opportunity to participate in, and benefit from, profitable economic activities. Women will continue to receive the most training in business and entrepreneurship, will participate most actively in community management topics, and will be the main clients of rural financial services as both savers and borrowers. IFAD will build on the momentum gained in IFAD9 by establishing a more effective system for tracking project performance on gender from design to implementation, to completion. It will incorporate gender concerns in its knowledge-sharing and capacity-building. It will strengthen the gender perspective of monitoring and evaluation data and impact assessments; continue to document and share knowledge and stories from the field regarding gender impacts; and include the annual report on IFAD's gender work in the annual Report on IFAD's Development Effectiveness (RIDE). IFAD will also build on the activities initiated during IFAD9 to conduct an ex ante analysis of the gender sensitivity of its loan portfolio, and continue to mainstream gender into project cycle management training.
42. **Innovation, learning and scaling up.** A key principle for IFAD's PoW will be an explicit focus on innovation, learning from that innovation, and scaling up for expanded impact. Recognizing that the context, requirements and opportunities in middle-income countries are all substantially different from those in low-income countries and fragile and conflict-affected states, IFAD will make a particular effort during IFAD10 to ensure that country programmes and projects are shaped to maximize its value addition in the different contexts of its diverse Members. Projects will not be seen as an end in themselves, but as a means to a greater end: an opportunity to innovate, learn and ensure scaled-up results and sustainable impact; and under IFAD10, they will be structured to make this continuum work effectively.¹⁷ Projects will be designed to enable Member States to draw on the technical expertise of an organization with more than 30 years' experience in designing and supporting national efforts to eradicate rural poverty. They will also be structured to offer opportunities to innovate with new technologies and approaches for addressing specific challenges, and to mobilize additional resources from other sources such as financial service providers, the private sector, governments, remittances, etc. Here, IFAD will support South-South and triangular cooperation as an important opportunity for cross-country learning. And projects will serve to enable governments – as well as IFAD itself – to draw out and analyse the lessons learned through the implementation experience and to use the evidence to reshape policies, institutions and practices.
43. **Country-level policy engagement.** Country-level policy engagement will represent an important vehicle for scaling up. This is an area in which IFAD is making substantial progress under IFAD9. Country programmes and projects focus increasingly on understanding, supporting and informing the national policy context for agriculture and rural poverty reduction. Under IFAD10, policy analysis and policy processes will be supported both as part of country programmes, through projects and as a stand-alone activity, and IFAD in-country staff will increasingly participate in policy forums. IFAD's policy engagement will have four broad objectives:

¹⁷ A separate document on 'Scaling up impact' will be presented at the third session of the IFAD10 Consultation in October 2014.

(a) creating an enabling policy environment for implementing IFAD-supported projects and achieving development impact; (b) drawing out lessons learned under projects and scaling up successes through integration into national policies, institutions and strategies; (c) strengthening and enhancing the pro-poor focus of public policies for rural development and their implementation, and building the responsible institutions; and (d) developing the capacity of national stakeholders to participate effectively in policy processes and shape national policies. Specific activities will include conducting policy analysis; supporting local institutions – both government institutions and those of rural civil society; creating policy space and supporting policy processes; and promoting regional and South-South learning and exchange. Country-level partnerships, with governments and rural people's organizations, the private sector and other development partners, will all be critical for this agenda.

44. **Global policy dialogue.** The policy context for agricultural development and rural poverty eradication at the national level is in large part shaped by the global policy context. IFAD has therefore become an increasingly active player in global policy dialogue in order to influence the agenda to become more supportive of the interests of smallholder farmers and rural women and men more broadly. It brings to this dialogue its knowledge and understanding drawn from its concrete operational experience, which will be strengthened under IFAD10 through the implementation of a publications strategy aimed at mining IFAD's knowledge more methodically. During IFAD9, IFAD began to expand its engagement in international policy processes, participating in the G8 and G20 deliberations, in the United Nations Secretary-General's High-Level Task Force on the Global Food Security Crisis, in the ongoing post-2015 development goal setting, and as a member of the Steering Committee of the Global Agriculture and Food Security Program. IFAD has worked with FAO to produce papers on gender in agriculture and has contributed to the State of Food and Agriculture, and served on the Committee for Food Security. IFAD brings a very specific perspective to global agriculture debates, focusing on smallholders, rural poor people, rural women and indigenous peoples. Increasingly, IFAD's counsel is sought on these issues, as well as on climate change, land and public-private partnerships. This work will continue to expand during IFAD10.

VII. Expected outcomes and impact

45. The targeted outcomes of the programme will be developed in a separate document entitled "IFAD10 Results Measurement Framework".¹⁸ However, based on the approach adopted for IFAD9, a provisional range of targets relative to IFAD's delivery and development impact have been identified. For both delivery and development impact, three alternative target levels have been established, corresponding to the three alternative IFAD10 scenarios.
46. The targets for delivery are defined in terms of the numbers of people to be reached by IFAD-supported projects, and have been set at 100 million, 90 million or 80 million, depending on the level of the replenishment. The most recent Report on IFAD's Development Effectiveness, submitted to the Executive Board in December 2013, indicates that the number of beneficiaries receiving services from IFAD-funded projects rose from 59.1 million in 2011 to 78.7 million in 2012, reaching 87 per cent of the target of 90 million set for 2015, with the share of women beneficiaries at about 50 per cent. This suggests that the proposed targets for numbers of people to be reached are realistic and probably achievable.
47. The targets for impact are defined in terms of the numbers of people moved out of poverty by IFAD-supported projects. As for IFAD9, therefore, the impact targets for IFAD10 are set relative to the overall figures of people reached – at 90 million, 80 million or 70 million, depending on the level of the replenishment. However, the impact evaluation work for IFAD9 is still ongoing and the extent to which IFAD's current target of 80 million people taken out of poverty is being achieved is not yet

¹⁸ For the Third Session of the IFAD10 Consultations in October 2014; see also "The business model to deliver IFAD 10".

known. This means that the IFAD10 impact target may eventually need to be reviewed as IFAD learns more about its current performance in terms of impact.

Table 5
Actual (through IFAD8) and targeted number of poor rural people directly reached, and taken out of poverty, under each IFAD10 loan and grant programme scenario and compared with IFAD7, IFAD8 and IFAD9

<i>Replenishment</i>	<i>Millions of people</i>	
	<i>Reached</i>	<i>Taken out of poverty</i>
IFAD7 (actual)	33	n/a
IFAD8 (actual)	65	n/a
IFAD9 (target)	90	80
IFAD10 target		
High-case scenario	100	90
Medium-case scenario	90	80
Low-case scenario	80	70

48. In support of these impacts, outcomes to be targeted may include those related to:
- Increased incomes and enhanced food security and nutrition for rural people served by IFAD-supported projects and programmes, equitably divided between men and women;
 - Improved policy and regulatory frameworks for agriculture and rural development at local, national and international levels;
 - Strengthened and inclusive rural producers' organizations, benefiting men and women equally;
 - Strengthened institutional capacity for pro-poor agriculture and rural development, in particular in fragile states;
 - Smallholder agriculture better adapted to climate change and more effectively confronting environmental degradation; and
 - More sustainable natural resources (soils, water, forests, plant and animal life).

VIII. Conclusions

49. The needs for agricultural assistance to meet the objectives of developing countries related to rural poverty reduction, food security and development of rural economies continue to be large. Demand for IFAD loans and grants, and for its technical assistance, is high. Based on a country-by-country analysis, this demand is projected at about US\$5.5 billion for 2016-2018 (IFAD10).
50. Realistic projections of IFAD10 replenishment scenarios of from US\$1.34 billion to US\$1.53 billion allow scenarios for the IFAD10 PoLG at from US\$2.8 billion to US\$3.2 billion. IFAD's capacity to manage a programme of this size, and to mobilize cofinancing, has increased enormously in recent years, as witnessed by the high-quality projects and impacts documented in the IFAD9 midterm review. A high level of replenishment would permit IFAD to continue with this high level of impact, while shifting towards a smallholder agriculture development model that is more environmentally sustainable, profitable, and gender- and nutrition-sensitive. It is a model that partners not only with government and producers, but also with the private sector, from which much future cofinancing must come. The investment and policy models developed by IFAD have great potential for significant impact in IFAD10 and beyond. The directions in project and programme types summarized in this document have high success rates, as evidenced by the evaluations outlined in the IFAD9 midterm review. A generous level of replenishment will make possible an expanded poverty impact and a greater contribution to the achievement of the expected goals of the emerging post-2015 development agenda.