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Investing in rural people

Draft Report of the Consultation on the Tenth Replenishment of IFAD's Resources

Consultation on the Tenth Replenishment of IFAD's Resources — Third Session

Rome, 7-8 October 2014

For: **Review**

Contents

Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
CLEE	corporate-level evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operations
COSOP	country strategic opportunities programme
DSF	Debt Sustainability Framework
FAO	Food and Agriculture Organization of the United Nations
FSU	Field Support Unit
GEF	Global Environment Facility
HR	human resources
ICT	information and communications technology
IFI	international financial institution
M&E	monitoring and evaluation
MIC	middle-income country
MTR	midterm review
ODA	official development assistance
PBAS	performance-based allocation system
PoLG	programme of loans and grants
PoW	programme of work
4P	public-private-producer partnership
RIDE	Report on IFAD's Development Effectiveness
RIMS	Results and Impact Management System
SSTC	South-South and triangular cooperation
SCF	sustainable cash flow

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Executive summary

1. Agricultural growth is widely recognized to be a precondition for a country's economic structural transformation and a powerful vehicle for poverty reduction. Today, agriculture also needs to deliver global food security and improved nutritional outcomes, while also offering expanded employment opportunities, sustainably managing the natural resource base and remaining resilient to the effects of climate change. This agenda brings significant challenges, but also offers new opportunities to smallholders through expanding markets for food and environmental services, as well as providing new sources of growth and employment in larger rural economies. What is critical is to ensure that poorer rural households are able to access and benefit from these opportunities and are not further marginalized, and are able to better manage the growing risks they face.

2. After 10 years of growth and reform, IFAD is now recognized as a leader in the international development landscape, with a unique mandate and a proven, strong record of operational performance and development impact. Looking forward, IFAD has a clear vision of its role: to facilitate investment, support national and global policy processes, generate and share knowledge, and develop partnerships for smallholder agriculture and rural development, as its contribution to sustainable and inclusive rural transformation. Under the Tenth Replenishment of IFAD's Resources (IFAD10), it will draw and build upon the achievements of its recent performance to scale up its results.

3. At the same time, however, IFAD stands at a crossroads in terms of its financing model. The model of core replenishment contributions as the *sole* source of its external funding is unlikely to be adequate in the future, particularly if IFAD is to expand its operations to a level that is consistent with both the estimated demand for IFAD resources and the amount the organization has the capacity to absorb. This means that IFAD needs to look at new ways of mobilizing the resources it requires to fulfil the mandate it has been given by its Members. There is need for a renewed compact between Management and Membership to enable the organization to build a new financial model that will ensure its sustainability while at the same time equipping it to serve its range of Member States, enlarge its development impact and contribute meaningfully to the achievement of the post-2015 development agenda.

4. Members of the IFAD10 Consultation recognized IFAD's success in improving its operational effectiveness, its institutional effectiveness and efficiency, its financial capacity and management and its results management system. They agreed that IFAD contribute more to the eradication of rural poverty and hunger and to a process of sustainable and inclusive rural transformation. A broad set of commitments were agreed to enhance IFAD's efficiency, and its development effectiveness and impact – while at the same time putting the organization on a road to financial sustainability.

5. The agreed commitments are outlined in the main body of this report and summarized in the IFAD10 Commitment Matrix in annex 1. These commitments represent IFAD's improvement agenda for the IFAD10 period (2016-2018). This agenda is shaped around the following four themes.

    (i) **Operational effectiveness and efficiency.** In order to further strengthen its operational effectiveness under IFAD10, the Fund will:

    - Give explicit and consistent attention in all its operations to innovation, learning and scaling up.

- Mainstream three cross-cutting themes that are relevant to most or all country programmes and projects and critical to enhanced development outcomes and impact: adaptation to climate change, improved nutritional impact, and gender equality and women's empowerment.

- Consolidate strategic approaches around four key sets of issues – public-private-producer partnerships, country-level policy engagement, global policy engagement, and South-South and triangular cooperation.

- Develop increasingly differentiated approaches for countries in fragile situations, low-income countries and middle-income countries.

(ii) **Institutional effectiveness and efficiency.** Under IFAD10 the organization will take further steps to strengthen its business model in the following areas:

- Further enhancing the operations delivery model and tools, through partnership-building, knowledge management, country presence and a new grant policy.

- Strengthening the service delivery platform, through further improvements to IFAD's financial management systems, consolidation of the human resources management reforms begun in IFAD9, upgrading of the information and communications technology (ICT) architecture, and streamlining and reducing costs of other support services.

- Facilitating Members' review of IFAD governance arrangements.

- Further improving the efficiency of the business model.

(iii) **Building on IFAD's results management system.** Results management will continue to drive IFAD's delivery of stronger outcomes and development impact. The Results Measurement Framework for IFAD10 builds on that of IFAD9, and it enhances the strategic focus, performance management value, and alignment to IFAD's theory of change. IFAD will also expand its capacity-building support to monitoring and evaluation systems at country and project level, upgrade its Results and Impact Management System (RIMS), and put into place a multi-pronged strategy for impact assessment.

(iv) **Financing options for IFAD's future.** Members agreed that IFAD needs to examine the options for broadening its strategy for resource mobilization. These include options to expand the programme of loans and grants (PoLG): sustained mobilization of core and unrestricted complementary contributions through replenishment cycles; and borrowing to leverage IFAD's resources – as a first step borrowing from sovereign states and state-supported development institutions, and as a second exploring the scope for borrowing from the market by bond issuance. Options also include expanding the programme of work (PoW): supplementary funding and a more strategic and targeted approach to cofinancing. (Members expressed their general agreement with these options and the proposed next steps under each of them.)

6. **The financial framework for IFAD10.** The Consultation endorsed an overall financing framework for IFAD10 of [US$3.6 billion, to support an indicative programme of loans and grants of US$3.0 billion, as well as administrative and other budget expenditures, plus IFAD's share of debt relief under the Heavily Indebted Poor Countries (HIPC) Debt Initiative, amounting to US$0.6 billion. In order to realize this US$3.0 billion PoLG, and in line with the logic of the sustainable cash flow (SCF) approach used to determine the PoLG, the total requirement for core contributions from Member States amounts to US$1.44 billion.

7. The Consultation agreed to a target of [US$1.44 billion] for IFAD10 to be provided by Member States in the form of core contributions.

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I. Introduction

1. **Background.** At its thirty-seventh session in February 2014, the Governing Council adopted resolution 180/XXXVII on the Establishment of the Consultation on the Tenth Replenishment of IFAD's Resources (IFAD10). The Consultation was requested to review the adequacy of the Fund's resources, and to submit a report on the results of its deliberations and any recommendations thereon to the thirty-eighth session and, if required, subsequent sessions of the Governing Council. At its fourth session, on [19] December 2014, the Consultation finalized its report and recommended a draft resolution on IFAD10 to the Governing Council for adoption.

2. **IFAD in transition.** After 10 years of growth and reform, IFAD is now recognized as a leader in the international development landscape. It has a unique mandate in smallholder agricultural development and rural poverty reduction, and a proven, strong record of operational performance and development impact. Today it aims to make further improvements in these areas by consolidating its existing business model, while also mainstreaming some of the newer thematic issues on which it is working so as to achieve greater development impact.

3. At the same time, however, the organization stands at a crossroads in terms of its financing model. The model of core replenishment contributions as the *sole* source of its external funding is unlikely to be adequate in the future, particularly if IFAD is to expand its operations to a level that is consistent with on one hand, the estimated demand for IFAD resources, and on the other, the amount the organization has the capacity to absorb. This means that IFAD needs to start looking at new ways of mobilizing the resources it requires in order to fulfil the mandate it has been given by its Members.

4. Effective resolution of this issue will enable IFAD to address a second issue it faces: that of the shares of scarce replenishment resources it allocates to different categories of Member States. Expanded access to new sources of concessional resources will make it possible for IFAD to focus more of its member contributions on the poorest countries, while also responding to the development needs of middle-income countries (MICs). At this critical moment therefore, a renewed compact is needed between Management and Membership to enable the organization to build a new financial model. This will ensure IFAD's sustainability while at the same time equipping it to serve its range of Member States, enlarge its development impact and contribute meaningfully to the achievement of the post-2015 development agenda.

5. **Purpose and organization of the report.** This report summarizes the conclusions of the resource adequacy review carried out by the IFAD10 Consultation. It presents the recommendations for strengthening the Fund's delivery of development outcomes and improving its efficiency during the IFAD10 period for approval by the Governing Council. The report presents the strategic directions, reform agenda and key financial parameters for IFAD10. Further integral components of the Consultation's conclusions and recommendations are included in annexes as follows: IFAD10 Commitment Matrix (annex I); Results Measurement Framework 2016-2018 (annex II); Implementation status of IFAD9 commitments (annex III); Draft terms of reference for working group on IFAD's governance (annex IV); IFAD's agenda for improved nutrition (annex V); List of documents provided to the Consultation and other reference documents made available (annex VI); Draft resolution on the Tenth Replenishment of IFAD's Resources (annex VII); Members' contribution pledges to IFAD10 (annex VIII); and Debt Sustainability Framework compensation arrangements (annex IX).

II. The context for IFAD10

6. **New challenges and opportunities for smallholder agriculture and rural development.** The Food and Agriculture Organization of the United Nations (FAO) estimates that about 842 million people in the world are hungry. The total number of undernourished is down 17 per cent from 1990-1992, but further declines will be highly dependent on global food prices, since the world's poor spend over half their income on food. Rates of extreme poverty have been halved between 1990 and 2010 – with declines recorded in all regions; however, there are still 1.2 billion people living on less than US$1.25 a day. For IFAD, there are two critical associated points. The first is the fact that most of the world's extremely poor people no longer live in the world's poorest countries: three quarters of them live in countries that have reached middle-income status. The second is that poverty rates in rural areas are substantially higher than in urban areas, and 70 per cent of those living on less than US$1.25 a day – 840 million – live in rural areas, and most are directly or indirectly dependent on agriculture.

7. Agricultural growth is widely recognized as both a precondition for a country's economic structural transformation and a powerful vehicle for poverty reduction. It also contributes to food security and to reduced agriculture prices. Some developing countries have succeeded in achieving this growth. But agricultural sectors in many others will require profound changes if they are to deliver a twenty-first century agenda encompassing global food security and improved nutritional outcomes, expanded employment opportunities for rural people – particularly rural youth, rural poverty eradication, sustainable management of the natural resource base, and resilience to the effects of climate change. This must be achieved against a challenging backdrop of harsher environmental conditions, resource constraints and climate change; demographic transformations; and a track record of declining rates of agricultural productivity growth.

8. However, there are also new opportunities emerging for smallholder farmers and rural people. Growing urban demand for food in most developing countries – particularly higher-quality and higher-value products – has translated into a growing range of market opportunities for smallholder farmers. There are also new sources of non-farm growth and employment in rural areas, and in all regions a growing proportion of rural household income comes from the non-farm economy. Environmental service markets too are starting to offer rural people the possibility of deriving incomes from providing services such as ensuring downstream water supplies, safeguarding biodiversity or sequestering carbon. In all these dimensions, the challenge is to ensure that poorer rural households are able to access and benefit from the opportunities, and are not further marginalized by others better equipped to exploit them.

9. At the same time, the roles played by smallholder farmers, the private sector, governments and international development agencies are changing too. Farmers themselves are by far the largest investors in agriculture in developing countries; but levels of investment in the sector are growing as larger investors, both domestic and global, exploit new opportunities – with both positive and negative consequences for rural populations. Public investment by governments remains critical to provide the goods and services that can unlock the potential of smallholder farmers or enable them to diversify into non-farm activities. Governments also need to establish the enabling policy environment for investment, and create the incentives and rules that encourage the private sector – from smallholder farmers to global agribusiness – to invest in agriculture, and increase the efficiency and sustainability of their investments.

10. Flows of official development assistance (ODA) from international development agencies comprise a declining and relatively minor share of agricultural investment, but they can be important for some low-income countries, enabling them to plug

major funding gaps. For many more, including many MICs, ODA can serve to catalyse private investment in the agricultural and rural sector and help governments strengthen their policies and add value to the quality of public investment in the sector. Increasingly, this is the role that IFAD is being called on to play, and it will become ever-more important under IFAD10.

11. **IFAD's performance under IFAD9.** In February 2012 the IFAD Governing Council adopted resolution 166/XXXV on the Ninth Replenishment of IFAD's Resources, covering the period 2013-2015. The target Member contribution level was set at US$1.5 billion, an increase of 25 per cent over IFAD8, in order to finance and implement a three-year programme of loans and grants (PoLG) of US$3 billion, equal to that of IFAD8. The support given to IFAD9 reflected both the Members' increased concern with the state of global food security and rural poverty, and their confidence in IFAD's capacity to undertake a more effective programme of work (PoW). In turn, IFAD committed to improving its operational effectiveness; increasing its institutional effectiveness and efficiency; strengthening its financial capacity and management; and enhancing the results management system. A midterm review (MTR) of IFAD9 has reported on progress made and the results achieved through 2013, and the prospects for the delivery of all IFAD9 commitments within the remaining two years of IFAD9 (2014 and 2015).

12. To improve its **operational effectiveness,** IFAD has been continuously strengthening its business model. Reformed quality enhancement and quality assurance processes have contributed to raising the quality of projects at entry, as has the requirement that all projects now undergo an economic analysis. Direct supervision has enabled IFAD to support project implementation more effectively; while increased country presence, through 40 country offices, has brought it closer to its clients. IFAD has also taken measures to improve its aid effectiveness, mainstream scaling up, differentiate its approach according to country context, deepen its engagement in country-level policy processes, step up its engagement with the private sector, promote gender equality and women's empowerment, expand its work on nutrition, and build its Adaptation for Smallholder Agriculture Programme (ASAP) – now the largest climate change initiative for smallholder farmers worldwide. A new knowledge management framework and staff training assist all these efforts. A capacity-building initiative aims to enhance management of IFAD-financed projects in fragile states; and support is being provided to national monitoring and evaluation (M&E) systems. A variety of initiatives for South-South and triangular cooperation (SSTC) have been launched. Partnerships have been strengthened and expanded, including with the other Rome-based agencies (RBAs). IFAD has also taken an active role in global policy discussions, and particularly on the post-2015 development agenda.

13. IFAD has also done much to improve its **institutional effectiveness and efficiency.** It has introduced strategic workforce planning to ensure optimal use of resources and contain costs. In collaboration with the other RBAs, it has achieved significant savings in procurement and travel costs. IFAD is also upgrading its information and communications technology (ICT) systems to further streamline business processes. In response to the corporate-level evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operations (CLEE), IFAD has revised and consolidated its action plan to enhance efficiency. It has also submitted proposals to the Executive Board to reduce the costs of the governing bodies, many of which have been approved. It has rolled out a series of reforms in human resources management, and it worked closely with the International Civil Service Commission in a review of the General Service staff salary scale in Rome.

14. To strengthen its **financial capacity and management,** IFAD has built capacity in the newly created Financial Operations Department and Budget and Organizational Development Unit. It has implemented a new financial model using the sustainable cash flow approach. The Executive Board has endorsed the

submission to the IFAD10 Consultation for consideration a proposal for compensation of forgone principal, arising from the adoption of the Debt Sustainability Framework (DSF) in 2005, to be initiated during the IFAD10 period. A revised Lending Policies and Criteria document came into force in 2013, so aligning IFAD's products with those of other comparable international financial institutions (IFIs). IFAD has also actively engaged with non-Member States, and a number of new countries have joined the Fund.

15. In order to enhance the **results management system,** the results measurement framework and the project self-assessment system have both been strengthened, more attention is being paid to supporting project M&E systems, and work on project impact evaluation has begun (see paragraphs 79-82).

16. Overall, a good start has been made on addressing the IFAD9 commitments. All 56 commitments are either wholly on track (41) or on track with minor implementation issues only (15). Priority areas for continuing improvement include reducing delays in the project cycle, enhancing aid effectiveness, ensuring simplicity of objectives and activities in fragile states, improving national M&E systems, raising operational efficiency and sustainability and scaling up results for greater impact, and enhancing institutional efficiency.

17. These provide the starting point for IFAD's operational and institutional agenda under IFAD10.

18. **Post-2015 development agenda.** The context within which IFAD will operate during IFAD10 will be profoundly shaped by the post-2015 development agenda on which the world's nations will agree in 2015. IFAD has actively engaged in discussions on the agenda with Member States and other stakeholders on issues around its mandate and area of expertise; and while the agenda is still to be finalized, it is probable that the elimination of extreme poverty by 2030 will be the first goal for the post-2015 period. Many of the other themes that have emerged in draft documents will be of relevance for IFAD; these include the focus on hunger, nutrition, sustainable agriculture, gender equality and women's and girls' empowerment, sustainable energy, inclusive economic growth, employment and decent jobs, sustainable production and consumption, climate change, sustainable use of ecosystems, land degradation and biodiversity loss.

19. At this stage, it is possible to highlight three points of particular relevance for IFAD. First, with each of the new goals, a set of targets will likely be agreed to. Many of these will be "zero targets": that is to say they will seek the complete elimination of poverty or hunger for example; and as such they will raise the level of ambition of, and demands upon, the international community. Second, the agenda will likely reaffirm the importance of strengthening international cooperation to address the challenges related to sustainable development, in particular in developing countries; and it will recognize the importance of developing a broad alliance of people, governments, civil society and the private sector to achieve sustainable development. And third, given the probable goals and/or targets, it is clear that investment in smallholder agricultural development, rural transformation and rural poverty eradication – the roles that IFAD has been mandated to play – will play a key part in the achievement of the agreed outcomes. IFAD will thus have an important contribution to make in achieving the post-2015 development goals.

20. **Implications for IFAD10.** Looking forward, IFAD needs to respond effectively to the evolving challenges of, and opportunities for, smallholder agricultural development, rural transformation and rural poverty eradication, while at the same time drawing and building upon the achievements of its recent operational performance to do so. It must respond to these challenges and opportunities using a flexible approach, tailored to the changing development conditions and specific country circumstances. IFAD will need to work within the context of the post-2015 development agenda, and it will have to contribute to its realization. Key among

the implications are the requirements that IFAD build upon the projects it supports to achieve systemic solutions for sustainable development impact, and that it draws on its expertise to work in partnership with others to achieve the scaling up of successful approaches that is so critical to achieve sustainable development.

III.   **What IFAD brings**

21.   **IFAD's vision and role.** IFAD's Strategic Vision is one of inclusive and sustainable rural transformation. It is one of diversified, thriving rural economies that are linked to cities and that support – and are supported by – a process of sustainable urbanization. This requires the emergence of a productive, commercial, sustainable and inclusive agricultural sector, delivering high-quality foods for a growing population, agricultural products for further processing, and a range of critical environmental services and global goods. Inclusive and sustainable rural transformation will mean that in all regions rural populations will eventually decline – as is already the case in some parts of the developing world – and that the livelihoods of rural people will evolve. There will be less full-time smallholder farmers, yet those who remain will likely expand their cultivated area as they develop increasingly commercially oriented production systems. Many other rural people will cease to farm, or will do so on a part-time basis only, as they move into other economic activities. Many of these will be linked to agricultural value chains, but increasingly non-agricultural activities and services will emerge in the rural areas, offering livelihoods for growing numbers of people.

22.   IFAD's role is to contribute to facilitating that process of rural transformation, and in particular, to promote its inclusiveness. Rural populations can be highly heterogeneous, and IFAD's very specific task is to support rural households and communities who may otherwise be excluded from economic opportunities and unable to move out of poverty without targeted public support, often because they live in remote or conflict-affected areas. To this end, IFAD facilitates both public and private investment; it supports national and global policy processes; it generates and shares knowledge; and it develops partnerships for smallholder agriculture and rural economic development.

23.   As a critical part of its mandate, IFAD supports rural people as smallholder producers, helping them to sustainably increase their agricultural productivity and link up to modern value chains, while remaining resilient to the effects of climate change. It does so because the vast majority of rural people in developing countries today still depend at least in part on smallholder agriculture. And because smallholder agricultural growth represents a powerful and cost-effective way to reduce poverty and inequality, and stimulate the non-farm rural sector and overall economic growth. IFAD also believes that smallholders represent a critical engine of food supply, and that they can contribute far more than they currently do to food security and nutrition, the environment and climate change agenda, and the sustainability of food systems. Well-conceived and targeted investments and policies aimed at smallholders can promote the empowerment of women and gender equality; they can catalyse private investment to sustain and expand development outcomes; and they can contribute to reducing conflict, since violence in impoverished areas is usually intimately related to the problem of ensuring food security. But because smallholder agriculture will not be the future for everyone, IFAD also supports those sections of the rural population, often the poorest and most vulnerable, who are less able to make it as commercial agricultural producers or have no aspirations to do so – to move beyond farming and to build livelihoods in the larger non-farm rural economy.

24.   **IFAD's theory of change.** IFAD's unique role in contributing to inclusive and sustainable rural transformation is built upon a theory of change. This starts with a commitment to ensuring its institutional effectiveness and efficiency in the mobilization, allocation and efficient utilization of financial and human resources.

Strong institutional performance underpins the improved operational performance of IFAD-supported projects; and ultimately ensures that project outputs deliver development outcomes: beneficiaries – rural women and men –increasing their productivity and incomes, building their organizations, and strengthening the resilience of their livelihoods and ecosystems to shocks and climate change. Key activities for influencing operational performance are effective country programming and project design, as well as support for project implementation and national processes to strengthen policies for smallholder agriculture and rural development.

25. The projects IFAD supports, as well as the policy processes in which it engages, the knowledge it gathers and shares, and the partnerships it develops to carry them out, together make up IFAD's country programmes; and it is these that deliver development impact – assessed above all in terms of the numbers of rural people moved out of poverty. IFAD's efforts can be enhanced further by, for example, intensifying engagement in global and regional policy forums and platforms, greater support for SSTC, increased leveraging of responsible private-sector investment in agriculture, and expanded partnerships for agricultural research and innovation. In addition, success in realizing the global agenda ultimately depends on collective efforts by the international development community and partner countries. Proactive partnership and coordination at global and regional levels are also critical to ensure that efforts are combined for enhanced impacts.

26. IFAD's theory of change underpins its results measurement framework (see IFAD10 Results Measurement Framework 2016-2018), which provides a basis for assessing how well IFAD is performing at different points of the impact pathway. This impact pathway is reflected in the RMF's five interlinked levels of results, covering institutional effectiveness and efficiency; operational effectiveness of IFAD-supported programmes and projects; IFAD-supported country-level development outputs; IFAD-supported country-level development outcomes and impact; and global poverty, hunger and agricultural development outcomes and impact.

27. **IFAD's comparative and absolute advantage**. IFAD is well positioned to play a substantive role in the realization of the global development agenda. In the domain of smallholder agricultural development, rural transformation and rural poverty reduction, IFAD's advantage is comparative relative to other international development agencies, and it is also absolute. It has close to 40 years of operational experience and it is perhaps the only organization to have acquired such a vast knowledge of what works, and what does not work, in supporting national efforts in rural poverty reduction. Its spread and outreach, in terms of the number of countries it works in, is a major strength: it enables it to draw out diverse experiences, share lessons learned, and bring successes from one country or region to another.

28. Often working in the most remote rural areas, IFAD has a unique focus on rural people and their livelihoods: it places smallholder farmers, pastoralists, artisanal fishers and other rural entrepreneurs and workers at the centre of its programmes – while targeting the particular needs of women, indigenous peoples and, increasingly, youth among these groups. In focusing on rural people, IFAD recognizes that poverty is usually associated with lack of power – social, economic and political – and supporting processes to empower poor rural people individually and collectively is today a hallmark of IFAD's approach. So too are partnerships with their organizations – of farmers, pastoralists, indigenous peoples, savers and the like – and a focus on helping them strengthen their capacities, accountability and representation.

29. In recent years, IFAD has defined its role with increasing clarity: it promotes and finances innovative approaches and technologies to reduce rural poverty at the local level. It is now taking larger strides to ensure that lessons captured from

these innovations are scaled up for greater impact wherever possible. Beyond larger programmes, scaling up means supporting changes in national policies, galvanizing the actions of rural people's organizations, incentivizing private-sector investment, and creating sustainable long-term impact by connecting small-scale producers to inclusive value chains. This clarity of purpose is reflected in IFAD's solid Results Measurement Framework, which has enabled the organization to demonstrate strong and positive results in terms of its institutional efficiency, its operational effectiveness, and its development impact. Finally, its knowledge and constant presence in the agricultural rural sector, combined with the ability to bring resources to support national policies and programmes – without imposing preconceived solutions – means that IFAD is a trusted partner of the governments of many developing Member States. In many cases, this enables it to be a bridge builder between governments, civil society and the private sector.

30. While IFAD has a comparative and absolute advantage, it is one firmly rooted in the areas covered by its mandate to invest in rural people, often in remote areas. It has specialized experience and knowledge and a clear and defined focus, which complements the approaches of many other international development organizations – bilateral agencies and in particular IFIs such as the World Bank, as well as the regional development banks, which tend to focus more on general support for rural infrastructure and social services. At the same time, IFAD partners with national and international governmental and non-governmental organizations with complementary areas of expertise, and with the other Rome-based agencies, to identify innovative solutions and scale them up to a level where national governments can sustain programmes at scale. Looking forward, IFAD will continue to focus on the areas it knows and on which it has built its reputation, while at the same time working in partnership with others to address development challenges that go beyond its area of specialization or to leverage its experience and knowledge for greater development impact. The organization is aware of the risk of mission creep, and will avoid it.

IV. Operational effectiveness and efficiency

31. **Priorities under IFAD10.** The specific goals, targets and indicators associated with the post-2015 development agenda are yet to be agreed upon. Once they are, they will provide an overarching framework for IFAD's work, just as the Millennium Development Goals have done in the period up to 2015; and IFAD's operations will be oriented towards maximizing the organization's contribution to the achievement of the post-2015 development goals. IFAD's Strategic Vision[1] of inclusive and sustainable rural transformation responds to this emerging framework, while building on the organization's strategic position in the international development architecture, the comparative advantage it has gained, the changing context for smallholder agriculture, and the proposal by IFAD of a policy framework for rural transformation as an integral part of the post-2015 global development agenda.

32. The development goal for the IFAD10 period will be to enable [80 million] rural people to move out of poverty. In order to implement IFAD's Strategic Vision and, specifically, achieve this goal, a series of operational priorities for IFAD10 have been defined. These are based on the PoW for IFAD10 prepared for the second Consultation session, and the issues raised by members during the course of the IFAD10 Consultation. The priorities are outlined below, and reflected in the Commitment Matrix (annex I). Their starting point is the centrality of **innovation, learning and scaling up** to all of IFAD's operations. They include three cross-cutting themes that are relevant to most or all country programmes and projects and are critical to enhanced development outcomes and impact: **adaptation to climate change, improved nutritional impact, and gender equality and**

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[1] A Strategic Vision for IFAD 2016-2025: Enabling inclusive and sustainable rural transformation (IFAD10/2/R.2.).

women's empowerment. These themes will be emphasized under IFAD10, and mainstreamed in IFAD's PoW to support the scaling up agenda. The operational priorities also include four key sets of issues – **public-private-producer partnerships, country-level policy engagement, global policy engagement, and South-South and triangular cooperation** – where strategic approaches already developed will be consolidated under IFAD10. Finally IFAD will develop increasingly **differentiated approaches for middle-income countries and countries in fragile situations.**

33. In 2015, the agreed priorities for IFAD10 will be formulated into an operational Strategic Framework. This, IFAD's fifth Strategic Framework, will present IFAD's overarching goals, objectives and thematic areas of focus from 2016 and for the medium-term. In addition, it will likely articulate principles of engagement that will guide IFAD-supported operations and determine how IFAD will deliver against the framework. It will be the primary point of reference for all operational staff and consultants.

34. **Innovation, learning and scaling up.** Under IFAD10 there will be an explicit focus on innovation, learning from that innovation, and scaling up for expanded and sustainable impact. This process will become the raison d'être of IFAD operations, and it will be pursued comprehensively. Projects will not be seen as an end in themselves, but as a means to a greater end – bringing about systemic change in support of rural poverty eradication; and under IFAD10 they will be structured to ensure that this continuum of innovation-learning-scaling up works effectively. They will be designed to enable governments to draw on IFAD's technical expertise and experience in designing and supporting national efforts to eradicate rural poverty. They will be structured to offer opportunities to innovate in a range of ways that respond to the specific challenges faced by different types of smallholder farmers. These will include using new technologies and approaches that respond to smallholders' diverse needs; building new forms of partnerships with organizations of rural people, the private sector, and other development partners; and accessing new sources of investment from financial service providers, the private sector and rural people themselves – including through remittances. With a strong focus on effective M&E and knowledge management systems to analyse the drivers of success, programmes and projects will serve to enable governments – and IFAD itself – to draw out the lessons of the implementation experience and to use the evidence to reshape policies, institutions and practices for expanded impact in terms of rural poverty reduction.

35. In order to establish a systematic approach to scaling up results, IFAD will develop a series of tools, guidance notes and training events. It will also elaborate a new operational framework to define the business processes, financial instruments, incentives and procedures that need to be put in place to move the scaling up results agenda forward, while ensuring that it has the capacity and resources to do so. Most of this preparatory effort will take place in the course of 2015 so that implementation of the scaling up process can take place during IFAD10. This will ensure that all project design documents under IFAD10 will include strategies for innovation, for knowledge management and for scaling up.

Mainstreaming cross-cutting themes

36. **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; and it is stimulating a rapid programme of climate mainstreaming so that the climate risk to IFAD's portfolio is minimized. The ASAP, launched in 2012, was designed to build on IFAD's long history of work on natural resource management by incentivizing the inclusion of climate-change-related risk factors more explicitly in IFAD-supported project designs and implementation. This climate risk inclusion has so far led to three main ways in which projects are evolving: better analysis through the preparation and use of vulnerability analyses that take into account

climate-related and other threats; more innovation through the addition of more climate-risk-related activities to projects; and the scaling up of sustainable agriculture techniques. This approach has led to a measurable improvement in country strategic opportunities programmes (COSOPs) and project designs related to climate change, but data suggest that approximately 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, with climate change explicitly factored into all COSOPs and project design reports.

37. To achieve this, IFAD will implement a 10-point plan to achieve 100 per cent climate mainstreaming by 2018, comprising: (1) further integration of climate risk screening into the review process for all IFAD projects and COSOPs; (2) roll-out of a second phase of IFAD internal training on climate integration; (3) designation of a Senior Management "climate champion" to help guide and promote the mainstreaming agenda; (4) increased technical support for climate mainstreaming; (5) expanded use of the Global Environment Facility (GEF) and other cofinancing resources; (6) use of IFAD grants as a tool for climate mainstreaming at the country level; (7) in partnership with the RBAs, implementation of a scaled-up programme on the use of satellite/global information system tools; (8) exploration of the scope for a climate vulnerability index for possible inclusion in the performance-based allocation system (PBAS) formula; (9) expansion of communication and knowledge-sharing on lessons and results from IFAD's climate-related work; and (10) expansion of IFAD's role in managing climate finance.

38. 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 this ambitious and result-based commitment by Management to climate mainstreaming; (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 GEF and possibly the Green Climate Fund.

39. **Improved nutrition impacts.** Although improving the nutritional status of the poorest rural people is a fundamental objective of IFAD, the focus of IFAD's past investments was on increasing agricultural production and farm income. However, it is now recognized that these results alone have limited impact on improving nutrition. IFAD's evolving approach therefore draws on an understanding of how agriculture can help shape the food system as a whole in ways that improve nutrition and diet quality, especially for women and young children. It seeks to mainstream nutrition into agricultural and rural development activities by working to increase the nutrient value of foods, link production to consumption through education, and partner with other sectors to optimize impact on nutrition. Investments, for example, orient supply chains towards improving nutrition by promoting the use of micronutrient-rich crops and increasing the demand for and supply of more diverse foods. Other actions support homestead production and farm-level nutrition knowledge around food quality, storage, preservation and preparation.

40. To leverage the contribution of agriculture to nutrition during IFAD10, a nutrition lens will be used at each stage of the project cycle, from design through implementation. Projects will increase support for nutrition-sensitive country strategies and project design – under IFAD10 all COSOPs and a third of all projects will be expected to review nutritional status – and for country-level policy dialogue around the contributions that agriculture and smallholders can make to nutrition.

41. In order to: (a) support country actions at national and local levels to make agriculture more nutrition-sensitive, (b) improve IFAD's capacity for design,

coordination, implementation and evaluation, and (c) fund the investments themselves, IFAD will require additional resources. These could include increasing core contributions, on the basis that improved nutrition should be part of IFAD's core business; and attracting unrestricted complementary contributions on the basis of an ambitious and results-based commitment by Management to mainstream nutrition impacts by 2018.

42. **Gender equality and women's empowerment.** Significant progress has been made in implementing IFAD's 2012 Policy on Gender Equality and Women's Empowerment. Women's representation among people receiving services from IFAD-supported projects has continued to increase (37 million in 2012) and women now account for almost half of all beneficiaries. Women dominate training in business and entrepreneurship (84 per cent) and rural financial services (over 70 per cent of both savers and borrowers). Over 90 per cent of projects are found to have moderately satisfactory or better gender impacts. However, there is still more to do, as women continue to have less access to assets such as land, water, labour and education, reducing their productivity and income.

43. Under IFAD10, the organization will consolidate its leadership on innovative measures to promote rural women's empowerment, and its position as a leading agency in this area. The principal thrust of the project approach will be to promote economic empowerment that enables rural women and men to have an equal opportunity to participate in, and benefit from, profitable economic activities. This will be flanked by efforts to reduce the labour burden of rural women and increase their voice in decision-making at all levels. IFAD will apply a system of markers to reflect the maturity of projects at design, implementation, completion/evaluation stages from a gender perspective. It will incorporate gender concerns in its knowledge-sharing and capacity-building. It will strengthen the gender perspective of the RIMS by drawing on key elements of the Women's Empowerment in Agriculture Index. The organization will also build on the activities initiated during IFAD9 to conduct an ex ante analysis of the gender-sensitivity of IFAD's loan portfolio, and mainstream gender into project cycle management training. It will also monitor the share of staff costs/time dedicated to gender issues.

Consolidation of strategic approaches

44. **Public-private-producer partnerships.** Evidence suggests that agriculture-led growth offers a powerful vehicle for broad-based poverty reduction. However, the purely commercial incentives that motivate large agribusiness investments generate value chain structures and distributional outcomes that are not inherently pro-poor. Responsive public intervention in support of smallholder participation in agricultural value chains can make them more inclusive, and simultaneously provide a meaningful approach to poverty reduction, environmental stewardship and efficient primary production. For this reason, in recent years, IFAD has been widening the government-led focus of its country strategies and projects to promote increased involvement of the private sector with greater attention to value chain development, commercialization and access to markets.

45. By engaging the national and international private sector and helping to reduce the risk and transaction costs they face in dealing with smallholder producers, the projects IFAD supports can leverage complementary private-sector investment to create new markets for those producers. IFAD's private-sector engagement strategy is thus premised on building mutually beneficial partnerships between the public sector, the private sector and small rural producers – public-private-producer partnerships (4Ps) – and supporting the development of inclusive agricultural value chains that empower smallholder farmers to sell to more stable, bigger or higher-value markets. IFAD has already gained operational experience in promoting 4Ps and it has obtained promising results in discrete cases. However, its mainstreaming 4Ps into projects is at times challenged by hesitant governments and lack of access to services and expertise to pursue these partnerships successfully. To address

these challenges, and further build on its experiences in successfully brokering private-sector partnerships, IFAD is currently developing an initiative that would identify and broker potential 4Ps in selected IFAD-supported projects, while maximizing the learning process.

46. Under IFAD10, IFAD will expand private-sector participation in the projects it supports through value chain financing and the 4P mechanism, and assess the viability and effectiveness of this approach to sustainably increase private-sector investment in the smallholder agricultural sector while also increasing the access of small farmers to markets and improving their livelihoods.

47. **Country-level policy engagement.** Country-level policy engagement is an important vehicle for scaling up and leveraging systemic change in the conditions facing poor rural people. Under IFAD9 the organization has made substantial progress in developing an agenda for country-level policy engagement: it has strengthened its in-house capacity; clarified its understanding of how IFAD and IFAD-supported projects can best contribute to national policy processes; introduced a consistent focus on country-level policy engagement into the quality enhancement process for programmes and projects; conducted a stocktaking of country-level policy activities in the regional divisions and strengthened the framework for reporting on policy engagement at the country level; and used supplementary trust fund resources to create a dedicated funding window for supporting policy activities outside the framework of project financing.

48. Under IFAD10, country-level policy engagement will have four broad objectives: (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 the responsible institutions; and (d) strengthening the capacity of national stakeholders to participate effectively in policy processes and shape national policies. Specific activities will include policy analysis; supporting local institutions – both government and those of rural civil society; creating policy space and supporting policy processes; and promoting regional and South-South learning and exchange. Partnerships – with governments and rural people's organizations, the private sector, and other development partners – will all be critical for this agenda. Under IFAD10, all COSOPs and project design reports will define a specific approach for country-level policy engagement.

49. **Global policy engagement.** The policy context for agricultural development and rural poverty eradication at the national level is shaped in part by the global policy context. For this reason, IFAD has become an increasingly active player in global policy discussions, in order to influence the agenda in favour of the interests of smallholder farmers, and rural women and men more broadly. It brings to this dialogue the knowledge and understanding drawn from its operational experience, which will be strengthened under IFAD10 through the implementation of a publications strategy aimed at mining IFAD's knowledge in a more methodical manner. During IFAD9 the organization began to strengthen the strategic focus and coordination of its engagement in international policy processes. It defined an approach to better coordinate this engagement, prepared a corporate plan for work in this area, and created a community of practice to enhance communication and effectiveness across the house. IFAD actively participated in the work of the G20 in the areas of development and food security, was deeply involved in the process to strengthen the Committee on World Food Security and the preparation of some of its key deliverables, and took part in the ongoing dialogue around the post-2015 development agenda. It continued to engage in policy debates about development effectiveness and responsible agricultural investment. It also continued to advocate for greater recognition of the role of agriculture in addressing climate change.

50. IFAD brings a specific perspective to global debates on agriculture and food security, as it does to debates on rural poverty, inclusive growth, and inequalities. Increasingly, IFAD's counsel is sought on these issues, as well as on climate change, land, financial inclusion and remittances, and public-private partnerships. Current priorities for international policy engagement are the definition of a new global agenda for development; the elaboration of new frameworks and modalities for development financing; continued support to strengthening the Committee on World Food Security (CFS) and the implementation of its outcomes; and promoting more enabling policy conditions for the empowerment of rural women. Under IFAD10, IFAD will continue to define corporate-level priorities for international policy engagement, with a focus on areas where it has a specific comparative advantage rooted in IFAD operations and that are in turn critical to fostering and supporting its vision of rural transformation, and it will prepare strategies for each specific engagement.

51. **South-South and triangular cooperation.** In the context of a multipolar world, countries from the South account for a significant – and increasing – share of the world economy. SSTC is a reflection of the growing interest of countries of the southern hemisphere in strengthening their relations with each other, by sharing their knowledge, technology and expertise, and learning from each other's experience. IFAD's role, which is played out exclusively in the areas of smallholder agriculture, rural transformation and rural poverty reduction, is to identify knowledge, experiences and good practices in one country that can be of value to stakeholders in other countries, and to broker knowledge-based relationships between them. It is a role that is played out in IFAD's country programmes and projects, as well as in the regional/global policy arena; and it is one that is facilitated through the use of IFAD's regional grants. Under IFAD9, IFAD has stepped up its support to SSTC. An ongoing stocktaking of IFAD's evolving approach and performance to date in over 40 countries, has found the main activities to promote SSTC are exchange visits and study tours for project staff, cross fertilization on country programming, project staff training, capacity development for farmers' organizations, and partnerships with the private sector.

52. Under IFAD10, IFAD plans to expand the work in this area, seeing it as an integral part of its business model. Grants will be used proactively to support SSTC, and discussions have already taken place with interested Member States regarding the scope for establishing a trust fund in this area. A minimum of 50 per cent of COSOPs will include an approach for SSTC as part of the country programme.

Differentiated approaches for countries in fragile situations, low-income countries and MICs

53. Recognizing that the challenges and opportunities in middle-income countries are substantially different to those in low-income countries and countries in fragile situations, IFAD Member States have called for clearer differentiation in IFAD's approach to engagement in different contexts. As a principle, IFAD's approach to programme and project design is to align interventions, on the one hand with its own policies and on the other with the stated needs and strategies of its partner countries, rather than pursue formulas based on country categories. Nevertheless, IFAD has learned important lessons from its operations in countries in fragile situations and in MICs, and the broad direction of future operations in these countries is discussed below.

54. **Countries in fragile situations** cut across different categories: they can be MICs as well as low-income countries. They can experience country- or area-specific fragility; they may be fragile in some respects and not others, and they may also move in and out of conditions of fragility. Some countries in fragile situations have recently emerged from conflict. Approximately one third of all those living in extreme poverty (400 million people) live in what are defined as fragile states, and fragile states make up 40 per cent of the countries in which IFAD has operations.

IFAD's 2013 assessment of its performance in fragile states pointed to difficulties in project implementation: it found that projects are less likely to be well managed, and significantly less likely to be sustainable after external funding runs out. It pointed to the need for project designs to be simple, and to concentrate on helping rural people – particularly women – and their community-level organizations to build resilience and capacity to cope with shocks. Partnerships with NGOs and civil society organizations can be particularly helpful in this regard. In light of this, IFAD is sharpening its focus on building capacity and strengthening institutions to better support countries in fragile situations in delivering development results, and it will continue to do so under IFAD10.

55. Generally, countries in fragile situations demand greater involvement by IFAD in supervision and implementation support, and IFAD has included a country's fragility as one of the criteria in prioritizing the location of new IFAD country offices (by the end of IFAD10, almost half of IFAD's expected 50 country offices will be in fragile states). Under IFAD9 a partnership was developed with FAO to provide hands-on technical assistance to problem projects in 10 countries in fragile situations. In addition, IOE is currently undertaking an evaluation of IFAD's work in fragile states which will be issued in 2015. Under IFAD10, IFAD will prepare a strategy for IFAD's work in countries in fragile situations that takes into account the lessons of the partnership with FAO, as well as the recommendations of the evaluation. This will be submitted to the Executive Board in April 2016.

56. **MICs.** MICs too are a varied group of countries. GNI per capita ranges from just over US$1,000 (the minimum for a lower-middle-income country) to almost US$13,000 (the maximum for a higher-middle-income country); their poverty rates vary from over 60 per cent (e.g. Swaziland) to less than 5 per cent (e.g. Bolivarian Republic of Venezuela, Turkey) and their rural populations from less than 10 per cent of the total population (e.g. Uruguay) to more than 70 per cent (e.g. Viet Nam). Some MICs are also fragile states. More and more countries are gaining MIC status: between 2000 and 2010 the number of low-income countries fell from 63 to 35, while the number of MICs increased from 92 to 109. Approximately 30 per cent of IFAD's PoLG is committed to MICs, showing that this group of countries represents an important, though not disproportionate, share of the organization's operations.

57. The 2014 IOE evaluation synthesis of IFAD's engagement in MICs confirms the value of IFAD's role in these countries. It argues that: "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". IFAD Management shares IOE's view. First, some MICs have large numbers of rural poor, including smallholders, or deep pockets of rural poverty, or particularly fragile regions where IFAD can target its support. Second, IFAD is a unique source of technical expertise for MICs, helping their governments to tackle problems they do not know how to resolve: developing and testing innovative approaches for rural poverty reduction; drawing out and analysing the experience gained; and assisting them in developing national policies, strategies and institutions that can build on the lessons learned. Third, IFAD is a membership-based organization, and as such all interested Members – including MICs – may wish to draw on the services that IFAD can offer them. And fourth, MICs borrowing on ordinary and blend terms make a critical contribution to IFAD's financial viability through their repayment of their loans and the interest incurred on them.

58. To improve its services to MICs, IFAD has amended its General Conditions for Agricultural Development Financing to facilitate lending to MICs in currencies other than special drawing rights, a preference of several MICs in the Latin America region. In addition, in 2012 the Executive Board approved an instrument establishing a reimbursable technical assistance programme to serve MICs that seek only technical support from IFAD. The first projects under this programme are

currently under development. Under IFAD10, IFAD will develop procedures, consistent with the reimbursable technical assistance instrument, and will expand the use of the tool to respond to Member States' demand.

59. The issue of the proportion of scarce replenishment resources going to MICs is an important one for some Member States. However, expanded access to market-based financial resources will make it possible for IFAD to focus more of its replenishment-based resources on the poorest countries, while also responding to the legitimate financing needs of MICs and making available to them funds at a rate that is concessional in relation to commercial rates. It is agreed that a phased approach is necessary in order to respond to the concerns of all Members. As and when IFAD is able to mobilize additional resources through borrowing, two key actions will be taken. First, the PBAS Working Group of the Executive Board will re-examine the PBAS formula, with a view to it giving greater weight to lower-income countries; IFAD will provide the working group with scenarios of allocations resulting from adjustments in the formula to provide indications of possible changes in country allocations and establish targets for additional financing. Second, IFAD will update its MIC strategy, and submit it for the approval of the Executive Board. The strategy will be guided by the Executive Board's review of the IOE findings, as well as by the approach used by the International Development Association/ International Bank for Reconstruction and Development.

V. Institutional effectiveness and efficiency

60. **Priorities under IFAD10.** As described in paragraph 13 above, IFAD has done much under IFAD9 to improve its institutional effectiveness and efficiency. Yet despite the progress made, under IFAD10 the organization will need to take further steps to enhance its business model, both to consolidate those gains and to better equip itself to respond to emerging opportunities and challenges. These steps will not involve dramatic changes of direction. There are four major areas for action: (a) further enhancing the operations delivery model and tools; (b) strengthening the service delivery platform; (c) facilitating members' review of the governance arrangements; and (d) further improving the efficiency of the business model.

A. Further enhancing the operations delivery model and tools

61. **Partnership-building.** IFAD is operating in an increasingly dynamic context, in which partnerships play a key role in providing solutions for complex development challenges. To further strengthen its role as a catalyst of rural investment, facilitate its scaling up agenda and capture a wider range of technical skills for programme design and implementation, IFAD will strengthen its existing partnerships and establish new partnerships where they bring added value; and building on its experience to date, it will enter into partnerships in all the projects that it supports. It will elevate its partnership with the RBAs to a strategic level by collaborating with FAO and the World Food Programme in line with the distinct comparative advantage of each institution. It will continue to work in close partnership with organizations of smallholder farmers, indigenous peoples and other rural people. It will seek collaboration on new innovative financing streams and engage more strategically with new private-sector partners to deliver benefits for rural groups and small producers. All this IFAD will do by leveraging the social capital and trust that it has built through decades of agricultural and rural investment. To support partnership goals under IFAD10, and guided by its Partnership Strategy, IFAD will continue to invest more in its capacity to broker and create internal incentives to expand the strategic and practical use of partnerships.

62. Cofinancing is a special type of partnership, of particular importance to IFAD and its PoW. Over the last 10 years, the total cofinancing ratio has averaged 1 to 1.23 (IFAD to cofinancing), although it has fluctuated enormously year-on-year, and it is heavily influenced by a few projects: in any given year only two projects (out of approximately 30 approved) can represent as much as 33 per cent of IFAD's total

cofinancing. Recognizing the past challenges it has faced in mobilizing cofinancing, IFAD will target a minimum ratio of 1 to 1.2 under IFAD10. At the same time however, it remains ambitious to expand its cofinancing, and it will develop an operational approach for mobilizing cofinancing, based on a better assessment of the strategic potential for cofinancing, a scanning of international aid architecture for agriculture and rural development, and a review of the relationship between domestic financing ability and level of domestic cofinancing.

63. **Knowledge management.** Gathering and sharing knowledge about smallholder development is a key dimension of IFAD's value proposition. It is essential for the design and implementation of cost-effective projects and for targeted dialogue on the institutional and policy conditions for success. It is a vital dimension of scaling up. And it is a fundamental requirement for adding value in global and regional dialogues about the role of smallholders in realizing equitable and sustainable economic growth. By virtue of its mandate and comparative advantage in this area, IFAD has much to offer its development partners, and it is now compiling and sharing its experience-based knowledge more systematically. In addition to working with other institutions to analyse current rural transformation processes and their potential implications for long-term rural development strategies, the Strategy and Knowledge Department is leading an IFAD-wide effort to bring rigour to the documentation and analysis of what has been achieved in the past – and why. Under IFAD10, this will become a regular part of IFAD's work.

64. **Country presence.** IFAD views effective country presence as essential for its business. Staff and consultants based in the field are more effective in providing continuous support for project design and implementation support and supervision, engaging in national policy processes, and building strategic partnerships at the country level – including through the United Nations "Delivering as One" agenda. Accordingly, decentralization was accelerated under the Change and Reform Agenda, launched in 2009, and IFAD now has 40 country offices, including in all its largest operational countries. Under IFAD10, IFAD will continue its programme of expanding its country presence, establishing an additional 10 to make a total of 50 country offices. Nearly half of the total number will be in fragile states, where the need for strong support is greatest. As IFAD works in around 100 countries, the plan is for half of the countries to be directly served by a country office. It is not intended to establish country offices in the remaining half, which is made up of countries with small programmes where it would not be cost-effective to establish an office. For these countries, IFAD's approach will be to handle the country programme either from an office located in a neighbouring country, or from IFAD headquarters in Rome.

65. **Grant policy.** IFAD grants are a key instrument for policy engagement, innovation, knowledge-sharing and building national capacities in agriculture and rural development. At present, Management is conducting a review of the IFAD Policy on Grant Financing with the objective of improving the efficiency and effectiveness of grants. Management will also take on board the recommendations of the evaluation currently being undertaken by IOE. Based on the findings of these two assessments, by April 2015, Management will submit for the approval of the Executive Board a new grants policy that will set out a clear strategic direction for grants through IFAD10. The new policy will improve the focus of the grant programme to achieve better alignment with IFAD's Strategic Vision, knowledge framework and country-level investments for greater impact.

B. Strengthening the service delivery platform

66. **Financial management.** IFAD's financial management systems will undergo further strengthening during IFAD10. IFAD will continue building capacity in programme and project financial management and provide timely support for project design and implementation. As it moves into innovative financing arrangements, IFAD will develop its capacity for risk analysis and the management

of such resources. It will also further refine its results-based budgeting system to ensure optimal and economical use of internal resources. A key tool in assisting Management to control costs will be a fit-for-purpose staff time-recording system to measure more accurately the deployment of staff time and the costs of key business processes: the system will permit Management to continuously monitor the use of IFAD's human resources (HR) and make adjustments in line with strategic needs and business requirements. This tool should be fully tested and ready for use at the beginning of 2016.

67. **HR management.** During IFAD10, the HR reform begun in IFAD9 will be consolidated. The strategic workforce planning exercise will be refined and will determine, annually, the size, skills set and competencies of IFAD's workforce, as well as its deployment. As IFAD expands the number of its country offices from the current 40 to 50, an increase in nationally recruited staff is expected. Further substitution of Professional technical staff for consultants, as recommended by the CLEE, is also expected to take place to strengthen IFAD's technical capacity in critical areas such as policy work, climate change, nutrition and public-private partnerships.

68. Other reforms begun during IFAD9 that will be important components of the HR management agenda under IFAD10 include: refining the new staff rules and implementing procedures introduced in 2012; actively addressing concerns raised by staff in the 2012 global staff survey; improving the performance evaluation system (PES); implementing the new reward and recognition framework for superior performance; revising the learning and development strategy; and continued HR process streamlining.

69. Under IFAD10 there will be continued focus on the IFAD9 commitments regarding gender competence and gender equality in IFAD's HR policy, and gender balance and equitable geographic distribution in staffing. The targets established under IFAD9 for gender balance and other HR targets were ambitious and set appropriate goals that hopefully can even be exceeded in IFAD10 and continue to drive further accomplishments in these important areas.

70. IFAD will also maintain its cooperation with the International Civil Service Commission, particularly in the system-wide review of the common compensation system. It is expected that the recommendations of the review will be implemented during IFAD10, and may introduce further savings in staff costs.

71. **ICT architecture.** A major recommendation of the CLEE was for IFAD to upgrade its ICT architecture to support business process reforms. Building on the upgrades already introduced, IFAD will introduce other improvements in IFAD10. Striving for ever-greater business process efficiency, in part through better use of ICT and in part through upgrading the ICT architecture, will be part of the ICT medium-term plan for IFAD10.

72. **Other support services.** IFAD9 saw the beginning of internal process streamlining and reduction in the costs of internal transactions, facilitated by improvements in ICT. IFAD10 will be a period in which these newly introduced systems add new functionality and efficiency, further increasing efficiencies. Particular focus will be on staff travel and procurement. During IFAD9, rules and processes related to staff travel were updated and new systems introduced, leading to reduced travel costs and considerable savings in the time spent to process bookings and travel authorizations (estimated 40 per cent). These efforts will continue during IFAD10.

73. Procurement initiatives, including the implementation of a user-friendly e-procurement interface and revised corporate procurement guidelines, are planned with the goal of significantly reducing transactional steps during IFAD10. The initiative to collaborate with the other RBAs in jointly procuring goods and services through the common procurement team and joint tenders will continue, and the

collaboration will be extended to other United Nations agencies with the sharing of long-term agreements and other harmonization initiatives.

74. During IFAD9, IFAD was awarded the Leadership in Energy & Environment Design (LEED) green building certificate at the gold level in recognition of the headquarters' design and environmental practices. IFAD is working at confirming the gold certification during IFAD10 or even moving to platinum-level certification.

75. In response to IFAD's growing country presence and the need to further decentralize, the Field Support Unit (FSU) was established during IFAD9. The FSU provides a structured approach to better supporting the IFAD country offices and improving the communication link to IFAD headquarters. The FSU includes the functions of field security, general administration, human resources, IT support, accreditation and privileges. Under IFAD10, the role of FSU will be further strengthened through enhanced collaboration with the regional divisions, so as to mainstream support functions into the core operations of IFAD.

C. Facilitating members' review of IFAD governance arrangements

76. The issue of IFAD's governance was raised in the CLEE, which noted that the List system has "far-reaching implications for governance, voice and representation" and questioned whether it is "still relevant in today's global context". While Consultation members noted that the current partnership between Lists is one of the unique characteristics of IFAD, they concurred that the time is opportune for a review and possible updating/amendment of the arrangements for ensuring effective representation of Member States in IFAD's governing bodies, including the List system.

77. [They expressed their support for the idea of setting up an inter-Consultation working group of members to consider governance issues, and in particular to review and assess the structure, appropriateness and relevance of the IFAD List system; review and assess the composition of the Replenishment Consultation and the length of replenishment cycles in IFAD11 and beyond; and make proposals for consideration by the Governing Council, as appropriate. In so doing, the working group may also review current practices of other IFIs with respect to governance structure, replenishment procedures and composition (terms of reference for the working group are shown in annex IV).]

D. Further improving the efficiency of the business model

78. IFAD's overall efficiency ratio – defined as the ratio of the administrative budget to the PoLG – has improved considerably from over 16 per cent in 2007 to 12.7 per cent in 2011-2013, and it is projected to see a further small decline in 2014 and 2015. Underlying these improvements is the major expansion in the PoLG and PoW in the past seven years against the backdrop of a flat or slowly expanding administrative budget. This has been made possible by measures such as: (i) keeping increases in headquarters staff in check and – in the case of the Programme Management Department (PMD) – relying more on locally recruited staff in country offices; (ii) increasing the size of individual loans, to prevent an expansion in the number of projects designed and implemented; (iii) reducing payments to cooperating institutions; and (iv) realizing efficiency gains in key business processes. Under IFAD10, the maintenance of the current level of PoLG, and any possible expansion in it, will be realized against the backdrop of a flat ratio of actual administrative expenditures to the PoLG and continued efforts to improve the efficiency of the business model.

VI. Building on IFAD's results management system

A. Results measurement under IFAD9

79. In response to the findings of the 2005 independent external evaluation of IFAD, the organization put in place a comprehensive and effective results management systems, of which the Results Measurement Framework (RMF) is a core component. The RMF consists of a suite of indicators and targets that serve to assess and drive improvement of the Fund's performance in achieving objectives relative to its development and institutional effectiveness and efficiency. Performance assessments draw on a range of third-party mechanisms as well as IFAD's own self-evaluation system and IOE evaluations, the arms-length review of project quality at entry and annual in-country client/partner surveys. Results relative to targets in the RMF are reported annually to the Executive Board and Evaluation Committee via the Report on IFAD's Development Effectiveness (RIDE), as well as at the MTR of IFAD's replenishments.

80. Substantial changes were introduced to the RMF for the IFAD9 period to strengthen and more clearly demonstrate the Fund's impact and value for money. IFAD was the first multilateral development organization to set a target for the number of people lifted out of poverty – 80 million over the 2010-2015 period. New indicators and more ambitious targets for operational and institutional efficiency were also defined, and new management tools were introduced to monitor the costs of business processes and facilitate cost containment and reduction. In addition, as one of the key commitments for IFAD9, IFAD has been implementing an impact evaluation programme, using a range of methods including randomized control trials. It has also been strengthening its project self-assessment system – the RIMS – to focus on critical areas such as scaling up, environment and natural resource management, adaptation of smallholders to climate change, gender and nutrition.

81. As a consequence of the improvements made, IFAD's results management system and RMF received positive reviews in the 2013 Multilateral Organisation Performance Assessment Network (MOPAN) assessment and the 2013 Multilateral Aid Review by the United Kingdom, and in the CLEE and the corporate-level evaluation on IFAD replenishments by IOE. However, it was observed that the sheer volume of indicators, which had increased from 50 in the IFAD8 RMF to 80 in the IFAD9 RMF, did not usefully support performance assessment and management; and they recommended that IFAD underpin the RMF by articulating a theory of change that explains the logic behind the achievement of IFAD's overall objectives.

82. The 2013 RIDE reveals encouraging progress with respect to IFAD's contribution to development outcomes and impact. IFAD-supported projects reached an estimated 78.7 million people in 2013, half of them women, as against the IFAD9 target of 90 million. Progress on most indicators of project performance is encouraging. In terms of institutional efficiency, 93 per cent of the IFAD9 pledge target has been reached; most of the HR management indicators are on track; there has been a significant improvement in risk management; and all but one of the efficiency indicators have already reached their 2015 targets. While the ex ante efficiency ratio for 2014 has shown little movement, this is mainly due to the planned increase in expenditures on ICT being made in response to the CLEE's recommendations.

B. Results Measurement Framework for IFAD10

83. The IFAD10 RMF is built on a review of the IFAD9 RMF indicator suite, aimed at optimizing strategic focus, performance management value, and alignment to IFAD's theory of change. This has led to some indicators being modified, added or dropped, and has resulted in a reduced total of 57 indicators at five distinct levels.

84. **RMF level 1 – Global poverty, food security and agricultural investment outcomes** – embodies the broader development goals IFAD contributes towards, tracked by measures of extreme poverty and food insecurity and investment in agriculture. This is premised on the evidence (paragraph 44 above), that public investment in smallholder agriculture and rural development is an effective means to lift substantial numbers of poor people out of poverty and food insecurity, and enhance sustainably their productive capabilities. Five indicators will measure global poverty and food security outcomes and global agricultural investment outcomes.

85. **RMF level 2 – Country-level development outcomes and impact delivered by IFAD-supported projects –** success in achieving global poverty and food security targets is predicated on development projects – such as those supported by IFAD – attaining consistently strong impact on poverty and food insecurity among targeted populations. Realizing such impact requires that IFAD-supported projects perform well in terms of effectiveness, efficiency, gender equality, sustainability, environment and natural resource management, adaptation to climate change, government performance and potential to scale up successes. The RMF will measure the number of people moved out of poverty, and also progress against three impact indicators and nine outcome indicators.

86. **RMF level 3 – Country-level development outputs delivered by IFAD-supported projects –** outputs of IFAD-supported projects underpin the achievement of impacts and outcomes reflected in level 2 of the RMF. Maximizing outreach helps larger populations benefit from project support services; while the supply of project outputs enables smallholders to overcome the key constraints they face, giving them access to a range of productive resources and inputs, knowledge, infrastructure, markets, financial and business services, and responsive institutions. Both provide the basis for expanded development outcomes. Twelve indicators will measure outputs relative to overall outreach, natural resource management, agricultural technologies, rural financial services, marketing, microenterprise, policies and institutions, and climate change adaptation.

87. **RMF level 4 – Operational effectiveness of IFAD-supported country programmes and projects -** assesses the performance of IFAD-managed processes aimed at positively influencing the design, delivery and achievement of programme outputs. Achievement of agreed programme results is supported by better project design that responds to the needs and priorities of rural poor people; an effective portfolio management process that assists those entities responsible for project implementation; and deeper knowledge of how policies for smallholder agriculture and rural development work in practice. Seventeen indicators will measure the performance of country programmes during implementation, projects at entry, portfolio management and cofinancing.

88. **RMF level 5 – IFAD's institutional effectiveness and efficiency –** focuses on the effective mobilization, allocation, and efficient utilization of financial and human resources. As such, results at this level contribute to varying degrees to the achievement of results across all other levels of the RMF. Ten indicators will measure IFAD's performance in improved resource mobilization and management, improved human resources management, and improved administrative efficiency.

89. The sources of the data for level 1 will be mostly external, and based on standard, authoritative sources. Level 2 results will be derived from IFAD's project impact studies and surveys, its RIMS surveys, and its rating of project performance at completion point. Level 3 results will also be assessed using RIMS data, derived from all projects in the ongoing portfolio, supplemented by limited extrapolation as required, so that the results represent the entire portfolio. Most figures for level 4 results will be derived from quality-at-entry assessments, Flexcube, the Grants and Investment Projects System (GRIPS) and the project status report ratings.

90. Once approved by the Executive Board, the revised RMF will be the principal instrument of Management accountability to IFAD's governing bodies. As per current practice, it is proposed that results relative to the IFAD10 RMF be reported annually to the Executive Board and Evaluation Committee through the RIDE. IFAD Management will also continue to monitor performance on all IFAD10 RMF indicators on a quarterly basis and take corrective action as necessary through the corporate performance review process.

C. Monitoring and evaluation and impact analysis

91. M&E systems at country and project level are frequently weak. During IFAD10, IFAD will expand its capacity-building efforts and provide systematic support to M&E systems at country and project level to ensure the generation of high-quality data for governments, partners and IFAD. In addition, it will upgrade the RIMS into a fully-fledged results monitoring system; and put into place a multi-pronged strategy for impact assessment. This strategy will involve: (a) randomly selecting 9 to 12 strategically significant projects for rigorous ex post impact evaluations with quasi-experimental designs; (b) purposively selecting a limited number of highly innovative projects in defined thematic areas that would be eligible for evaluations with experimental methods such as randomized controlled trials (RCTs) – 2 to 3 themes will be selected, and 2 to 3 RCTs carried out per theme; and (c) purposively conducting three systematic reviews and meta-studies to strengthen the analysis and assessments of the above evaluations with benchmarks derived from other studies.

VII. Financing framework

A. The financial framework through IFAD8 and IFAD9

92. Under IFAD8, in the face of an unprecedented global food crisis, IFAD increased its PoLG from US$2.0 billion in IFAD7 to US$3 billion. This was made possible by a substantial increase in Members' core contributions and by an even bigger, non-repeatable increase in the use of internal resources.

93. Under IFAD9, Members committed a further small increase in core contributions and a substantial increase in complementary contributions. These efforts were expected – despite a drastic reduction in the advance use of future loan reflows (by introducing the new concept of sustainable cash flow) – to allow IFAD to maintain its PoLG at US$3 billion in IFAD9. However, due to external factors as well as to the specificities of the financing terms of the complementary contributions, a shortfall of about US$400 million for the IFAD9 targeted PoLG has been projected.

94. IFAD Management has actively explored alternative funding options to make good the shortfall, and it identified a loan from the KfW Development Bank as the most appropriate and realistic option to keep IFAD delivering its PoLG and the resulting poverty reduction benefits at the initially targeted levels. [The KfW loan was negotiated and approved by the Executive Board in September 2014, so allowing for full delivery of the IFAD9 PoLG.]

B. The financial framework for IFAD10

95. The Consultation endorsed an overall financing framework for IFAD10 of [US$3.6 billion, to support an indicative programme of loans and grants of US$3.0 billion, as well as administrative and other budget expenditures, plus IFAD's share of debt relief under HIPC, amounting to US$0.6 billion. In order to realize this US$3.0 billion PoLG, and in line with the logic of the SCF approach used to determine the PoLG, the total requirement for core contributions from Member States amounts to US$1.44 billion.[2]]

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[2] This figure holds only in the event that the funds mobilized are core contributions.

96. The Consultation agreed to a target of [US$1.44 billion] for IFAD10 to be provided by Member States in the form of core contributions.

C. Debt Sustainability Framework

97. The DSF was adopted by the Governing Council (resolution 141/XXIX) in 2006 and the detailed implementation arrangements were adopted by the Executive Board (EB 2007/90/R.2) one year later. As one of its key commitments during the IFAD9 Consultation, Management committed to presenting a proposal to the Executive Board on how responsibility for compensation for forgone principal arising from adoption of the DSF will be managed, starting in IFAD10. Following review by the Audit Committee in November 2013, Management submitted to the Executive Board in December 2013 a paper entitled Review of the status of the Debt Sustainability Framework (EB 2013/110/R.31/Rev.1). The Executive Board endorsed the recommendations contained in that paper and the submission of the paper to the IFAD10 Consultation for consideration.

98. [The IFAD10 Consultation approved Management's recommendations and their submission to the Governing Council for adoption. Pursuant to those recommendations, Member States shall make a contribution commitment for forgone principal repayments of DSF grants falling due during the replenishment period in accordance with the principles set out in annex IX, which are generally in line with the practice at other IFIs (e.g. the International Development Association (IDA) (IDA16), African Development Bank/African Development Fund (AfDB/AfDF-12) and Asian Development Bank/Asian Development Fund (ADB/ADF XI)).]

D. Financing options for IFAD's future

99. The system of core contributions combined with a relatively high reliance on internal resources has allowed the PoLG to increase in recent replenishments, and enabled the institution to play a more prominent role through increased funding capacity. For IFAD10, the total demand for IFAD's resources has been estimated at US$5.5 billion. However, the real demand for IFAD resources is potentially significantly greater than current and projected resource availability. On the other hand, current demand is probably beyond IFAD's institutional capacity to deliver a programme of this size – and indeed an internal assessment indicates that, with IFAD's current capacity, a US$4.5 billion PoLG is the maximum it could effectively deliver in the near term. The starting point is a strong foundation of core contributions for IFAD10, providing for a US$3 billion PoLG – the same as for IFAD8 and IFAD9 – based on core contributions of US$1.44 billion. IFAD could then target raising US$1.5 billion in additional resources to make up the difference between a US$3 billion PoLG and a US$ 4.5 billion PoLG to respond to the mandate it has been given by its Members, and moreover, to expand the pie of available resources to meet the unique and country-specific needs of its borrowing Member States.

100. It is agreed that IFAD needs to examine the potential, specific approaches, risks and organization requirements for broadening its resource mobilization efforts, thereby initiating a transition from operating solely as a revolving fund to an institution that conducts more sophisticated financial operations. In this, it would be following the lead of other major IFIs, whose approaches to resource mobilization are all rapidly evolving. In doing so, IFAD would explore options that enable it both to strengthen and to expand the PoLG, and leverage its resources to expand the PoW. Options would be expected to conform to a set of guiding principles to ensure that all options support the desired financial and developmental objectives of IFAD's Members.

101. The options to be considered, which are not necessarily mutually exclusive, include: core contributions and complementary contributions; borrowing – both sovereign borrowing and borrowing from the market by bond issuance; supplementary contributions; and cofinancing. Of these, the first two would expand IFAD's PoLG, while the latter two would expand the PoW.

102. [Members expressed their general endorsement/agreement with the approaches identified and with the proposed next steps, as follows:

- To strengthen and expand the PoLG, the first and foremost priority for Member States and Management is to work together to mobilize core resources through a successful IFAD10 outcome in order to support a PoLG of at least US$3 billion (equal to the IFAD9 level). Member States may wish to provide **complementary contributions** in addition to their core replenishment contributions to support the institution's capacity to fulfil its mandate, provided that these contributions support IFAD's long-term financial sustainability.

- The institution should strive to mobilize resources to reach a PoLG level that meets its institutional delivery capacity, estimated at US$4.5 billion. IFAD will therefore seek to mobilize additional resources to reach this desired level of PoLG through borrowing up to US$1.5 billion for the IFAD10 period. This will be pursued upon completion and approval of part one of the General Borrowing Framework (currently under development)[3] that concerns **sovereign borrowing.** Through a gradual approach and an initial prudent level of borrowing from sovereign states and state-supported development institutions, IFAD could expand its resources, while implementing capital and additional safeguards so as not to jeopardize its long-term financial sustainability.

- Based upon the experiences, lessons learned and review of the implementation of the first part of the Borrowing Framework, IFAD will determine the appropriate levels for mobilizing additional resources beyond IFAD10, and will propose a road map for the implementation of the second part of the Borrowing Framework that concerns **borrowing from the market** by bond issuance. In exploring the scope for doing so, the implications for IFAD and the required internal and external changes will be prudently assessed.

- To expand the PoW, IFAD will continue to receive **supplementary funds** in support of thematic priorities consistent with IFAD's Strategic Vision. Such funds could also attract new financing partners, including global funds, foundations, impact/ethical investors and corporate partners.

- As described in paragraph 62, IFAD will develop a more strategic and targeted operational approach for mobilizing **cofinancing** to further expand the PoW.]

VIII. Midterm review of IFAD10

103. Members of the IFAD11 Consultation will consider the MTR of IFAD10 at a session early in 2017. Adequate time will be allocated at the MTR session to formulate the corresponding agenda for the subsequent sessions of the IFAD11 Consultation. The review will provide an opportunity for members to monitor progress achieved against the IFAD10 Commitment Matrix (annex I) and the RMF 2016-2018 targets (annex II), as well as to provide further guidance for the achievement of IFAD10 objectives.

IX. Selection of the IFAD11 Chairperson

104. The Chairperson for the IFAD11 Consultation will be selected through an open process to be completed prior to the first IFAD11 Consultation session, in consultation with the Executive Board.

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[3] At its 110th session in December 2013, the Executive Board requested IFAD to establish a General Borrowing Framework. This is currently being developed under the guidance of the Audit Committee.

X. Recommendation

105. The IFAD10 Consultation recommends to the Governing Council that it adopt the draft resolution attached as annex V to this report.

IFAD10 Commitment Matrix

Area of reform	IFAD10 commitments	Time frame/Reporting:
IFAD's Strategic Vision and role		
	• Present to the Executive Board the Strategic Framework for 2016 onwards, reflecting the post-2015 agenda and including a more systematic focus on scaling up, particularly by national governments and other IFIs, for improved sustainability of results.	**Time frame**: December 2015
Operational effectiveness and efficiency		
Innovation, learning and scaling up	• 100 per cent of project design reports to define an approach for innovation and scaling up.	**Time frame:** ongoing**. Reporting:** annually through RIDE
	• Implement a scaling-up process, based on a series of tools, guidance notes and training events, plus a new operational framework, to be developed and distributed to the Executive Board for information.	**Time frame**: December 2015
Climate adaptation	• 100 per cent of project design reports to mainstream climate adaptation.	**Time frame**: ongoing. **Reporting**: annually through RIDE
	• Implement a 10-point plan for climate mainstreaming.	**Time frame**: ongoing. **Reporting**: annually through RIDE
	• , Continue to expand the resource base for climate finance, leveraging additional resources from traditional and new stakeholders.	**Time frame:** ongoing. **Reporting**: annually through RIDE
	• Conduct a review of IFAD's work on climate change, including the ASAP.	**Time frame**: 2015
Improved nutritional impact	• 100 per cent of COSOPs and 33 per cent of project design reports will review nutritional status.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
Public-private-producer partnerships (4Ps)	• Expand private-sector participation in projects through the 4P mechanism and value chain financing and assess its viability and effectiveness.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
	• Establish best practices to guide future collaboration with the private sector; develop new financial instruments and business practices to leverage and sustain increased cofinancing through private investments.	
Gender equality and women's empowerment	• Monitor share of staff costs/time dedicated to gender issues.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
	• Apply a system of markers to reflect the maturity of 100 per cent of projects at design, implementation, and completion/evaluation stages from a gender perspective.	
	• Enhance institutional capacity through staff training.	
Country-level policy engagement	• 100 per cent of COSOPs to define a specific approach for country-level policy engagement.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
Global policy	• Define annual corporate-level priorities for international policy engagement and strategies	

Area of reform	IFAD10 commitments	Time frame/Reporting:
engagement	for priority engagements.	**Time frame**: ongoing
	• Implement publications strategy aimed at more systematically managing and sharing IFAD's knowledge and experience.	**Reporting**: Annually through the RIDE
South-South and triangular cooperation	• 25 per cent of all COSOPs to include an approach for SSTC.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
More differentiated country approaches	• Submit for the approval of the Executive Board, a strategy for IFAD's work in countries in fragile situations, setting out IFAD's comparative advantage and ensuring linkages with other agencies and international initiatives (such as the Committee on World Food Security Agenda for Action), and incorporating the recommendations of the IOE evaluation.	**Time frame** April 2016
	• Develop procedures for reimbursable technical assistance (RTA) and expand the RTA tool to respond to Member State demand.	**Time frame**: ongoing
	• Implement differentiated approaches to working in different country contexts, strengthening South-South cooperation.	**Reporting**: Annually through the RIDE
	• As and when IFAD is able to mobilize additional resources through borrowing, (a) the Executive Board will re-examine the PBAS formula, with a view to it giving greater weight to lower-income countries; and (b) IFAD will update the MIC strategy and submit it for the approval of the Executive Board.	

Institutional effectiveness and efficiency

Area of reform	IFAD10 commitments	Time frame/Reporting:
Further enhancing the operations delivery model and tools	• Ensure a minimum 1 to 1.2 cofinancing ratio.	**Time frame**: ongoing
	• Develop an operational approach for mobilizing cofinancing.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
	• Review/evaluate country presence, following implementation of the updated country presence policy and strategy for 2014-15.	**Time frame:** 2017
	• Establish 50 country offices, and as required, strategically strengthen staffing, including out posting of country programme managers, through a budget-neutral approach, in order to support better project design and implementation, policy engagement and impact.	**Time frame**: end-2018 **Reporting**: Annually through the RIDE
	• Make further improvements to the QA system, to enhance project quality at entry.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
	• Submit a new grants policy for the approval of the Executive Board, to be implemented under IFAD10.	**Time frame**: April 2015
	• Review and extend the IFAD Partnership Strategy into IFAD10; provide training on partnership-building, operationalize the tools developed under the strategy and internalize partnership-building into core business processes.	**Time frame:** end-2018 **Reporting:** Annually through the RIDE

Area of reform	IFAD10 commitments	Time frame/Reporting:
Enhancing financial management and risk assessment capacity	• Introduce a tailored staff time-recording system to measure the deployment of staff time and the costs of key business processes.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
	• Strengthen IFAD's financial management capacity and oversight processes, taking into account the Borrowing Framework part I (borrowing from sovereign states and state-supported development institutions). In particular, shape enhanced risk management, cash flow forecasting and supplementary funds administration to meet the increased challenges of scaling up the multi-mode resource mobilization model to which IFAD is committed.	**Time frame**: end-2015 **Reporting**: Annually through the RIDE
	• Develop a road map in response to the Borrowing Framework part II (other borrowing beyond part I) as required.	
	• If required, implement the road map developed in response to the Borrowing Framework part II.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
	• Monitor IFAD's financial management, ensuring adequate resources for robust financial oversight allocated through budgeting process.	
Proactive HR management	• Improve gender balance, especially at grades P-5 and above, and ensure continued focus on equitable geographical distribution in recruitment	
	• Ongoing HR policy review and HR systems streamlining to ensure optimum effectiveness and efficiency.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
	• Enhance HR policies and support for increased country presence.	
	• Strengthen the strategic workforce planning process, including further substitution of technical staff for consultants.	
Upgrading communication and ICT systems	• Enhance ICT systems to support streamlined business processes.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
Enhancing systems for procurement, facilities management and travel	• Operationalize revised guidelines for corporate procurement and institutional contracts.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
	• Renew the LEED green building certificate at the gold level or higher.	
	• Enhance travel system incorporating streamlined processes.	
Governance	• Support an inter-Consultation working group of members from all Lists established to consider governance and report on the results of its deliberations and any recommendations thereon to the thirty-ninth session of the Governing Council in 2016.	**Time frame**: […] **Reporting**: […]
Administrative efficiency	• Maintain the ratio of actual administrative expenditures to the PoLG at maximum 12.5 per cent and continue efforts to improve the efficiency of the business model.	**Time frame**: ongoing **Reporting**: Annually through the RIDE

Area of reform	IFAD10 commitments	Time frame/Reporting:
Results Measurement System for IFAD10		
	• Report to the Executive Board on performance against IFAD10 RMF indicators and targets, including monitoring progress on scaling up.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
	• Agree with the Executive Board on any updates to RMF, based on emerging results from IFAD9, the gender midterm review, and other evaluation findings.	**Time frame**: end-2015
	• Implement a multi-pronged strategy for impact assessment comprising rigorous ex post impact evaluations (minimum 9), randomized controlled trials and systematic reviews (minimum 5) and meta-studies (minimum 3).	**Time frame**: ongoing **Reporting**: Annually through the RIDE
Financing framework		
Financing options for IFAD's future	• Present the General Borrowing Framework, now under preparation, for the review of the Audit Committee prior to submission to the Executive Board	**Time frame**:
	• Raise complementary contributions, receive supplementary funds, develop a more strategic and targeted approach towards cofinancing, and following approval of the Borrowing Framework, seek borrowing from sovereign states and state-supported development institutions, and explore the scope for borrowing from the market by bond issuance.	**Time frame**: ongoing **Reporting**: Annually through the RIDE
	• Ensure that any complementary funding is strictly aligned with IFAD's priority areas of strategic focus.	**Time frame**: end-2015
	• Ensure that borrowing is in line with IFAD priorities and the Borrowing Framework.	**Time frame**: end-2015
	• Review implementation of part I of the Borrowing Framework and options for advancing with development of phase II.	**Time frame**: end-2015

Implementation status of IFAD9 commitments

Status indicator description:
Green = implementation on track
Yellow = on track with minor issues
Red = major issues

Area of reform	Key commitments	Time frame & Reporting	Status Q2 2014	Remarks
Aid Effectiveness	1. Strengthen country leadership and ownership.	Ongoing - RIDE annually - IFAD9 MTR - Busan commitments*	Yellow	COSOP preparation teams and country programme management teams (CPMTs) include participation by the countries themselves (government and non-government). Governments are increasingly participating in project supervision missions, and are taking responsibility for project completion reports. Issues arise in fragile states, primarily due to weak institutional capacity.
	2. Strengthen, and where feasible, increase reliance on country systems and implementation structures.	Ongoing - RIDE annually - IFAD9 MTR - Busan	Green	IFAD projects are all run by country institutions, largely government.
	3. Raise the level of IFAD technical cooperation implemented through coordinated programmes.	Ongoing - RIDE annually - IFAD9 MTR - Busan	Green	Programmes and projects are now coordinated through cofinancing agreements. Over 60 per cent of IFAD-financed projects are cofinanced with other donors, and all projects now have government contributions. Increasingly these projects are part of larger government-inspired agricultural programmes.
Scaling up	4. Strengthen country programme development, monitoring and management processes to ensure systematic attention to scaling up, broader partnership-building, more rigorous policy analysis, and active engagement in national policy dialogue on agriculture and rural development.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	Capacity is being built within the Policy and Technical Advisory Division (PTA) to assist country programme managers (CPMs) to engage, where appropriate, in policy dialogue with Member governments, which is a key element in scaling up. PTA has developed an approach paper to support that process. The Programme Management Department (PMD) is upgrading IFAD's results measurement system to enable assessment of IFAD's performance and impact at the time of project completion. The constraints are IFAD's capacity to engage in significant policy dialogue, and the technical capacity within IFAD to help local institutions achieve these goals. A programme funded by a grant under the Innovation Mainstreaming Initiative (IMI) has been launched to support systematic operationalization of scaling up across IFAD country programmes. The programme supports CPMs and CPMTs in mobilizing technical and policy expertise to develop country-level frameworks for scaling up (including theme-specific focus on areas such as gender, targeting, markets, fragile states, LICs and MICs). Review of scaling up has been strengthened at the Operational Strategy and Policy Guidance Committee (OSC) stage, and effective integration of scaling up approaches in project design is measured by QA and reported on through an RMF indicator.
	5. Strengthen knowledge management processes to enhance IFAD's capacity to	Ongoing - RIDE annually	Green	Knowledge management processes have been strengthened within IFAD (including through the IMI-programme mentioned above), with a continuous stream of learning and knowledge-

* Busan Partnership for Effective Development Cooperation

Area of reform	Key commitments	Time frame & Reporting	Status Q2 2014	Remarks
	better capture and harness evidence-based knowledge for scaling up.	- IFAD9 MTR		sharing events, and QE/QA. This is being supported by a further focused iteration of the Knowledge Management Framework and plan, linked review of key operational procedures with regard to the adequacy of provisions for knowledge management (KM), strengthening of project M&E systems, and execution of 30 impact evaluation studies by 2015. Responsibility for strengthening the integration of scaling up perspectives into IFAD's operations has been reassigned to the group managing the programme quality enhancement process (PTA).
Private sector	6. Increase engagement in policy dialogue for more conducive rural business environments that enable smallholders and the rural poor to gain better access to markets and value chains.	Ongoing - RIDE annually - IFAD9 MTR	Green	Since 2012, 9 of the 17 COSOPs approved have either explicitly included policy dialogue for improved rural business environments as part of their specific objectives and/or have included multi-stakeholder platforms for policy dialogue including the private sector. Since 2013, about half of the 24 projects designed with the private sector as a partner or recipient have included policy dialogue for a better rural business environment.
	7. Engage private-sector actors more systematically in country and project-level programming to raise their pro-poor and sustainable investments in rural areas.	Ongoing - RIDE annually - IFAD9 MTR	Green	More than 50 per cent of loans and grants approved by IFAD since 2013 (of a total of 45) are to finance projects that include the private sector as a partner or recipient. Typically this involves facilitating the engagement of private value chain actors with IFAD target groups, to leverage the expertise and resources of private agribusiness companies and the local private financial sector.
	8. Increase information and communications technology activities in IFAD-supported programmes.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	This has been achieved in a few projects (First Mile Project in the United Republic of Tanzania; use of cell phones in Kenya). Design of an ICT regional grant programme using US$1.6 million of supplementary funds provided by the Republic of Korea is under way. IFAD's new partnership with Intel, using its agricultural extension software tools, is now active in projects in Cambodia and Nepal, and expanding to sub-Saharan Africa. Progress is slow because this is a relatively new area for IFAD, in which it lacks expertise.
Gender equality and women's empowerment	9. Strengthen analysis of gender equality and women's empowerment issues in IFAD's operations for stronger and more even performance in this regard, and to promote expanded economic opportunities for rural women.	Ongoing - RIDE annually - IFAD9 MTR	Green	Evidence from supervision reporting, portfolio review and IOE evaluations suggests that IFAD is doing well in terms of its gender impact. Weaknesses were highlighted in reporting on allocation by gender-related activities in IFAD's budget. This has now been corrected and IFAD will present information disaggregated by gender in the 2014 IFAD budget and lending programme.
	10. Enhance indicators to measure impact and results in gender equality and women's empowerment.	Ongoing - RIDE annually - IFAD9 MTR	Green	The RIMS, IOE evaluations and the Results Measurement Framework all have gender indicators, which are measured and reported at various points during project cycle – at entry, every year during implementation and at completion. Generally IFAD performs well on these indicators. Although gender indicators have not yet been enhanced – for example by measuring impact through rigorous impact evaluation – the 2013 RIDE finds gender impact to be positive. Work is ongoing towards the development of a core module to measure women's empowerment. This module includes a set of key questions that will be included in the second version (v2) of the RIMS impact survey guidelines. These questions will be piloted in the 24 ex post impact evaluations.
	11. Enhance IFAD's capacity to document and disseminate field experience on gender equality and women's empowerment, and strengthen its advocacy efforts in this area.	Ongoing - RIDE annually - IFAD9 MTR	Green	Efforts are under way to enhance IFAD's ability to document and disseminate field experience, with some encouraging examples. In terms of advocacy at the international level, IFAD is constrained, largely due to limited resources, although some progress has been made (for example the recent meeting on gender issues in agriculture at the World Food Programme (WFP).

Area of reform	Key commitments	Time frame & Reporting	Status Q2 2014	Remarks
Climate change and sustainable management of environmental resources	12. Strengthen analysis of climate change and environmental issues in IFAD's operations to support innovative approaches to climate resilience and sustainable use of natural resources.	Ongoing - RIDE annually - IFAD9 MTR	Green	Since the publication of the IFAD environment policy and the climate change strategy, IFAD has developed, and is now implementing, a major climate change adaptation initiative. IFAD continues to manage GEF projects, and reviews all projects against environmental impact. IFAD is now receiving better ratings from IOE on these efforts. Also, IFAD's RMF is being upgraded in order to assess results in this area. Work is under way towards methodological development of a resilience index. The questions forming the basis of the index will be part of supplementary questionnaires within the RIMS v2 impact survey guidelines. This supplementary module will be piloted as part of the 24 ex post impact evaluations as well as the Adaptation for Smallholder Agriculture Programme (ASAP) RCTs.
	13. Assist smallholder producers in benefiting from climate finance and other adaptation and mitigation incentives, including through the IFAD-managed ASAP.	Ongoing - RIDE annually - IFAD9 MTR	Green	ASAP is up and running. Work is under way towards identifying measurable outcomes of its success. In Mali, ex ante evaluation design, aimed at differentiating overall project impact and ASAP impact has been put in place.
	14. Ensure that complementary contributions to support the implementation of the ASAP are employed for that purpose.	Ongoing - RIDE annually - IFAD9 MTR	Green	Ongoing.
	15. Enhance IFAD's capacity for knowledge management, advocacy and partnerships on climate change and environment and natural resource management.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	Capacity has been enhanced, but is still shallow given the magnitude of the ASAP, and the GEF programme to which IFAD has signed up. This capacity must be expanded.
Project Efficiency	16. Strengthen assessments of economic returns on investment during project design, recognizing the need to ensure that social and environmental objectives are also met.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	A major effort was undertaken by PTA to train staff in economic and financial analysis. A staff member was recruited in PTA to provide project teams with assistance in this regard and to manage the training. All projects are now required to have an economic analysis at design. Social and environmental impacts are also evaluated as a requirement in project preparation. Expert understanding of economic and financial analysis more broadly throughout PMD remains an issue.
	17. Implement the scaling-up agenda.	Ongoing - RIDE annually - IFAD9 MTR	Green	See comments above for commitment number 4.
	18. Reduce delays in the project cycle.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	Delays from project approval to start-up are being reduced and staff are working to reduce them further. Mobilizing additional funding for detailed project design and implementation remains a challenge.
Country-Level Decentralization	19. Open additional country offices in line with the IFAD Country Presence Policy and Strategy, ensuring adequate delegation of authority at the country level, and cost-efficiency in the set-up and operation of country offices.	Ongoing - RIDE annually - IFAD9 MTR	Green	Country offices are established, and are largely staffed. The cost is manageable, and the impact already felt, according to IFAD's portfolio report and IOE's country programme evaluations. The IFAD Country Presence Strategy (2014-2015) was presented to the Executive Board in December 2013, and the Board approved the establishment of 10 additional country offices. Incentives for outposting of internationally recruited staff are now in place. Some administrative processes have been delegated to IFAD country offices (ICOs) (e.g.travel process delegated to ICOs in the Latin America and Caribbean region and Viet Nam; and opening of an ICO bank account in Viet Nam). An ICO Administrative Handbook has been

Area of reform	Key commitments	Time frame & Reporting	Status Q2 2014	Remarks
				promulgated to the country offices.
	20. Strengthen country office management and coordination, including implementation of incentives for out posting of internationally recruited staff, and adequate delegation of decision-making authority to operate effectively and efficiently.	Ongoing - RIDE annually - IFAD9 MTR	Green	Incentives for out posting have been improved. Delegation of authority (DoA) in the field is currently being reviewed within IFAD as part of a general review of DoA. The Field Support Unit (FSU) has been established in the Corporate Services Department (CSD), strengthening the support mechanism for ICOs. FSU is working with the regional divisions on the establishment of the additional 10 ICOs. FSU has also outposted a regional administrative officer to East and Southern Africa with the aim of streamlining administrative processes.
Fragile States	21. Adopt a flexible approach to programme design and implementation support in fragile states, with a strong focus on building the capacity of community and government institutions, including through appropriate country presence arrangements, and close collaboration with other multilateral and bilateral partners.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	IFAD-supported programmes are less effective, and sometimes ineffective in fragile states. An instrument that can help build capacity and manage projects in fragile states will be piloted with the Food and Agriculture Organization of the United Nations (FAO) in a project to build capacity of agriculture project units and government policy in fragile states. Additional efforts are needed to help with project design, implementation support, capacity-building and analysis.
	22. Enhance the quality of programme design and implementation support in fragile states by performing deeper analysis of the causes of fragility.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	An assessment was undertaken in 2013, which together with an IOE corporate-level evaluation on fragile states scheduled for 2014, will determine revisions to IFAD's business model in fragile states.
	23. Ensure simplicity of objectives and activities of projects in fragile states.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	See comments above for commitment number 22.-
	24. Strengthen application of risk management in the context of programmes in fragile states, including for security of the workforce.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	IFAD now undertakes more sophisticated risk management assessment in fragile states, but it is not as robust as needed. Partnerships with other organizations will need to be explored. For security of the workforce, IFAD is adhering to the guidance provided by the United Nations system.
National monitoring and evaluation systems	25. Strengthen national monitoring and evaluation systems by enhancing the capacity of project management staff and implementing partners, particularly at start-up and early project implementation through the systematic engagement of M&E experts during design and supervision missions.	Ongoing - RIDE annually - IFAD9 MTR	Yellow	Initial progress has been made, but too little given the magnitude of the problem. In-house capacity on M&E and impact evaluation has been established and expert advice is available on M&E and impact evaluation at different stages of the project cycle in selected projects. Impact evaluation guidelines have been developed and place a strong premium on the integration of IFAD project M&E systems within broader national M&E systems.
South-South and triangular cooperation	26. Establish an adequately resourced corporate coordination function to ensure South-South and triangular cooperation is pursued in a strategic manner, is widely mainstreamed across country programmes, and is grounded in a robust evidence base.	2013 - RIDE annually - IFAD9 MTR	Green	Using IMI financing, information on IFAD's strategy and experience in SSTC is disseminated on the IFAD intranet and Internet. IFAD has established a strong position in global STTC forums, including through linkage of SSTC with the scaling up agenda and mobilization of project staff for sharing and learning. Regional divisions are taking initiative, including through mobilization of grants in support of SSTC, and collaboration with national centres for promotion of bilateral and multilateral SSTC.
	27. Develop staff incentives to proactively pursue and promote South-South and	2013 - RIDE 2013	Green	See comments above for commitment number 26.

Area of reform	Key commitments	Time frame & Reporting	Status Q2 2014	Remarks
	triangular cooperation.	- IFAD9 MTR		
Partnership and Advocacy	28. Increase focus on strategic long-term partnerships, in particular with the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP) in order to contribute to the success of the Committee on World Food Security, strengthen country programming, and raise efficiency through joint servicing initiatives.	Ongoing - RIDE annually - IFAD9 MTR	Green	Together with FAO and WFP, IFAD supports the CFS Secretariat, and IFAD senior and technical staff are consistently engaged in working on CFS. One staff member allocates 50 per cent of their time to the CFS, and links this to work on monitoring policies and evaluating their impact. A framework agreement was signed between IFAD and FAO in February 2013 to facilitate the hosting of ICOs by FAO.
	29. Strengthen partnerships with multilateral development banks, the Consultative Group on International Agricultural Research, bilateral development agencies, the Global Donor Platform for Rural Development, foundations, NGOs , farmers' associations and the private sector.	Ongoing - RIDE annually - IFAD9 MTR	Green	Strong partnerships exist with the World Bank, African Development Bank, Asian Development Bank, OPEC Fund for International Development, and Consultative Group on International Agricultural Research (CGIAR) to support rural development projects. IFAD is an active member of the global donor platform, and is a major promoter and advocate for farmers' organizations and NGOs. For example, IFAD is actively engaged in CGIAR governance, specifically working on models for closer alignment of IFAD grants with CGIAR and for knowledge input from CGIAR. A special window – Agricultural Research for Development (AR4D) – has been established within the IFAD grants programme to support long-term partnerships for strategic research. The IFAD Partnership Strategy was approved in September 2012. Focal points have been established in regional divisions. A number of strategic partnership agreements and statements of intent have been signed this year. An assessment of all partnership agreements was conducted to improve partnership management and a report was submitted to the Executive board in September 2013. Partnership efforts with private-sector companies such as Intel and Unilever, the MasterCard Foundation and the Bill & Melinda Gates Foundation are moving forward.
	30. Intensify engagement in global policymaking and advocacy forums, such as the G-20, that have a key role in shaping the international development architecture.	Ongoing - RIDE annually - IFAD9 MTR	Green	A corporate international policy engagement plan was developed and approved by the Executive Management Committee (EMC) in August 2013. A community of practice was set up to support efforts in this area. IFAD is actively engaged in post-2015 processes (forums for both post-Millennium Development Goals and Sustainable Development Goals); a task force on post-2015 was set up and an engagement strategy was endorsed by Senior Management. IFAD has participated consistently in the G20 Development Working Group throughout the year, resulting in increasing support to the platform for agricultural risk management (PARM). IFAD also engages actively in major global platforms such as the fifth Tokyo International Conference on African Development (TICAD V), the Global Compact, the United Nations General Assembly, IFI's replenishment processes, etc.
	31. Intensify identification of and engagement in relevant new high-potential global advocacy initiatives.	Ongoing - RIDE annually - IFAD9 MTR	Green	Efforts are under way to identify and engage in new global advocacy initiatives to complement those listed in number 30 above.
	32. Support efforts to bring broader perspectives to global and national policy dialogue on smallholder agriculture, food and	Ongoing - RIDE annually - IFAD9 MTR	Green	Efforts are under way through various processes, e.g. the post-2015 agenda discussions, the High-Level Task Force on the Global Food Security Crises (HLTF), the CFS, etc.. A horizon-scanning process for identification and elucidation of new global development trends and

Area of reform	Key commitments	Time frame & Reporting	Status Q2 2014	Remarks
	nutrition security and rural poverty reduction, particularly those of the rural poor and farmers' organizations.			issues relevant to IFAD was launched by the Strategic Planning Division in the third quarter (Q3) of 2013, linked to ongoing work by the Statistics and Studies for Development Division on rural transformation.
Institutional Efficiency	33. Introduce a fit-for-purpose and efficient-to-use staff time-recording system to measure the full costs of performing key business processes and activities.	2013 - RIDE 2013 - IFAD9 MTR	Yellow	IFAD is currently exploring options for an appropriate time-recording system, which would provide the necessary data on workload distribution and actual cost of key business processes and activities, particularly those related to delivering the programme of loans and grants. This information will provide key input for the annual strategic workforce planning exercise and resource allocation. The new director of the Budget and Organizational Development unit (BOD) took up responsibilities in April 2014. A number of options have been discussed but are yet to be fully examined and piloted. These include creating links to the existing performance evaluation system, and embedding the use of activity tree and gender-related activity reporting. Interdepartmental coordination of these options is being led by BOD in the second half of 2014. The benefits of a small-scale pilot with some operational divisions of a time-recording capability existing in the current system has been discussed and will be assessed. BOD plans to outline key next steps in September 2014 with a view to possible delivery by the end of the year.
	34. Develop key business process efficiency indicators and benchmarks to facilitate identification of opportunities for process streamlining and cost-saving.	2013 - RIDE 2013 - IFAD9 MTR	Yellow	Consultation with key process participants and managers is under way with the objective of economical multivariate tracking of costs and performance in key processes. Preliminary discussions are being held with other IFIs about the possibility of establishing a common matrix of processes and efficiency measures.
	35. Liaise with the Executive Board to explore opportunities to reduce costs associated with the operations of IFAD's governing bodies.	2013 - RIDE 2013 - IFAD9 MTR	Green	At its 107th session, the Board approved the introduction of word limits on document length as set out in paragraph 7(a), sub-points (i) to (x) of document EB 2012/107/R.4. In 2013 this measure achieved a reduction of 25 per cent in the length of Board documents subject to the word limits, in comparison to previous years and a reduction in the associated production costs to the institution. At the 110th session of the Board, Management presented a review of the status of the measures implemented, to enable the Executive Board to decide on further actions as appropriate.
	36. Integrate recommendations of the corporate-level evaluation of the Fund's efficiency into IFAD's Change and Reform Agenda, and strengthen indicators used to measure performance with respect to efficiency, including IFAD's efficiency ratios, accordingly.	2013 - RIDE 2013 - IFAD9 MTR	Green	IFAD responded to the corporate-level evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operations (CLEE) through the development of a consolidated action plan which was presented to the Executive Board in September 2013 (EB 2013/109/R.12). The action plan addresses both the commitments made under the IFAD9 Consultation and the CLEE recommendations. A number of actions following up on the CLEE recommendations were taken to give continuity to and further reinforce the ongoing Change and Reform Agenda agreed under IFAD9. The implementation status of the consolidated action plan is being monitored through the President's Report on Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) and the results achieved will be reported to the Evaluation Committee and the Executive Board through the RIDE. In addition, IFAD Management set up an interdepartmental working group to review existing efficiency indicators and propose a revised set for IFAD's key processes. This task is at the final stage of completion. The revised RMF for IFAD10, which builds on this work, will be submitted to the third session of the IFAD10 Consultation.

Area of reform	Key commitments	Time frame & Reporting	Status Q2 2014	Remarks
	37. Streamline the Fund's processes and workflows through adoption of improved information communication technologies.	2013 - RIDE 2013 - IFAD9 MTR	Yellow	The ICT division continues to support and guide initiatives aimed at streamlining the Fund's processes and workflows. During the first half of 2014, the division, in partnership with relevant business owners, made progress in a number of key areas: it partnered with PMD to finalize the data migration of all investment project data from the Project Portfolio Management System (PPMS) to GRIPS. For the first time, the complete portfolio of grant and investment project data is maintained in a single corporate repository. In continuing support for HR reform, the ICT division has worked together with HRD to streamline and enhance a number of processes and workflows. This includes automation of the paper-based staff separation workflow, pay-for-performance, and enhancements to the eRCs module which allows managers to provide online performance evaluations for consultants. One of the few remaining obsolete legacy applications, the Leave Management System, was retired when the Absence Management module was delivered early in 2014. The Client Workstation Renewal project was successfully completed in Q2 2014 where more than 700 old and obsolete devices were replaced at headquarters with minimum disruption to the end users. Finally, a number of changes to streamline corporate travel processes were introduced during the first half of 2014, including a streamlined approval process for expense reports. Further integration has been built between PeopleSoft and the United Nations Department of Safety and Security (UNDSS) so that the data entered in PeopleSoft will pre-fill data on the UNDSS website, eliminating duplicate data entry.
	38. Assess value added of business processes, and the potential for adopting more cost-effective alternative delivery modalities, including through joint servicing initiatives with other Rome-based agencies.	2013 - RIDE 2013 - IFAD9 MTR	Green	The IFAD travel policy and related travel processing have been reviewed and recommendations yielding efficiency gains have been implemented. These include a single sign-on that enables users to log into a single corporate travel module and the automated creation of expense reports. Further integration has been built between PeopleSoft and UNDSS so that data entered in PeopleSoft will pre-populate data fields on the UNDSS website. In addition, the travel policy and processes, and the travel agency contracts are under continuous review in close consultation with the other Rome-based agencies and the members of the Inter-Agency Travel Network. Following a joint tendering exercise, the Rome-based agencies successfully implemented fuel cards to replace the previously used paper-based system. This has generated administrative efficiencies by reducing the need for manual processing of the paper coupons. In addition, the fuel cards have significantly reduced any risk of misuse of privileges granted to IFAD staff. In line with the practice in some other international organizations, a shipment lump sum has been introduced for entitlement travel thereby reducing the need for soliciting offers for shipments on a case-by-case basis. Sub-delegation of authority to division directors to conduct low-value procurement of up to EUR 10,000, as well as further streamlining of the corporate procurement guidelines will increase administrative efficiency by eliminating transactional steps for low-value and low-risk purchases. The decentralization of low-value procurement is currently being tested in a pilot project and will be rolled out to all IFAD divisions upon completion of the pilot. A thorough business process review was conducted of the records management, archives and library functions in Q2 2013. An action plan has been developed to respond to key recommendations.

Area of reform	Key commitments	Time frame & Reporting	Status Q2 2014	Remarks
				Building on the successes of the common procurement team of the Rome-based agencies, this initiative has been elevated to a more strategic level by adopting a lead agency concept for joint tenders.
	39. Report progress against IFAD9 efficiency targets, including cost savings, to governing bodies through the annual Report on IFAD's Development Effectiveness.	2013 onwards	Green	Data on RMF indicators included in 2013 RIDE.
Human Resources Reform	40. Consolidate and deepen reforms completed in IFAD8.	Ongoing - RIDE annually - IFAD9 MTR	Green	It was acknowledged that although the major IFAD8 reform commitments had been accomplished (including the job audit and the SWP, updating of staff rules and procedures, strengthening of the HR platform for ICOs, review of the PES system, orientation of the learning and development programme to strategic needs, establishment of an Ethics Office, better rotation of staff, automation of HR processes, and improved communication with staff), the work was not over, for two reasons: (a) efforts to strengthen and deepen these reforms would necessarily be ongoing as part of the continuous improvement process, and (b) it was now necessary to ensure that these reforms were fully consolidated into IFAD's daily operations. Work is therefore ongoing in these areas. A thorough corporate-wide follow up to the results of the 2012 global staff survey (GSS) is close to finalization and has been an essential part of this commitment; similar work will flow from the 2014 GSS, which will take place in October 2014.
	41. Equip IFAD with instruments and resources to promote gender competence and gender equality in its human resources management policies as well as gender balance and equitable geographical distribution in its staffing.	Ongoing - RIDE annually - IFAD9 MTR	Green	Training has been developed and is being delivered, both at headquarters and in the field, in coordination with the IFAD thematic group on gender (TG-Gender) to foster greater awareness of the role of gender and relationships in successful rural development, and to encourage workplace recognition and appreciation of gender issues and best practices. Pilot course on women's leadership delivered successfully and with the participation of the IFAD gender senior adviser. Participants agreed to establish a network of women leaders and to work together to promote gender equality and women's empowerment. HRD will review the pilot and replicate. Gender balance and geographic distribution requirements are being mainstreamed into HR policy whenever they are being revised. A revised competency framework has been developed in close consultation with the TG-Gender and includes gender equality and women's empowerment. The staff selection process in particular has been reviewed and changes have been implemented to encourage greater focus on equitable gender distribution.
	42. While maintaining alignment with the United Nations common system, continue to explore opportunities for flexibility in IFAD's compensation and benefits system so as to ensure, as a way to achieve institutional efficiency goals, that appropriate levels of compensation and performance-based reward systems are in place for all IFAD staff. This would include such efforts as participating actively in the 2011-2012 ICSC Rome Local	Ongoing - RIDE annually - IFAD9 MTR	Green	The GS local salary survey was completed and results implemented. The GS salary scale was lowered by 9.2 per cent for new staff, and existing GS salaries were frozen until new salary scale catches up, over time, with the former scale. A reward and recognition framework has been implemented and the first annual rewards were announced in July 2014. The ICSC launched a comprehensive review of the United Nations common system compensation package in 2013, with final results to be presented to the General Assembly in late 2015. IFAD is actively participating in this work, including hosting the seventy-ninth session of the ICSC on IFAD premises in July 2014. IFAD is also represented in ICSC working groups, in the strategic group of the High-Level Committee on Management of the

Area of reform	Key commitments	Time frame & Reporting	Status Q2 2014	Remarks
	Salary Survey Committee with respect to GS salary levels, urging the ICSC to ensure appropriate compensation levels at the Professional level, and piloting a pay-for-performance model in collaboration with the ICSC.			Chief Executives Board for Coordination (HLCM/CEB) and in the HR Network.
IFAD's financial model	43. Deploy an enhanced financial model based on a sustainable cash flow approach on 1 January 2013. Towards this, the capacity of the Treasury Services Division will be strengthened, and a review of the current financial model will be undertaken to improve its flexibility, robustness and alignment with the financial projection models used by other IFIs.	2013 - Audit Committee - Executive Board in April 2013 - IFAD9 MTR	Green	The SCF model has been developed. The model has been audited (by external auditors) and related procedures have been documented.
	44. Present a proposal to the Executive Board regarding the future use of the advance commitment authority, once the sustainable cash flow approach has been fully implemented. Until then, current use, reporting and approval of the advance commitment authority will continue.	2013 - Proposal to Audit Committee - Executive Board in 2013	Green	SCF methodology developed and approved by the Executive Board in April 2013.
	45. Present a proposal to the Executive Board on how responsibility for compensation for forgone principal arising from adoption of the Debt Sustainability Framework will be managed, starting in IFAD10.	2013 - Proposal to Audit Committee - Executive Board in 2013	Green	DSF methodology developed, paper written and updated version reviewed by the Audit Committee in November 2013 and endorsed by the Board in December 2013 for submission to the IFAD10 Consultation in October 2014 and the Governing Council session in February 2015.
Internal resource mobilization	46. Increase internal resources available to support IFAD's programme of loans and grants in the IFAD9 period in line with the decision taken at the 104th session of the Executive Board to carry out a comprehensive review of IFAD's Lending Polices and Criteria in 2012, and to align IFAD's lending terms as much as possible with those of the International Development Association and the International Bank for Reconstruction and Development, taking into account IFAD's specificity as outlined in the Agreement Establishing IFAD.	2013 onwards - Proposal to Executive Board in 2012	Green	Comprehensive review undertaken, paper written and endorsed by the Board in December 2012, and approved by the Governing Council in February 2013.
	47. Enhance IFAD's internal resources by soliciting payment of loan and contribution arrears, and exploring the possibility of loan prepayments with interested borrowing Member States.	Ongoing - Proposal to Audit Committee and Executive Board as appropriate	Yellow	Loan prepayment has been explored with a number of borrowers, but it has not been largely pursued as the advantage would not be very significant to internal resources. Prompt follow up taken of arrears of loan and contributions. Outstanding arrears over total reflows at minimum level in recent years, also due to active debt-rescheduling with three borrowers.

Area of reform	Key commitments	Time frame & Reporting	Status Q2 2014	Remarks
New sovereign donors and alternative financing modalities	48. Engage non-Member States and groupings of States to contribute to and/or join the Fund.	Ongoing - Proposal to Governing Council and Executive Board as appropriate	**Green**	Vanuatu, Tuvalu and Nauru joined IFAD in 2013 and the Russian Federation joined IFAD in 2014. Australia's decision to rejoin IFAD has been put on hold by the new government.. New Zealand re-engaged by contributing to IFAD9. Other countries have approached IFAD or been approached: Belarus, Micronesia, Montenegro, Singapore, Slovakia and Ukraine.
	49. Explore the scope for raising financing from other sources to be submitted to the Executive Board, provided that any related agreements have no consequences for the governance of the Fund.	Ongoing - Proposal to Executive Board as appropriate	**Green**	Extensive work has taken place on the Additional Resource Mobilization Initiative in terms of contacts with potential sources of resources, liaison with other agencies with similar goals and in internal conceptualization of viable modalities. Negotiations and studies are ongoing. A paper with concrete proposals will be submitted to the third IFAD10 Consultation session in October 2014. Negotiations with KfW are on track and have served as an enriching learning process for all departments involved. Management expects to submit the loan for Board approval in September 2014. IFAD continues to build upon its new partnerships designed for resource mobilization; greater funds are being leveraged for rural poverty reduction, including memorandums of understanding signed with the Bill & Melinda Gates Foundation, Unilever and the Intel corporation; and new partnerships are being explored with several multinational agribusinesses interested in sourcing more from smallholder farmers.
Impact Evaluation	50. Raise the level of compliance with the requirement for projects to have a baseline survey by the end of their first year of implementation.	Ongoing - RIDE annually - IFAD9 MTR	**Green**	About 150 out of 260 ongoing projects now have baseline surveys. IFAD is projected to meet the target set for the submission of baselines (40 per cent of all projects), and completion surveys (95 per cent of baseline surveys). The main challenge is the inadequacy of the design budget to support baseline surveys. In-house capacity on M&E and impact evaluation has been established and has started providing expert advice on M&E and impact evaluation at different stages of the project cycle to selected projects.
	51. Actively pursue partnerships with institutions specialized in impact evaluation, and mobilize resources to develop adequate internal capacity to conduct/manage impact evaluation work.	Ongoing - RIDE annually - IFAD9 MTR	**Green**	Ongoing partnerships include: the M&E Harmonization Group; 3ie; the International Food Policy Research Institute (IFPRI); Wageningen University; Royal Tropical Institute (KIT); Center for Development Innovation (CDI); ICF International; University of East Anglia (UEA); Partnership for Economic Policy (PEP); and the International Institute for Applied System Analysis (IIASA). New partnerships are in the process of being established with the Center for Effective Global Action (CEGA), University of California; Oxfam; BRAC; and the Agency for Technical Cooperation and Development (ACTED).
	52. Present an information paper to the Executive Board on the methodologies IFAD will employ in carrying out impact assessments and in measuring the new impact-level indicators introduced in the RMF 2013-2015.	December 2012 - Paper to Executive Board in December 2012	**Green**	Complete.
	53. Conduct, synthesize and report on approximately 30 impact surveys over the IFAD9 period. Three to six of these will use randomized control trials or other similarly rigorous methodology, depending on cost-sharing opportunities, and interest and availability of institutions specialized in impact evaluation to support this work.	2013 onwards - IFAD outcome report to Executive Board from 2014 onwards	**Green**	A RIMS survey inventory analysis was carried out to select the 24 projects to undergo ex post impact evaluation. Six projects were identified for randomized control trials (RCTs) in the context of the 3ie Agricultural Innovation Thematic Window (supported with US$10 million in funding from the Department for International Development (DIFD) and the Bill & Melinda Gates Foundation). These projects have been matched with internationally renowned research institutions (including IFPRI, Wageningen University and University of California) which will carry out the impact studies. Support for the design of RCTs in the context of the ASAP is also being provided.

Area of reform	Key commitments	Time frame & Reporting	Status Q2 2014	Remarks
Results Reporting	54. Review and consolidate mechanisms for results reporting to governing bodies, towards more succinct accounts that are focused on impact and outcomes achieved.	April 2013 - Proposal to Executive Board in April 2013	**Green**	This IFAD9 commitment was completed ahead of plan. Management proposals to consolidate results reporting to the governing bodies were endorsed by the Board in September 2012.
	55. Report annually to the Executive Board and Evaluation Committee on performance against RMF 2013-2015 indicators and targets through the Report on IFAD's Development Effectiveness.	2013 onwards - RIDE annually - IFAD9 MTR	**Green**	Streamlined RIDE on performance against RMF was submitted to the Board in December 2013.
	56. Report annually to the Executive Board through the Audit Committee on enterprise risk management activities in IFAD.	Annual - Reporting to Audit Committee annually - Annual Report on IFAD's ERM Activities to Executive Board	**Green**	In the context of the Board's endorsement (in September 2012) of Management's proposal to consolidate results reporting to the governing bodies (see commitment number 54), the annual report on enterprise risk management (ERM) activities will cease to be prepared. In line with IFAD's ERM policy, through the ERM Committee, chaired by the Vice-President, IFAD maintains a proactive approach to ERM, with corporate risks being assessed and reported to Management every quarter in the context of the corporate quarterly performance review process.

Draft terms of reference for working group on IFAD's governance

Working Group on governance issues

Background

1. IFAD's Executive Board considered the findings of the corporate-level evaluation on IFAD replenishments (CLER) at its 111th session in April 2014. During discussions on IFAD's governance structure and on participation and representation of IFAD's Member States in governance processes and replenishment consultations, it was agreed that it would be opportune to review the List system, particularly with respect to effective representation of Member States in IFAD's governing bodies. The length of replenishment cycles was also considered as an issue for review.

2. The CLER was also considered by the IFAD10 Consultation at its second session in June 2014 and both the Executive Board and the IFAD10 Consultation members expressed their broad support for the proposal of setting up an inter-Consultation working group of members to address these governance issues.

3. It was agreed at the second session of the IFAD10 Consultation that Management would prepare the draft terms of reference for the working group, and that these would be discussed at the third session of the IFAD10 Consultation in October. On this basis, the following draft terms of reference, mode of operation and composition are proposed:

Terms of reference

4. An inter-Consultation working group will be established to consider governance issues. In particular, the working group will:

    (a) review and assess the governance-related recommendations arising from the CLER, particularly with regard to the structure, appropriateness and relevance of the IFAD List system;

    (b) review and assess the composition and representation of the replenishment consultation and the length of replenishment cycles in IFAD11 and beyond; and

    (c) make proposals on (a) and (b) above for consideration by the Governing Council, as appropriate.

5. In so doing, the working group may also review current practices of other international financial institutions with respect to governance structure, replenishment procedures and composition.

Composition

6. [TBD]

Mode of operation and time frame

7. The draft proposal will be considered by the IFAD10 Consultation at its third session in October 2014. Subsequent to endorsement by the IFAD10 Consultation, this proposal will be included in the final report of the Consultation which will be submitted to the Governing Council in February 2015 for approval. List Convenors should provide the Secretary of IFAD with nominations for working group members from their respective Lists before the December session of the IFAD10 Consultation, so that these may be included in the final report of the Consultation. The Governing Council will thus approve the terms of reference and composition of the inter-Consultation Working Group. Thereafter, the working group will hold its first meeting, during which the group will elect a chairperson from among its members.

8. The working group, thus established, will submit a report on the results of its deliberations and any recommendations thereon to the thirty-ninth session of the Governing Council in February 2016, with a view to adopting such resolutions as may be appropriate.

IFAD's agenda for improved nutrition

1. At IFAD, nutrition has always been a concern. In 1977, the Agreement Establishing IFAD called for an improvement in the nutritional status of the poorest populations; under IFAD10, IFAD lending will continue to underscore improved nutrition as key to achieving its institutional objectives.

    IFAD moving forward

2. IFAD's approach draws on a broad understanding of other ways in which agriculture can improve nutrition, beyond increased production and productivity.

3. IFAD seeks to mainstream nutrition into agricultural and rural development activities, rather than design stand-alone interventions.

4. The specific adjustments to policies, investments and programmes needed to improve nutrition will depend on the dynamics and context of the nutrition problem at hand. But the main nutritional objective will remain constant: to improve the diet of all individuals throughout their lives and to create more supportive, nutrition-sensitive agriculture and food systems.

5. Mainstreaming nutrition calls for a nutrition lens to be applied from the outset of a project and at each subsequent stage to ensure that it is designed, implemented, managed, monitored and measured to maximize impact on nutrition. In this way, IFAD also ensures that the project has no unintended negative effects on nutrition (for example, an agricultural intervention that increases the burden on women). Specific nutrition objectives and actions can be incorporated into projects and country strategies, as is the practice for gender and environmental sustainability. IFAD will work closely with local partners to ensure that design and operational modalities are coherent with the country context.

6. IFAD has already taken significant steps in advancing its commitment to nutrition-sensitive agriculture and rural development:

    (a) **Investments.** IFAD loans and grants support specific actions that can reshape agriculture and food systems to improve nutrition. Working with country partners, IFAD supports the process from concept and design to implementation, supervision and evaluation.

    (b) **Partnership and policy engagement.** IFAD promotes dialogue and engagement among concerned partners, including ministries of agriculture and health as well as other parts of government and society. This can strengthen understanding, broker collaboration and convergence, and promote operational links for nutrition-sensitive agriculture. Partnerships are an essential part of IFAD's scaling up strategy. By working with partners, IFAD leverages the impact of its investments and enhances their sustainability.

    (c) **Knowledge.** IFAD is building the knowledge base around policies and programmes for nutrition-sensitive agriculture, including learning from monitoring and evaluation of its own investments. IFAD uses this evidence to improve project design and management, policy dialogue and results. IFAD is also tapping other reservoirs of knowledge and commissions; it collaborates with other institutions with specialized research skills, such as national agricultural research centres or international institutes, including those of the CGIAR. With funding from the Government of Germany, IFAD is developing a tool for the design of nutrition-sensitive value chains in two middle-income countries - expanding its expertise and enhancing South-South cooperation.

    (d) **Advocacy.** By participating in the Scaling Up Nutrition (SUN) Movement and other initiatives and through collaboration with other organizations, IFAD connects global advocacy, strategic alignment and partnerships to country

action, and takes an active role in the issue of nutrition-sensitive agriculture at global and local levels. IFAD participated in the ground-breaking Nutrition for Growth Summit in 2013 and has collaborated with the Rome-based agencies to develop technical recommendations on targets and indicators around food, nutrition and sustainability for the post-2015 development agenda.

Measuring results and enabling actions on nutrition

7. IFAD is serious about delivering results: it requires every project to apply a common assessment framework – its Results and Impact Management System (RIMS) – which uses chronic malnutrition as an anchor indicator. Work is under way to revise RIMS to measure household dietary diversity as well: a contributor to good nutrition that reflects IFAD's work in agriculture and food systems. Many projects carry out additional studies and evaluations that provide further insights into how to improve project design, management and impact.

8. An increased commitment to nutrition requires a corresponding increase in capacity. Supported by a multi-year grant from the Government of Canada, IFAD is strengthening its technical capacity to support integration of nutrition into design and supervision of operations. With this grant IFAD can provide additional resources and support to country programme managers and others in the organization to integrate nutrition into their work more effectively.

9. Additional resources will be needed to support country actions at national and local levels to make agriculture more nutrition-sensitive, to improve capacity for analysis, design, coordination, implementation and evaluation, and to fund the investments themselves.

10. In its renewed focus on nutrition, IFAD is deepening its commitment to its mission while building on its own experience, expertise and areas of comparative advantage. The challenges are great, but the benefits are greater. Making agriculture and food systems more nutrition-sensitive will contribute to improving the livelihoods and nutrition of smallholder farmers and the rural poor, and thus to the achievement of IFAD's core mission. But this effort has ramifications that go far beyond the smallholder farms of the developing world: investment in nutrition-sensitive agriculture pays dividends for all of society, whether in urban or rural areas, and contributes to the stability, health, and social and economic growth and development of all countries.

List of documents provided to the Consultation and other reference documents made available

IFAD10/1/R.2	Midterm Review of the Ninth Replenishment
	Annual Report on Results and Impact of IFAD Operations (ARRI)
IFAD10/1/R.3	Report on the status of contributions to the Ninth Replenishment of IFAD's Resources and financial outlook for IFAD9
s	Sessions, workplan and themes of the Consultation on the Tenth Replenishment of IFAD's Resources
IFAD10/2/R.2	A Strategic Vision for IFAD, 2016-2025: Enabling inclusive and sustainable rural transformation
EB 2014/111/R.3 + Add.1	Corporate-level evaluation on the achievements of IFAD replenishments
EC 2014/83/W.P.3	Evaluation synthesis on IFAD's engagement in middle-income countries
IFAD10/2/R.3	Enhancing IFAD's business model for inclusive and sustainable rural transformation
IFAD10/2/R.4	IFAD10 programme of work
IFAD10/2/R.5	Financial framework for IFAD10
IFAD10/2/R.6	Draft resolution on the Tenth Replenishment of IFAD's Resources
IFAD10/3/R.2	Scaling up results for impact
IFAD10/3/R.3	IFAD10 results management framework 2016 - 2018
IFAD10/3/R.4	Review of the status of the debt sustainability framework
IFAD10/3/R.5	Financing options for IFAD beyond 2015
IFAD10/3/R.6	Draft report of the Consultation on the Tenth Replenishment of IFAD's Resources
IFAD10/3/R.7	Revised draft resolution on the Tenth Replenishment of IFAD's Resources
IFAD10/3/R.8	Exchange rates for the Tenth Replenishment of IFAD's resources