Distribution: Restricted		**REPL.VI/2/R.2**	27 March 2002
Original: English		**Agenda Item 3**	English

IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Consultation on the Sixth Replenishment of IFAD's Resources – Second Session

Rome, 18-19 April 2002

OPERATIONALIZING IFAD'S STRATEGIC FRAMEWORK DURING THE SIXTH REPLENISHMENT PERIOD (2004-2006)

Document #: 246443
Library:DMS

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS

COSOP	Country Strategic Opportunities Paper
CDF	Comprehensive Development Framework
DFID	Department for International Development (United Kingdom)
FAO	Food and Agriculture Organization of the United Nations
HIPC	Heavily Indebted Poor Country
IFI	International Financial Institution
MDGs	Millenium Development Goals
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
NIS	Newly Independent States
ODA	Official Development Assistance
OECD	Organisation of Economic Co-operation and Development
PRSP	Poverty Reduction Strategy Paper
UNDAF	United Nations Development Assistance Framework
WFP	World Food Programme
WTO	World Trade Organization

OPERATIONALIZING IFAD'S STRATEGIC FRAMEWORK DURING THE SIXTH REPLENISHMENT PERIOD (2004-2006)

EXECUTIVE SUMMARY

IFAD's policy framework for the Sixth Replenishment period consists of: the Millennium Development Goals (MDGs), which set the global framework objectives and drive national poverty reduction strategies (e.g. the poverty reduction strategy papers – PRSPs); the Strategic Framework, which defines IFAD's specific objectives and its strategy for contributing to the MDGs; the Plan of Action, which guides IFAD in implementing the policy framework of the Fifth Replenishment; the Strategic Change Programme, which develops the processes and systems required for IFAD to fulfil its mission in the light of the Strategic Framework; and the regional strategies, which provide a consistent framework for country strategies.

Focus on the Strategic Framework objectives. IFAD works towards "enabling the rural poor to overcome their poverty", and does so by focusing investments, research and knowledge-management efforts, policy dialogue and advocacy on the attainment of the Fund's three strategic objectives: (i) strengthening the capacity of the rural poor and their organizations; (ii) improving equitable access to productive natural resources and technology; and (iii) increasing access to financial services and markets.

Country programme planning and implementation is the core process for operationalizing the Strategic Framework and the regional strategies. Country strategic opportunities papers (COSOPs) are the main instrument for doing so. They define the strategic role for IFAD in the field of rural development and position IFAD's country programmes within the PRSPs; develop the agenda for IFAD's pro-poor policy dialogue with borrowing countries; design the Fund's support for the debt sustainability of heavily indebted poor countries; link resource allocations to 'performance'; and define the global agenda for IFAD's catalytic role, on the basis of the needs of the rural poor in the countries with which it works.

IFAD needs a **programme with a critical mass.** There is a level below which programme impact on poor people would be limited, and impact on institutions and policies so local and specific that it would severely constrain IFAD's catalytic role. Building on a current base level of approximately 440 million United States dollars (USD) (nominal) per annum, IFAD's stakeholders have judged this level to be USD 450 million in 1996 prices, or about USD 520 million in today's prices.

An annual lending programme of this level would lead to the financing of about USD 1.2 billion of total project costs. It would finance projects and programmes that would reduce poverty for about 13 million poor people per annum. A lending programme of USD 520 million would thus allow IFAD to strengthen its catalytic role; reach a significantly increased number of beneficiaries; and the increased frequency of lending to its different borrowing Member States would ensure a more continuous policy dialogue and stronger partnerships.

With this level of resources, generally, the Fund would cover essential community development and longer-term rehabilitation needs in vulnerable regions (such as Central America, the Andean countries, the uplands in Asia, and sub-Saharan, and especially Sahelian, Africa). In effect, the Fund would substantially address the investment and knowledge development 'gap' that has widened as other donors have reduced their commitments to the agricultural and rural sectors. Moreover, it would make increased levels of investment in countries where a good return has been shown on the development dollar for poverty reduction (in Mozambique and Uganda, for example).

More specifically, the Fund would consolidate advances in those sectors and approaches known to have a lasting impact on poverty reduction (rural finance and commercialization; and gender-responsive programme designs) and, at the same time, seriously face up to other important structural issues such as land reform and natural resource management. Progress in one area establishes strong bridgeheads for others: for example, experience in rural finance and commercialization helps define concretely and coherently the parameters for land reform; and community organization is a stepping stone towards sustainable natural resource management.

However, if the Programme of Work were increased above the level of USD 520 million in today's prices, by 15% to USD 600 million, IFAD's lending would lead to the financing of about USD 1.3 billion of total project costs. It would reach about 15 million people per annum. Furthermore the enhanced lending programme would lead to significant developments in the qualitative aspects of the programme, thereby enhancing its impact.

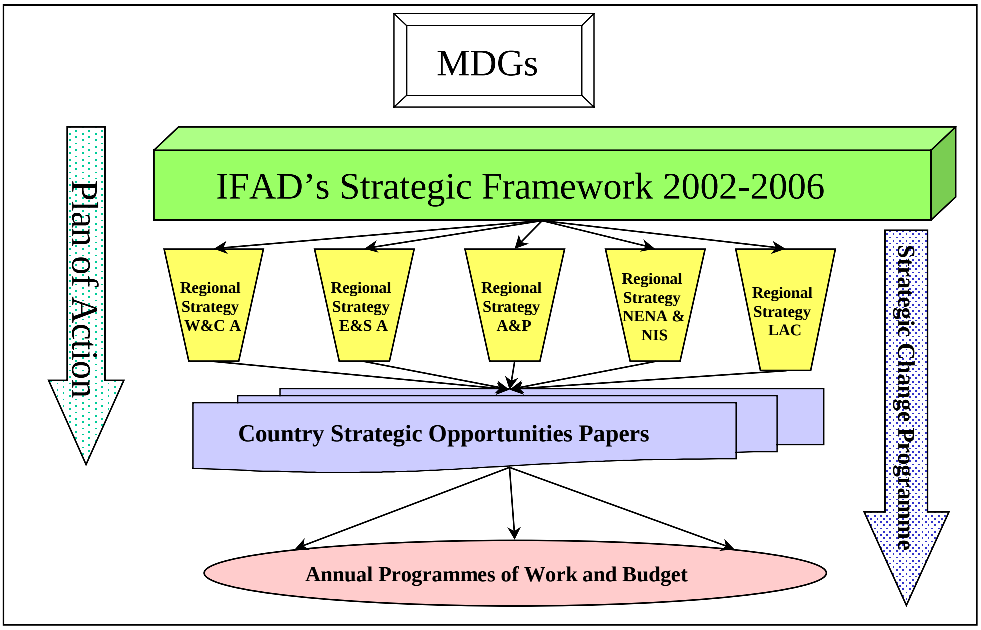
Document REPL.VI/2/R.3 sets out the **resource implications** of these programme alternatives.

OPERATIONALIZING IFAD'S STRATEGIC FRAMEWORK DURING THE SIXTH REPLENISHMENT PERIOD (2004-2006)

I. OBJECTIVES OF THE PAPER

1. In 2001, inspired inter alia. by the Millennium Development Goals (MDGs) and as a follow-up to its *Rural Poverty Report 2001 – The Challenge of Ending Rural Poverty*, the Fund developed its *Strategic Framework for IFAD 2002-2006: Enabling the Rural Poor to Overcome their Poverty* and the six regional strategies. In conjunction with the implementation of the "IFAD V: Plan of Action (2000-2002)" IFAD is now (2002-2003) also implementing a Strategic Change Programme. The graphic below illustrates the linkages between the different mutually reinforcing elements that constitute IFAD's strategic planning framework. With the benefit of the comprehensive preparatory work of the Plan of Action (2000-2002) and the Strategic Change Programme, the Sixth Replenishment period (2004-2006) will therefore constitute a renewal phase in IFAD's life. Although its recommendations will be known only at a later stage, the forthcoming External Review will provide an additional input to this effort.

Enabling the Rural Poor to Overcome their Poverty



Notes: W&CA – Western and Central Africa, Africa I Region; E&SA – Eastern and Southern Africa, Africa II Region; A&P – Asia and the Pacific; NENA & NIS – Near East and North Africa and Newly Independent States; and LAC - Latin America and the Caribbean

2. This paper aims to develop the operational implications of these global and institution-specific commitments (Sections II and III) and to integrate them into a programme of work (Section IV). This programme (Section V) provides a basis for decisions about the level of resources required by IFAD.

II. POLICY FRAMEWORK FOR IFAD'S PROGRAMME FOCUS 2004-2006

3. Four levels of mutually reinforcing strategies will drive IFAD's programmatic priorities during the Sixth Replenishment period: the MDGs; the Strategic Framework for IFAD 2002-2006; the Plan of Action with the Strategic Change Programme; and the regional strategies. The MDGs set the global objectives; the Strategic Framework sets IFAD-specific objectives and defines the Fund's strategy for contributing to the global goals; the Plan of Action, which guides IFAD in implementing the policy framework of the Fifth Replenishment; the Strategic Change Programme, which develops the processes and systems required for IFAD to fulfil its mission in the light of the Strategic Framework; and the regional strategies, which provide a consistent framework for country strategies.

A. Millennium Development Goals

4. In the course of the 1990s, a number of global conferences called for action on a range of development challenges in different sectors of human life; and these commitments were synthesized in 2000 as the MDGs. These goals represent a partnership between the developed countries and the developing countries, which as the Millennium Declaration states will seek, "to create an environment – at the national and global levels alike – which is conducive to development and the elimination of poverty". Agreement on goals and targets constitutes a necessary condition for enhanced effectiveness of development cooperation through coordination and partnership. It also focuses all actors' poverty-reduction strategies on the agreed set of seven goals (see graphic on next page and Appendix I).

5. Recent estimates set the additional annual official development assistance (ODA) requirements to reach the MDGs by 2015 at approximately 54 billion United States dollars (USD). This would raise total annual ODA to the level of USD 100 billion, broadly a doubling of its current levels. This important challenge is being pursued, and most prominently in the recent International Conference on Financing for Development in Monterrey, Mexico; the European Union (EU) Summit in Barcelona, Spain; and declarations by the Governments of the United States and others. In Monterrey an estimated additional of USD 30 billion has been pledged by the United States and EU for the period 2002-2006.

6. However, finance alone will not guarantee that the goals will be reached. Policies and institutions are fundamental to progress on poverty reduction in all its dimensions. For additional financing to lead to accelerating progress towards the goals, countries need to develop appropriate policies and institutional arrangements that will make additional aid effective in reaching these goals.

The Millennium Development Goals 1990-2015

- **Eradicate extreme poverty and hunger**
  - **Halve the proportion of people with less than one dollar a day.**
  - **Halve the proportion of people who suffer from hunger.**
- **Achieve universal primary education**
  - **Ensure that boys and girls alike complete primary schooling.**
- **Promote gender equality and empower women**
  - **Eliminate gender disparity at all levels of education.**
- **Reduce child mortality**
  - **Reduce by two thirds the under-five mortality rate.**
- **Improve maternal health**
  - **Reduce by three quarters the maternal mortality ratio.**
- **Combat HIV/AIDS, malaria and other diseases**
  - **Reverse the spread of HIV/AIDS.**
- **Ensure environmental sustainability**
  - **Integrate sustainable development into country policies and reverse loss of environmental resources.**
  - **Halve the proportion of people without access to potable water.**
  - **Significantly improve the lives of at least 100 million slum dwellers.**

7. While the importance of poverty reduction is overwhelmingly acknowledged, inadequate attention is given to rural poverty. In order to deliver on its mission in the context of the MDGs, IFAD needs to continue to: advocate the rural dimension of poverty in international and national fora; highlight the resource, institutional and policy implications of the MDGs in rural areas; mobilize partnerships around these rural challenges; and contribute to the reporting on progress made in reaching the MDGs.

8. The United Nations will report on progress towards the MDGs based on: (i) close consultation and collaboration with all relevant international institutions; and (ii) progress reports on and updates of the nationally owned poverty reduction strategy papers (PRSPs), which emphasize a consultative process among the development partners. In this context, and given IFAD's mission, the Fund will specifically focus on reaching and reporting on a more limited set of goals (targets and indicators) related to rural poverty-reduction (see Table 1 below, and Table 2 in Appendix I for more details).

Table 1: The MDGs Most Relevant to IFAD

Goals	Targets	Indicators
1. Eradicate extreme poverty and hunger	• Halve, between 1990 and 2015, the proportion of people whose income is less than USD 1 a day • Halve, between 1990 and 2015, the proportion of people who suffer from hunger	• Proportion of population below USD 1 per day • Poverty gap ratio [incidence x depth of poverty] • Prevalence of underweight children (under-five years of age)
3. Promote gender equality and empower women		• Ratio of literate among 15-24-year-olds, by sex.
6. Combat HIV/AIDS, malaria and other diseases	• Have halted by 2015, and begun to reverse, the spread of HIV/AIDS	• HIV prevalence among 15-24 year old pregnant women
7. Ensure environmental sustainability	• Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources • Halve, by 2015, the proportion of people without sustainable access to safe drinking water	• Proportion of land area covered by forest • Land area protected to maintain biological diversity • Proportion of population with sustainable access to an improved water source

B. Strategic Framework for IFAD 2002-2006: Operational Implications

9. **Poverty**. The world’s understanding of poverty has greatly evolved and has internalized the poor’s own definition of their poverty. Poverty is defined as lack of income; insecure access to productive assets; lack of nutrition security; precarious health conditions; unequal access to education and social services; and, more recently, lack of self-esteem, dignity and empowerment. Poverty is not only a condition of low income and lack of assets. It is also about not being able to earn enough to meet basic needs and to escape violence. Poverty is thus a condition of vulnerability, exclusion and powerlessness. The vulnerability of the rural poor is a ‘silent emergency’ that is intimately linked to weak local governance. The poor experience poverty as an inability to influence decisions affecting their lives, negotiate better terms of trade and barter, stop corruption and make governmental and non-governmental organizations (NGOs) accountable to them. The rural poor rarely control the conditions of their livelihoods. Lack of strong social organization makes it difficult for them to exploit potential opportunities within their communities and to develop links with external partners. Powerlessness is clearly one of the most significant causes of poverty; and it is also one of its most important effects.

10. Among the highly diversified poor rural populations, one significant group stands out: women. The majority of women still remain economically and politically marginalized, although their contributions to the resilience of rural households and their potential as agents of change have been demonstrated.

11. While the importance of poverty is overwhelmingly acknowledged, inadequate attention is given to rural poverty – 75% of the world’s 1.2 billion extremely poor live in rural areas.

12. **Reducing rural poverty.** There is a growing consensus that, for rural poverty to be sustainably alleviated, economies must grow and develop. This requires enhanced productivity and **broad-based growth**. To reduce poverty through broad-based growth, the rural poor need to have secure access to a variety of assets (see Box 1). They also need to be less vulnerable to external shocks that threaten their already weak asset base (such as HIV/AIDS, conflict and natural disasters). The lack of secure access to assets is a root cause of rural poverty. Conversely, secure access to assets (in a variety of forms: private ownership, common ownership with secure individual tenure, etc.) is

crucial for ensuring the contribution of the poor to the rural economy and their participation in the benefits of economic growth. Rural capital formation is the key for creating sustainable employment and income, which leads to further investment and capital accumulation.

Box 1: Capital Assets for Sustainable Rural Livelihoods

Human capital: The skills, knowledge and technology, ability to work, good health and nutrition security status, important to the ability to pursue different livelihood strategies. It may be useful to single out the intangible capital of knowledge.

Natural capital: The natural resource stocks from which resource flows useful for livelihoods are derived. They include land, water, wildlife, biodiversity and environmental resources.

Physical capital: The basic infrastructure and the production equipment and means that enable people to pursue their livelihoods. They include transport and market infrastructure, shelter, water, energy and communications.

Financial capital: The financial resources that are available to people and that provide them with different livelihood options. They include financial services such as savings, 'intermediated' credit, regular remittances, insurance and pensions.

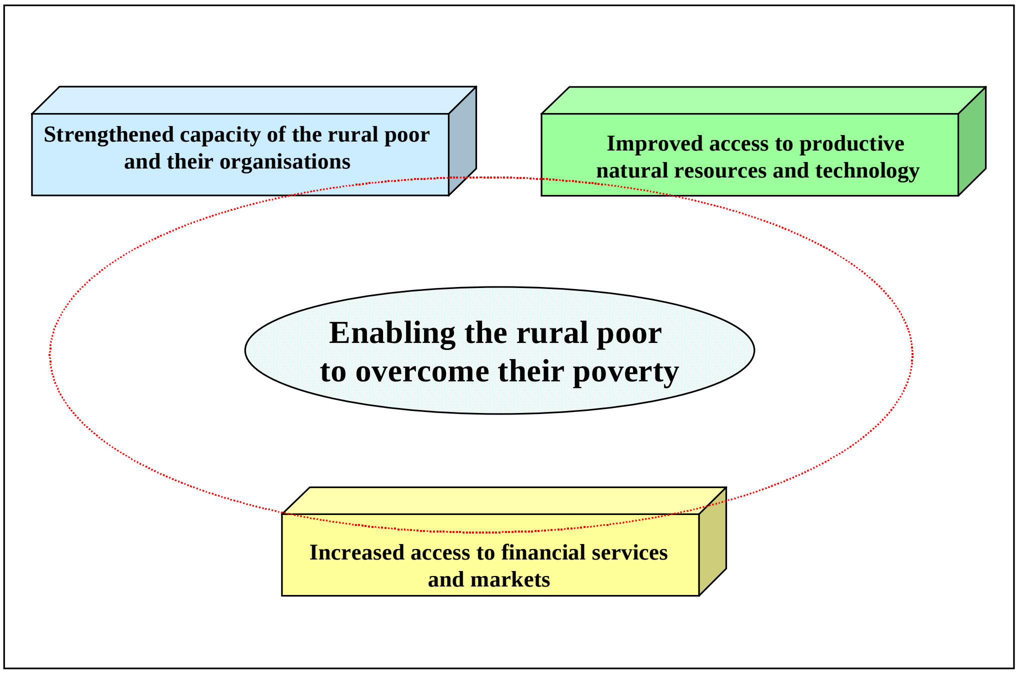
Social capital: The social resources upon which people draw in pursuit of livelihoods. They include networks, membership in groups, relationships of trust, access to wider social institutions (e.g. financial services systems).

Source: adapted from DFID, adapted from Scoones, 1998

13. Where the poor have gained access to remunerative markets, they have been able to start helping themselves, thus initiating the capital formation or accumulation process. **Market access** is a matter both of equity and of allocative efficiency. The poor need reliable market-based access to assets and access to product markets (for inputs and outputs) and service markets. They need a level playing field. This encompasses access to local, national, regional and global markets. But left to their own devices, markets do not establish the conditions for their own efficient operation. They are not necessarily inclusive, competitive and efficient. 'Markets' are central 'institutions' for the sustainable development of the rural economy, and complementary institutions – such as policies, rules and regulations, and organizations – are required to guarantee the market basis of the rural economy. Policies need to be enacted to enhance markets, to ensure the playing ground is level and to make markets inclusive and efficient.

14. There appears to be insufficient appreciation of the contribution that the rural poor themselves can make to meeting the new development challenges. Poor rural people contribute greatly to the economic growth of their countries. Their enterprises and households collectively account for much of the land, water and labour engaged in agricultural production. They have a wealth of traditional technical and organizational knowledge. They play a critical role in managing and conserving the world's natural resources, including its biodiversity. The poor have shown that they can join the mainstream of social and economic development, provided the causes of their poverty are understood and **enabling conditions** are created. The challenge is indeed to enable the poor to overcome not only the material, but also the **institutional and policy obstacles** that prevent them from seizing opportunities. The ultimate objective of development assistance must be to **enable the rural poor** themselves to overcome their poverty. Poverty reduction must not be seen as something that governments, development institutions or NGOs do for the poor. Instead, these partners for development need to forge alliances that promote the **conditions** in which the poor can harness their capabilities to work their own way out of poverty, in an efficient and sustainable manner: secure access to assets; enabling and efficient institutions (including policies and markets); and inclusive organizations.

IFAD'S Strategic Objectives



15. **Agenda for institutional transformation.** The poor need to have influence over the major decisions affecting their well-being, including those taken by local and national governments. Poverty reduction is about enabling poor women and men to transform their lives and livelihoods, and about supporting governments and civil society in creating and maintaining the conditions that allow them to do so. Poverty reduction – and indeed stability and sustainable economic growth – can only be achieved by modifying the unequal relations that contribute to generating poverty, and by making a conscious effort to enable historically excluded people to exercise their full potential. First, and foremost, the poor need to be provided the chance to build individual and collective capabilities in order to gain access to economic opportunities and basic social services and infrastructure. Thus, enhancing the human and **social capital** base of the rural poor will enable them to interact with those wielding power on a more equitable and informed basis, and therefore negotiate more effectively on issues that affect their well-being. Global interdependence, decentralization and the rapid development of civil-society organizations present many opportunities, provided the rural poor can **influence the institutions**, policies and decisions that affect their lives.

16. Concretely, this implies: developing and strengthening the organizations of the poor to confront the issues they define as critical; increasing poor people's access to knowledge so that they can grasp opportunities and overcome obstacles; expanding their influence over public policy and institutions; and enhancing their bargaining power in the market-place. The result of organization is empowerment of the poor to influence policy, enforce pro-poor policy and participate in the markets.

17. Because women, the majority of the poor, are dynamic organizers and participants in grass-roots organizations and are effective at initiating and sustaining local self-help initiatives, they must be at the centre of the agenda for institutional transformation.

18. **Operational implications for IFAD.** IFAD works towards "enabling the rural poor to overcome their poverty", and it does so by concentrating investments, research and knowledge-management efforts, policy dialogue and advocacy on the attainment of IFAD's three strategic objectives indicated in the preceding graphic.

19. By funding the types of development and poverty-reduction initiatives needed to change the structures that generate vulnerability and inequality, and in partnership with governments and local institutions, IFAD can help the rural poor become the driving force of their own development. Investment programmes will focus on building **individual and community-level capabilities**.

20. To do so, programmes need to **maximize the participation** of poor women and men and other stakeholders in the planning, implementation and monitoring of activities. This is especially relevant in the case of the PRSPs. This will ensure that design and implementation decisions are based on the needs and perceptions of the poor themselves. It will also enable the poor to develop the tools they need to bring about change and to sustain that change once external assistance has ended.

21. IFAD works with many different types of poor **people's organizations** (e.g. traditional village and sub-village work groups, small self-help groups, water users' associations and farmer cooperatives). Building their capacities requires time. However, capacity-building is critical for effective poverty reduction: in its absence, investments in social and economic infrastructure will invariably fail to deliver sustainable benefits. IFAD also works to strengthen the capacity of **local and national governments** so they can be more effective in responding to the needs of the rural poor. This involves developing and promoting processes that increase the accountability and transparency of rural service delivery within decentralized decision-making frameworks. Attention to the differing opportunities and constraints of women and men is an overarching concern.

22. As progress is made, **IFAD's advocacy work** will become less a matter of direct dialogue between IFAD staff and government officials than support to the capacity-building of poor people's organizations. However, initially IFAD has a clear role to play in serving as an advocate for the rural poor in national policy fora until such time as their capacity is sufficiently increased to be able to promote their own interests. As its interventions are at the community level and managed by borrowing governments, IFAD is well placed to facilitate policy dialogue between grass-roots organizations and national-level decision-makers. Facilitating such processes requires time and flexibility. This will also involve *enabling the enablers*: increasing the collective capability of governments, the private sector, civil society and development organizations to put the rural poor at the centre of their efforts. The preparation and implementation of PRSPs offer an especially important means to promote pro-poor policies and investments.

C. Plan of Action and Strategic Change Programme

23. **Plan of Action**. With the implementation of the Plan of Action during 2000-2002, concrete measures will have been taken to develop the basic conceptual, methodological, procedural and capacity framework for sharpening the catalytic profile of IFAD in the sphere of rural poverty reduction, and for enhancing the quality of its agricultural and rural development programmes. These measures constitute a solid foundation for IFAD's innovative work in the Sixth Replenishment period. They concentrate on four capacity-development areas: (i) policy and participation; (ii) performance and impact; (iii) innovation and knowledge management; and (iv) partnership-building. Document REPL.VI/1/R.3, dated 12 February 2002, provides a comprehensive Progress Report on the IFAD V: Plan of Action (2000-2002), and Table 2 provides a summary (with more details in Appendix II).

Table 2: Summary of Plan of Action Measures Taken

Objective	Measures taken
Policy and Participation: influencing policies and institutions in favour of the poor and promoting organizations that serve and represent the rural poor	• Thematic working group established on institutional analysis • Efforts made to enhance the policy orientation of IFAD-financed programmes in the core sectoral areas • Country strategic opportunities papers (COSOPs) prepared with reality-check workshops involving all stakeholders • Collaboration strengthened with other international financial institutions in the assessment of policy and institutional environments (e.g. with the World Bank in the context of PRSPs) • Special studies carried out and workshops held to promote pro-poor policies • Training to develop staff capacity for policy and institutional analysis planned • Partnerships with relevant institutions in policy analysis under preparation
Enhanced Performance and Impact Management (see EB 2002/75/R.12 for full details)	• Working group established to review the issue of 'impact achievement through the project cycle' • A unified project design document and 'key file' introduced • Methodological framework for impact assessment prepared • Practical guide for the monitoring and evaluation of rural development projects drafted • Cross-cutting issues of environment, household food security and gender mainstreamed in operations • Focus of the project portfolio review process sharpened on the assessment of performance, and guidelines introduced for integrating impact assessment in the project completion reports • Training planned of staff and IFAD project managers in approaches to impact enhancement
Innovation and Knowledge management	A number of pilot initiatives have been taken and are being tested: • Four thematic groups established in the areas of: diagnostic tools, rangeland management, rural microenterprises, and rural finance • Pilot knowledge base – Gender and Household Food Security – established on IFAD's website • Knowledge-Management Facilitation Unit established • Assessment of IFAD's capacity for innovation completed
Partnership-building	• IFAD takes part in multi-stakeholder partnerships, including the PRSPs. • Strategic partnership with the World Bank strengthened with focus on policy dialogue/advocacy and country-specific operations • Partnerships with private sector developed in IFAD-funded projects

24. Looking ahead, an important challenge for 2002 and 2003 consists in integrating the implications of the Strategic Framework into all IFAD's activities and also into the Plan of Action. IFAD's efforts in the areas of knowledge management and innovation, institutional analysis and dialogue for change, partnership-building and impact enhancement will need to internalize IFAD's strategic objectives: **enabling the rural poor to overcome their poverty; strengthened capacity of the rural poor and their organizations, improved access to productive natural resources and technology, and increased access to financial services and markets.** This implies knowledge management and learning, impact enhancement and dialogue for institutional transformation, in the areas of access to productive assets and markets, by the poor themselves and their organisations; with IFAD playing an enabling role.

25. However, building on the foundations laid during the previous two years, 2002 is expected to be a year of consolidation, the basis for progress during the Sixth Replenishment period. While much has been achieved – and the forthcoming **External Review of IFAD**[1] will provide a better insight in the need for further improvement – some constraints affect the implementation of the Plan of Action. With a number of key actions called for in that plan, the real issue is not so much the delivery of the required papers and documents, but the continuous and consistent pursuit of their implementation. In this respect, the limited human and financial resources constitute a major constraint. Also, IFAD's insufficient field presence forms a major bottleneck. Addressing these issues is part of the need for 'enabling the enabler', as called for in the Strategic Framework.

[1] The objectives of the External Review are to report on: (i) the results and impacts achieved by IFAD-supported operations, and (ii) the recently established methodologies and processes for assessing the results and impact of IFAD-funded projects. The focus will be on three areas: policy dialogue and partnership; IFAD-specific approaches to impact enhancement; and improved impact assessment. (Documents REPL.VI/1/R.4 and REPL.VI/1/R.7 provide full details).

26. **The Strategic Change Programme.**[2] IFAD has embarked on a Strategic Change Programme, which seeks to promote and achieve organizational changes that will allow the Fund to become more efficient and effective in realizing its mission and help achieve the overarching goal of poverty reduction. It aims to develop IFAD's institutional capacity, and to modernize its policies, processes and systems for delivery of the Strategic Framework. This entails the modernization of its human resources management policy, financial management system, strategic planning and resource allocation processes, knowledge management and innovation processes, communication strategy and advocacy capabilities. It also entails modernizing information technology to support all of the above with a more strategic management information system. The Strategic Change Programme is being funded from extra-budgetary resources.

D. Regional Strategies

27. As an input for IFAD's *Rural Poverty Report 2001*, the regional divisions undertook detailed rural poverty assessments. These poverty assessments also were the critical point of departure for the development of IFAD's Strategic Framework and its regional strategies. The regional strategies describe how IFAD will pursue its Strategic Framework mission and objectives at the regional level. They identify the core rural poverty issues the Fund is confronted with in the specific regions, the opportunities that exist to address them, constraints, and the strategic choices the Fund will pursue in the medium term with its strategic partners.

28. The regional strategies were discussed at roundtables during the February 2002 Governing Council. Table 3 (with more details in Appendix III) provides some of the highlights of the consensus reached on the regional strategies in these roundtables. The regional strategies will evolve over time, and form the basis for the regional lending programme framework and for the country strategies.

[2] Document EB 2002/75/R.11 provides a report on progress made.

Table 3: Highlights of the Regional Strategies

Western and Central Africa

- Strategy focus on human capital and social organization, natural resource productivity, income-generation and vulnerability; with three cross-cutting themes of gender equity, participation and indigenous knowledge; and building on synergy between investing in health and education, and agriculture and revenue-generating activities
- Other strategic emphases include: small-scale irrigation; pest control; agricultural product and input marketing; peri-urban agriculture; communications and rural infrastructure; malaria prevention (versus a unique emphasis on HIV/AIDS); investment in women; cooperative development; developing local capacity through support to decentralization initiatives and strengthening farmers' organizations; role of the private sector, but not as a panacea for agricultural development as its interest in this sector is often limited to export crops and readily accessible production zones; complementarity with regional initiatives such as the New Partnership for Africa's Development (NEPAD); and participation in PRSPs.

Eastern and Southern Africa

- IFAD's four strategy thrusts: improve access of poor farmers to markets and relations with the private sector; raise their access to, and control over, land and water; organize the financial services necessary to save, invest and meet crises; and develop and access the technology and information poor people need to produce and sell their products
- Other strategy issues: the importance of appropriate land tenure systems, which ensure security, provide for inheritance from one generation to another, and enable land to be used as collateral by borrowers; the enormous potential for increasing production through expansion in irrigation; the crucial role played by rural finance as a prerequisite for on-farm investment (including financial service delivery by non-financial institutions); the importance of ensuring the access of rural producers to markets, both local and international, improving rural transport facilities, providing better market information and promoting locally based agro-processing to add value; **complementarity with regional initiatives such as the New Partnership for Africa's Development (NEPAD); and participation in PRSPs.**
- HIV/AIDS to be tackled through rural development – by reduction of gender disparities, education, community empowerment and increased incomes within rural families
- Need for true partnership with donors beyond financing development, but partnership to be built within a government-led policy, strategic and programmatic framework.

Asia and the Pacific

- Poverty reduction can only be achieved by: enabling historically excluded people to exercise their full potential; and by focusing on the less-favoured areas – remote uplands and mountains, marginal coastal areas and erratically watered drylands
- Four major elements of strategy: changing unequal gender relations to increase women's ownership and control of assets, and their effective participation in community management affairs; enhancing the productivity of staple food in less favoured areas, primarily through sustainable agricultural technologies; reforming property and tenurial rights of marginalized minorities and indigenous peoples; expanding the capabilities of the poor through greater access to self-help, local accumulation, new skills and technologies
- Other issues: the role of the state in service delivery and playing a facilitating role to promote pro-poor growth; the importance of South-South cooperation and the need to learn from outside the region and from developed countries; the focus on operational implementation issues and particularly the need for mainstreaming, developing indicators for monitoring and building capacity of government to monitor and evaluate progress.

Near East and North Africa

- Region has two main constraints: natural resource constraints including a fragile land base and declining soil fertility, limited water resources, and frequent climatic shocks (droughts and floods); and institutional constraints such as unequal land distribution and insecurity of land tenure, poor and unsustainable management of common pool resources, low public-sector investment in physical and social infrastructure in rural areas, gender imbalances and lack of grass-roots and civil-society organizations
- IFAD strategy focuses on four main themes: empowerment of the rural poor; income diversification; equitable access to resources for men and women; and natural resource management
- Negative impact of industrialized countries' agricultural subsidies as a significant constraint to economically viable production and marketing of agricultural products by small farmers.

Eastern and Central Europe and NIS

- Agriculture in the sub-region is in a state of transition, and sector needs institutional reform to allow small farmers better access to markets, input supplies, finance and technical assistance
- Rural poverty most severe for farmers in uplands and mountainous areas, rural wage earners, rural women, the elderly and ethnic minorities
- IFAD strategy for reducing rural poverty focuses on six main themes: strengthening institutional capacity; establishing market linkages for agriculture; enhancing on-farm productivity; investing in the non-farm rural economy; improving the management of natural resources; and developing rural financial services
- Particular focus on mountain areas, land consolidation, rural financial services, market access and linkages with the private sector

Latin America and the Caribbean

- Policies give priority to the other sections of the economy, not the rural poor
- Globalization has a negative impact on the rural poor and emerging opportunities are not utilized. IFAD should adapt its strategy to these challenges, working in partnership with other institutions and, in-country, with civil society, the private sector and NGOs
- IFAD to develop new instruments for poverty reduction in the region
- Countries in process of decentralization, and IFAD to work with new institutional structures at local and regional level
- Services provision to take into account the diversity of the rural population and to respond to demands
- Gender mainstreaming crucial
- Need for further analysis on trade barriers, in particular agricultural subsidies by OECD countries, and impact of the financial crisis on the rural poor

III. GIVING SCALE TO THE STRATEGIC FRAMEWORK: WORKING AT THE COUNTRY LEVEL

29. The Strategic Framework and the supporting regional strategies drive all IFAD's activities. However, both are directional documents and remain neutral to scale: they can be implemented through programmes at different levels, except for the need for a critical mass, a level below which programme impact on people would be so limited and impact on institutions and policies so local and specific that it would severely constrain IFAD's catalytic role. Building on the current level of approximately USD 440 million in nominal terms, this level for the future has been judged to be at the level of USD 450 million in 1996 prices,

30. Country programme planning and implementation is the core process for giving scale to the Strategic Framework and the regional strategies, and for allocating IFAD's scarce resources in a strategic manner, in line with the Strategic Framework and the regional strategies. The main instruments for doing so are the country strategic opportunities papers (COSOPs). They define the strategic role for IFAD in the field of rural development and in relation to the PRSPs; develop the agenda for IFAD's pro-poor policy dialogue with borrowing countries; design its support for the debt sustainability of the heavily indebted poor countries; link resource allocations to 'performance'; and define the global agenda for IFAD's catalytic role, on the basis of the needs of the rural poor in the countries with which it works. The following sections look more closely at these processes.

A. Country Strategic Opportunities Papers

31. The COSOP is a strategic document that develops country programme options in the context of the Strategic Framework and the respective regional strategy. It is strategic and therefore selective: it prioritizes programme choices. It describes rural poverty and its context; rural poverty-eradication needs, opportunities and constraints: what others (including NGOs) are doing and have learned in rural development; and the lessons IFAD has learned from its previous investment programmes. It identifies poverty-eradication priorities and rural development strategies shared by the government concerned, IFAD and other potential partners (such as civil-society organizations and cofinanciers). It articulates IFAD's role and the potential for strategic alliances. The COSOP is about IFAD's strategic focus in relation to government policy, in the context of PRSPs; and in the COSOP process, the Fund establishes partnerships with others. The COSOP positions IFAD in the micro-macro debate, with the emphasis on equity in **access to productive assets** and on an enabling policy framework. It also positions IFAD in the debate on the institutional framework, focusing on the local level, on decentralization and participation, on **enabling the poor and their organizations**, and on identifying the institutions with whom the Fund can link. It is strategic and therefore forward-looking, providing a medium-term planning framework for **all** IFAD's operations in a country (ongoing projects, new projects and programmes, policy dialogue, the Debt Initiative for Heavily Indebted Poor Countries (HIPCs), arrears settlement, collaboration with NGOs, technical assistance grants, workshops, studies, etc.). The COSOP also constitutes the framework for planning and structuring the Fund's strategic mix of operations in a given country – the sequence and the balance of innovations, replications, scaled-up projects and longer-term programmes.

32. Appendix IV provides the standard outline for COSOPs; Box 2 lists the key features of COSOPs, and Box 3 illustrates how recent COSOPs are internalizing the Strategic Framework objectives.

Box 2: Ten Features of COSOPs

1. Strong country ownership and client focus, through clear linkages with the PRSP
2. High strategic selectivity
3. Sharp rural poverty focus
4. Clear country performance and micro-macro assessment, with a specific agenda for policy dialogue
5. Candid governance and institutional assessment
6. Critical self-evaluation and concrete lessons from experience
7. Well-defined comparative advantage of IFAD
8. Comprehensive identification of potential strategic alliances
9. Specific link to the Strategic Framework and regional strategies
10. Developed in partnership with local institutions to define the problems and to set the priorities; and with selected external partners

Box 3: COSOPs in Support of the Strategic Framework

	Enabling the poor and their organizations	**Access to productive resources, financial services and markets**
Dominican Republic	• IFAD should support education and training in order to improve and strengthen the rural poor's social and grass-roots organizational capacities. • Empowerment of the rural poor and their grass-roots organizations is the ultimate goal. Particular efforts will be made to strengthen the participation of base organizations in the decentralization programme and local development committees.	• Agricultural innovations will be supported by investments in small irrigation and drainage works, soil and water conservation works, and leading-edge technologies. They should facilitate participation of farmers' groups in local, national and regional markets. • Training for labour skills and employment support will be offered, especially to women's groups.
Kenya	• Programme approaches will give communities ownership of the development interventions through consultation at every stage, and by maximizing community contributions to each activity. • Participatory monitoring and evaluation will be a feature of all project designs.	• IFAD will closely monitor policy developments in the bank and rural non-bank finance sector, to identify areas that might be viably supported to ensure access by the rural poor to financial services. • IFAD will aim to promote the integration into the market by smallholder poor producers.
Republic of Moldova	• IFAD seeks to institutionalize the participation of the poor in rural and agricultural development policy formulation. • The proposed strategy is focused on empowerment of the rural poor in the context of civil rights, privatization and market-oriented economic development, and on institution-building among the poor (savings and credit associations, water-users' associations and producer associations).	• Critical areas for IFAD involvement in pro-poor dialogue include access for the poor to land and water; employment resulting from economic rationalization and diversification of the rural resource base; and rural technical, financial and managerial development goods and support services. • The point of departure for the Fund's engagement in pro-poor policy dialogue would be involvement in the finalization of the national PRSP.

33. IFAD has prioritized COSOPs by focusing on: countries where it finances or plans multiple operations – a critical mass; countries with complex socio-economic environments; or countries in regions with special difficulties. COSOPs have been most useful in new Member States (even though the absence of IFAD experience in the country has made the COSOP process more complex) and in countries where major economic developments or policy shifts have called for a review of IFAD's strategy or where IFAD has wanted to reposition itself, based on a review of its country portfolio experience. COSOPs have been prepared for 76 of the 118 countries for which IFAD has approved loans (see Table 4).

Table 4: List of COSOPs by Division

WESTERN AND CENTRAL AFRICA	EASTERN AND SOUTHERN AFRICA	ASIA AND THE PACIFIC	NEAR EAST AND NORTH AFRICA	LATIN AMERICA AND THE CARIBBEAN
BENIN	BURUNDI	BANGLADESH	ALGERIA	BOLIVIA
BURKINA FASO	COMOROS	BHUTAN	DJIBOUTI	BRAZIL
CAMEROON	ERITREA	CAMBODIA	EGYPT	CARIBBEAN REGION
CAPE VERDE	ETHIOPIA	CHINA	GAZA AND THE WEST BANK	DOMINICAN REPUBLIC
CHAD	KENYA	D.P.R. KOREA	JORDAN	EL SALVADOR
CONGO	LESOTHO	INDIA	LEBANON	HAITI
CôTE D'IVOIRE	MADAGASCAR	INDONESIA	MOROCCO	HONDURAS
GAMBIA, THE	MALAWI	KYRGYZSTAN	SUDAN	MEXICO
GHANA	MOZAMBIQUE	LAOS	SYRIA	PANAMA
GUINEA	RWANDA	MONGOLIA	TUNISIA	PERU
MALI	SWAZILAND	NEPAL	TURKEY	URUGUAY
MAURITANIA	TANZANIA, UNITED REPUBLIC OF	PAKISTAN	YEMEN	VENEZUELA
NIGER	UGANDA	PHILIPPINES	ALBANIA	
NIGERIA	ZAMBIA	VIET NAM	AZERBAIJAN/GEORGIA	
SAO TOME AND PRINCIPE	ZIMBABWE		BOSNIA AND HERZEGOVINA	
SENEGAL			GEORGIA/AZERBAIJAN	
SIERRA LEONE			REPUBLIC OF MOLDOVA	
			THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	
17	15	14	18	12

34. While the COSOPs are designed as an internal knowledge management and strategic planning process, dialogue with the concerned government and other stakeholders has been a key condition to their success and usefulness. Country ownership of the strategy and the policy change agenda is central to the effectiveness of the IFAD-supported programme in a country, and the link between IFAD's COSOP work and the PRSP process is important in this context. The divisions have pursued a variety of approaches to reach both the strategic and partnership-building objectives of the COSOPs, and Box 4 illustrates an initiative taken by the Asia and the Pacific Division. Also, the Executive Board now selectively reviews COSOPs, and this pilot phase will be assessed by the end of 2002. On the basis of this assessment, decisions will taken regarding the design of COSOPs (the process and the outcome) and the role of the Executive Board in their regard.

Box 4: COSOP Experience in Asia

In 1998, in the preparation of COSOPs for India and Indonesia, 'reality check' workshops were organized to obtain feedback on draft COSOPs from multiple stakeholders – senior policy-makers, NGO activists, academics, selected donors and the beneficiaries themselves.

The aim of this approach was essentially to place the future lending programme in the context of a strategic alliance with all stakeholders in poverty reduction. Their active participation in these workshops contributed immensely to improving these COSOPs and making them more realistic and demand-driven.

Mutual consultation with like-minded donors during COSOP preparation and during the workshop has provided opportunities to build strategic alliances with these donors for mutually beneficial project development work. The collaboration with the Department for International Development (DFID) (United Kingdom) during COSOP preparation and the subsequent development of the Bihar-Madhya Pradesh Tribal Development Project is a case in point. This project is the first IFAD-initiated project in India to be cofinanced by DFID. Collaboration with DFID on the National Microfinance Support Programme in India has started. IFAD's has found that preparing COSOPs in close collaboration with various stakeholders facilitates the development of strategic alliances with other development cofinanciers, will continue this process for developing COSOPs in the future.

35. COSOPs are articulated within the framework of the regional strategies, on an iterative basis: they link the strategy underlying IFAD's operations in one country to the regional strategy; and in turn, influence the further development of these regional strategies. COSOPs are also explicitly and directly linked to the Strategic Framework.

B. Linking Resource Allocations to Performance

36. COSOPs help IFAD to make strategic decisions about resource allocations to specific countries, from the perspective of the Strategic Framework and the regional strategies. From available options for rural poverty eradication, IFAD and its partners choose those that will ensure the highest 'returns' to its efforts – in terms of its Strategic Framework objectives. Specific reasons for the Fund to be concerned with strategic selectivity are listed in Box 5. Furthermore, aid effectiveness research is showing that aid helps spur growth in countries with good policies and good governance. COSOPs assess the pro-poor quality of countries' policy and institutional frameworks, and define the agenda for institutional transformation that needs to accompany country programme development to ensure the effectiveness of IFAD's support in terms of rural poverty reduction.

37. To combine its vocation as a universal institution (lending to all its eligible developing Member States) with the need for strategic focus and selectivity in order to be effective, IFAD has developed a three-tier system of resources allocation.[3] The first level is the regional lending shares and, within the region, indicative country lending shares. The second tier consists of actual resources allocation decisions within this framework, taken on the basis of the COSOPs assessment of the likely effectiveness of resources in reducing rural poverty in the country concerned. The final tier then ensures that the planned project designs fulfil a number of effectiveness criteria, and especially productivity.

Box 5: Why Be Strategic?

IFAD needs to be strategically selective for a variety of reasons:

- Highly concessional and intermediate-term investment resources are scarce, and ordinary-term investment resources are expensive for the borrowers.
- IFAD's mandate 'exclusively' focuses on rural poverty-eradication, but rural poverty-eradication needs are many and acute.
- There is a global concern about the effectiveness of development cooperation. Impact on the ground is central to IFAD's preoccupations; and resources need to be allocated to objectives and investments that will achieve the highest level of results. It is also common knowledge that development impact is highest in environments that have conducive policies and capable institutions in place.
- IFAD is expected to contribute significantly to the development of a comprehensive and coherent body of knowledge on rural poverty-eradication strategies and approaches based on field experience. Like any other institution, however, its human and budgetary resources are scarce compared to the rural development needs and to its own learning opportunities.
- As an innovation-oriented organization, IFAD needs to maintain an environment that enables the continuous development of new approaches to rural poverty eradication. On the other hand, for the sake of resource-use efficiency, a common strategic direction is needed to ensure the internal consistency required for an IFI. In addition, since the Fund has embarked on a policy of client-demand-driven programme development, enabled by a high degree of flexibility, an empowering strategy framework is necessary. Managed flexibility requires a coherent strategic framework.

38. The **regional shares and indicative country lending shares**. In 1999 the Executive Board approved the following allocation of IFAD's lending programme resources by geographic region: 39.4% for Africa, 28.5% for Asia, 17.0% for Latin America, 7.1 % for the Near East and North

3 See document CRR I/3/R.5.

Africa, and 8% for Eastern Europe and the former Soviet Union republics.[4] This corresponds to 36.77% for the two Africa divisions in IFAD, 31.01% for the Asia and the Pacific Division, 17.03% for the Latin America and Caribbean Division, and 15.19% for the Near East and North Africa Division. These allocations are based on composite indices (combining a food security index, an integrated poverty index, a basic needs index and agricultural population) reflecting the needs.

39. Within these regional shares, strategic resource commitments per country by the different regional divisions are based on the:

- extent of rural poverty (the number of poor rural people);
- depth of rural poverty (human development, food production and other indices);
- possibility of collaboration with other donors;
- country's institutional and policy environment;
- government's commitment to poverty reduction (indicated by the performance of IFAD's ongoing project portfolio);
- availability of viable investment options and their potential for achieving replicability and for generating knowledge for shaping national policies and programmes.

40. COSOPs constitute the process and documentation on the basis of which such resource allocation decisions are taken for planning purposes, based on these criteria.

41. **Actual resource-allocation decisions: performance-based lending**. When deciding on whether to approve a loan, on the loan level and on the form of its programme of assistance, IFAD takes into account not only the overall economic situation and development needs of the recipient countries, but also a number of policy and governance factors that clearly influence the possibility of translating IFAD's loan resources into effective and sustained poverty reduction. These factors include:

(i) a coherent, effective and country-owned rural poverty-reduction strategy and programme (such as a PRSP), which include provisions to secure access to productive assets for the rural poor and address gender issues affecting the conditions of poor women and their dependants;
(ii) economic and sectoral policies that guarantee efficient, market-based transactions for the poor for the sale of outputs and the procurement of goods and services;
(iii) transparency and efficiency in public resource allocation and use (including external assistance); accountability and efficiency of public institutions and administration; and allocation of appropriate levels of national public resources in support of the national rural poverty-reduction strategy and programme;
(iv) effective mobilization of civil-society institutions and recognition of their role in the development process (including a favourable legal and regulatory framework);
(v) participation by all categories of the poor (including women and minorities) in local processes of development planning, public resource allocation and functioning of public services; and a policy framework that enables the poor and their organizations;
(vi) respect for traditional mechanisms through which the poor maintain access to and manage natural resources at the community level; and
(vii) commitment by Member States to strengthen governance.

42. In any given country, the status of these different policy and governance factors will be unequal: not all performance criteria will be satisfied at once and at the expected level. This influences the nature and the scope of IFAD's programmes.

4 See document CRR I/3/R.5.

43. The issue is not only the current state of governance as it relates to sustainable poverty reduction, but also how the environment for poverty reduction can be effectively improved through engagement in policy dialogue and institutional development and through programme development and implementation. IFAD's aims – to reduce rural poverty, increase food production and improve nutrition in developing countries – cannot be achieved unless borrowing countries are prepared to evolve and implement appropriate development strategies and policies. IFAD stands ready to contribute to the development of pro-poor strategies, assisting governments in identifying and implementing policy and institutional changes that will help to achieve the broader economic and social objectives of rural development; and national ownership remains crucial. A commitment by Member States to strengthen governance can be supported by IFAD.

44. It is particularly important to ensure that programme activities contribute to a stronger local basis for good governance in terms of decentralization and participation by the poor in local institutions. IFAD can most directly affect local-level policy and institutional improvements involving the empowerment of the poor in public, economic and social spheres. Concrete prospects for such empowerment are essential for IFAD's engagement of resources at the country level.

45. **Productivity criteria in project designs**. There is a growing consensus that, in order to eradicate rural poverty on a sustainable basis, economies must grow and develop. This requires macroeconomic stability, and also structural change to ensure that incremental investments lead to broad-based growth. In most developing countries, where the rural economy constitutes an important part of the aggregate economy, this means that growth must include and harness the rural sector and most often the agricultural sector. High growth rates for the agricultural sector require significant strategic efforts (as developed in the next section), with a clear understanding of the differentials in impact on agricultural growth of different types of investments by the public and private-sector agents.

46. In its programme of work (the loans and the grants for agricultural research), the Fund pays particular attention to the dissemination of improved and appropriate technologies to small farmers and rural microentrepreneurs; capital investment programmes that increase output, especially of low-cost calories, per unit of land and labour; and the promotion of labour-intensive rural activities that improve the quality or efficiency of inputs into the production, storage or processing of farm outputs.

47. Taking due account of its country criteria and of the principle of project economic viability, IFAD gives special consideration to activities that:

(i) result in marked increases in output of cereals and other basic foodstuffs, including livestock and fishery products, for direct human consumption within the producing country;
(ii) deliver most benefits to small farmers and the landless. IFAD will not normally finance projects and programmes whose overall impact on income distribution is negative, i.e. those failing to provide proportionately larger benefits to the poorest segments of the population when compared with other groups;
(iii) induce larger flows of national resources to agriculture and improve the country's ability to organize the rural sector and mobilize the rural population; and
(iv) promote domestic and external trade in food products or other forms of economic cooperation among developing countries in respect of food production.

C. Working in Partnership with Others

48. Working in partnership with others is a strategy that enables IFAD to be more effective in delivering its Strategic Framework, ensuring programme impact and fulfilling its catalytic role. The Fund works through partnerships in three modes: participation in multi-stakeholder coordination processes; programmatic partnerships with other actors in rural development; and project and programme cofinancing.

49. **Multi-stakeholder coordination processes**. In recent years, three coordination instruments have been introduced: the United Nations Development Assistance Framework (UNDAF), the Comprehensive Development Framework (CDF), and the PRSP. The UNDAF is the internal United Nations' instrument to plan and coordinate UN system support to member governments for the follow-up on global conferences where international development goals have been defined, and this under the integrating principle of the right to development. The CDF has been conceptualized by the World Bank as a government process to articulate a comprehensive framework (covering all sectors of human life) for the development of the country. Perhaps more important, a third process, the PRSP, has been conceptualized in recent years as a country-owned, government-managed process to develop and implement a strategy for poverty reduction.

50. The PRSP, instead, is maturing rapidly (in both quantitative and qualitative terms): 32 countries have World Bank/International Monetary Fund (IMF) endorsed interim PRSPs, six countries already have full-PRSPs; and more than 15 countries are preparing interim PRSPs. As could be expected, the implementation of the PRSP concept has been helped by the link between the PRSP and access to resources: the Heavily Indebted Poor Countries Debt Initiative (HIPC DI) resources, the IMF's Poverty Reduction and Growth Facility (PRGF) resources, World Bank Poverty Reduction Support Credits (PRSCs), and European Union Poverty Reduction Support Grants (PRSGs).

51. Concerned with multi-stakeholder partnerships in support of government-owned processes, IFAD wants to support these initiatives. However, in view of its scarce resources (human and financial) and the practical difficulties it faces in participating in longer-term country-based processes, it has had to prioritize its participation. Conceptually, IFAD views the UNDAF, CDF and PRSP process as mutually reinforcing: (i) UNDAFs underpinned by the MDGs, sets the strategic objectives of the UN System; (ii) CDFs define a holistic, longer-term framework for a country's development; and (iii) PRSPs set the short- to medium-term strategy specifically for reducing poverty – linking priorities to available resources. The three processes are clearly complementary, and the MDGs are central to all three.

52. While IFAD is committed to all three processes, as a matter of principle and efficiency, the challenge remains to ensure the mobilization and allocation of the resources needed not only to help develop these processes, but also to sustain them in the longer term. Strategically, therefore, IFAD's participation in the PRSP constitutes the priority.

53. In addition to these global multi-stakeholder partnership frameworks, other forms of more specific partnership are in the making. One example is the NEPAD, a particularly important initiative taken last year by the Presidents of Algeria, Egypt, Nigeria, Senegal and South Africa. IFAD will actively support NEPAD and, in particular, the programmes that result from them.

54. **Programme-based partnerships.** The Fund seizes a diversity of opportunities for developing strategic partnerships. Country strategy work, driven by the borrowing Member State, provides a frame for sharing experience and visions for the road forward, and for developing platforms for cooperation with other development financiers. Participatory project planning and monitoring puts the ultimate clients – the rural poor – and their organizations at the centre of the partnership. NGO

participation in investment projects expands the strategic front to civil society and ensures a broader exchange of knowledge and stronger participation. Researchers and research centres, supported with technical assistance grants develop and disseminate technical knowledge and management expertise to the rural poor. And where the alliance succeeds in encompassing the private sector, service delivery becomes commercial and sustainable. The results of such partnership are consistency in policy approaches; coordinated action and optimized use of scarce local resources; and, in some cases, the mobilization of additional resources through cofinancing. Some specific regional experiences are provided in Box 6 as illustrations. The key question is: how can the Fund continuously broaden the scope of such strategic partnership-building initiatives?

Box 6: Regional Experiences

The Western and Central Africa Division is sharing with the World Bank sectoral strategy work in the fields of: capacity-building for rural grass-roots organizations; the decentralized management of productive, marketing and social infrastructure development; and rural finance systems development. The initial focus is on Guinea and Ghana, and subsequently on Burkina Faso, Chad, Gambia, Mali and Senegal, with the objective of joint operations.

The Southern-Africa Division is joining hands with the World Bank and the European Economic Community EEC to establish a “hub” in Harare, with the objective of strengthening the ‘spokes’: local capacity for rural development and policy and programme design.

The Latin America Division is piloting a private-sector model for the supply of producer support services in IFAD-funded investment projects.

55. The regional divisions have periodic meetings with their ‘external’ strategic partners, at both field and Headquarters levels (e.g. meetings between the two Africa divisions and the United States Agency for International Development (USAID); and in some cases this dialogue process has been ‘formalized’ through annual meetings with a global (regional) agenda (e.g. the annual meeting between the West-Africa Division and the French Cooperation). This has lead to a considerable exchange of experiences and policy perspectives. In some cases, it has also lead to cofinancing, although this is not the direct and sole objective of strategic partnerships.

56. Partnership with bilateral donors extends beyond cofinancing and includes provision of programmatic trust funds by certain donors to carry out studies and reviews. Ireland, Italy, Japan, Norway and Switzerland collaborated with IFAD on a variety of gender-mainstreaming, microenterprise, research and local capacity-building programmes, through provision of trust funds. Efforts are being made to develop multi-year programmatic trust funds that will support knowledge management, policy advocacy and impact-enhancement activities in selected programme areas related to the Strategic Framework.

57. IFAD also pays special attention to its partnerships with other international financial institutions (IFIs), which can be not only cofinanciers or cooperating institutions, but also partners in knowledge management and policy dialogue with governments and potential replicators of proven innovations. In this respect, collaboration with the World Bank took a new turn in 2001. With the World Bank-IFAD Rural Partnership Initiative, the two institutions have laid the groundwork for a number of joint activities ranging from country-specific cofinancing to support to PRSP preparation and thematic studies, to global advocacy for rural development.

58. Cooperation with the World Food Programme (WFP) and the Food and Agriculture Organization of the United Nations (FAO) has also become strongly operational. In various countries, IFAD entered into joint ventures with these agencies, aimed at enhancing household food security in marginalized rural areas and with particularly vulnerable target groups. At the Financing for Development Conference in Monterrey, IFAD, FAO and WFP, together with the World Bank,

organized a roundtable on the theme of Reducing Poverty and Hunger: The Critical Role of Rural Development; Food and Agriculture.

59. IFAD's housing of the Popular Coalition to Eradicate Hunger and Poverty and the Global Mechanism of the United Nations Convention to Combat Desertification are part of the same concern that the Fund has to be a leading partner in knowledge-based strategic alliances, in areas of its comparative advantage.

60. **Cofinancing**. Strategic partnership-building, for the Fund, has much broader objectives than cofinancing, and consists of knowledge-sharing and adopting complementary strategies, as described above. But cofinancing *is* strategically important for IFAD to leverage its resources; and it is therefore considered a tangible result of a successful partnership. IFAD is critically aware of the scarcity of its resources, especially when compared to the extent and depth of rural poverty. It has therefore developed an elaborate set of cofinancing strategy objectives (see Box 7).

Box 7: IFAD's Cofinancing Strategy Objectives

- The common concerns of the different approaches and procedures for cofinancing are enhancement of project coverage; leverage on other institutions' resources and, therefore, implicitly their strategies and policies; and project sustainability without IFAD.

- The strategic objectives specific to these different approaches and procedure are:

  (i) cofinancing of IFAD-initiated projects: mobilizing of additional resources behind innovative approaches developed by IFAD;
  (ii) cofinancing of projects initiated by other IFIs: collaborating with other IFIs in projects initiated by them, and in the process influencing their project design and reducing IFAD's programme processing costs;
  (iii) joint cofinancing: simultaneous and pro rata financing of all project activities, in order to develop a fully joint project;
  (iv) parallel cofinancing by activity or by area: selection by each financier of specific activities or areas to be supported with its resources, thus permitting each financier to pursue its own comparative advantage in a common project; and
  (v) sequential cofinancing: funding by another external financier of the continuation of a project after IFAD has withdrawn from it, thereby ensuring the continuation of project activities.

- Obtaining cofinancing from different actors also has its strategic importance:

  (i) cofinancing from other external partners, ensures leverage on their resources and influence on their programming strategy and policy framework; and
  (ii) cofinancing from governments, beneficiaries and other local actors contributes to establishing a project's sustainability.

61. IFAD's resources have in fact attracted substantial cofinancing. Since its establishment, of the total investment costs of USD 21.4 billion of the projects supported by IFAD, 34% have been funded by IFAD, 36% by domestic financing and 30% through cofinancing. These aggregate figures show considerable variations across regional divisions, as indicated in Table 5.

Table 5: Financing Breakdown by Region – 1978-2001
(USD million)

Region	IFAD	% of Project Costs	Cofinancing	% of Project Costs	Domestic	% of Project Costs	Project Costs
Western and Central Africa	1 284.6	38.4	1 268.8	37.9	794.9	23.7	3 348.3
Eastern and Southern Africa	1 294.6	43.2	1 064.5	35.5	638.8	21.3	2 997.9
Asia and the Pacific	2 383.2	31.9	1 897.6	25.4	3 183.0	42.6	7 463.8
Latin America and the Caribbean	1 169.8	42.6	760.6	27.7	813.6	29.7	2 744.0
Near East and North Africa	1 203.4	25.0	1 418.1	29.5	2 191.5	45.5	4 813.0
Total	**7 335.7**	**34.3**	**6 409.6**	**30.0**	**7 621.8**	**35.7**	**21 367.1**

62. During the period 1978-2001, the total cofinancing reached USD 6.4 billion, of which USD 5.1 billion (80%) was provided by multilateral donors and USD 1.1 billion (17%) by bilateral donors (see Table 6). A total of USD 30.2 million (0.5%) was contributed by NGOs. Private-sector companies also provided financing of USD 7.2 million. Domestic resources from governments, domestic financial institutions, the beneficiaries themselves and others, provide the balance of USD 7.6 billion. Total external cofinancing arrangements during 2001 amounted to USD 270.3 million (including USD 42.7 million from cofinanciers still to be determined).

Table 6: Cofinancing by Cofinancier and Financing Type
(USD million)

Cofinancier	Cooperating Institution-Initiated Projects			IFAD-Initiated Projects			All Projects					
Type	1978-2001	1998-2000	2001	1978-2001	1998-2000	2001	1978-2001		1998-2000		2001	
								% of Total		% of Total		% of Total
Bilateral	613.6	20.1	0.0	459.6	78.7	16.9	1 073.3	17	98.8	14	16.9	6
Multilateral	3 517.1	278.4	52.0	1 609.2	211.8	151.1	5 126.3	80	490.2	71	203.1	75
NGO	11.9	2.7	0.0	18.3	2.5	0.4	30.2	0	5.2	1	0.4	0
Private sector	0.0	0.0	0.0	7.2	0.0	7.2	7.2	0	0.0	0	7.2	3
To be determined	57.4	37.0	0.0	115.2	54.5	42.7	172.6	3	91.5	13	42.7	16
Total	**4 200.1**	**338.2**	**52.0**	**2 209.5**	**347.6**	**218.3**	**6 409.6**	**100%**	**685.8**	**100%**	**270.3**	**100%**

63. The largest multilateral cofinancier continues to be the World Bank. During 2001 the African Development Bank (AfDB) also emerged as a major partner, particularly in Eastern and Southern Africa, and provided almost half of total cofinancing. The World Bank is also the largest cofinancier in every region except Latin America and the Caribbean, where the Inter-American Development Bank (IDB) has provided almost 60% of the region's multilateral cofinancing.

64. Collaboration and cofinancing with bilateral agencies cuts across all geographic regions. Germany is the largest bilateral cofinancier, in particular in the Asia and the Pacific region, and in Near East and North Africa. France is responsible for almost half the bilateral cofinancing in Western and Central Africa; Belgium has provided over 30% of bilateral cofinancing to Eastern and Southern Africa, and The Netherlands and Venezuela each over 40% of bilateral cofinancing in Latin America and the Caribbean. From 1998 to 2000, collaboration with the United Kingdom showed a considerable increase due to their cofinancing of two projects in India and a programme in Malawi.

65. In the area of cofinancing IFAD performs better in some years than in others, and better with some cofinancing partners than with others. Cofinancing is not yet systematically a strong point in its strategic partnership-building efforts, and the Fund needs to continue learning and working at improving its cofinancing strategy.

D. Strategic Investment in Agricultural Development for Increased Productivity

66. The building blocks for an agricultural development strategy (described in more detail in Appendix V) consist of the following elements:

Diversity in agriculture. In many developing countries, agriculture is in transition from a subsistence orientation and government domination to modern agriculture, well integrated in markets and with access to modern technology. The agricultural sector, however, consists of a variety of farmers at different stages in the transition process and with different needs for public support. These include: commercial farms; small family farms; subsistence-oriented farms, many managed by women; and part-time farmers, largely women.

Engines for future agricultural development. Development experience has shown agriculture to be a major engine of growth in poor countries. Public provision of irrigation and new technology was the main means for achieving agricultural growth. However, globalization, changes in markets and technology and the changing role of the private sector provide new drivers for agricultural growth.

(i) Transport and trade are among the most important drivers for the rural economy.
(ii) Public investment in agricultural research is a main source for productivity growth.
(iii) Biotechnology offers new opportunities for agricultural growth, but needs to be managed with safety considerations, social acceptability and in harmony with biodiversity.
(iv) Rapid growth of demand for high-value products provides a new source of rural growth.
(v) Private entrepreneurs have important roles in creating rural growth and employment by developing market outlets and delivering of modern inputs. Rural industries play an important role in economic development and poverty reduction. With adequate infrastructural and institutional development, rural entrepreneurs emerge from among farmers, traders, artisans and landless labour. The playing field for small rural enterprises must be levelled.
(vi) Information and communication technology provides information on markets and prices, employment, production technology, epidemics, legal entitlements and social services; reduces uncertainty and allows better risk management; and links producers to markets.
(vii) Increased participation of rural workers in income-generating activities adds to rural growth and poverty reduction. Increased mobility through transport, information, labour market regulations and training contribute to this.

Increasing agricultural productivity. Future directions for increasing agricultural productivity include:

(i) Defining the role of the public sector: Public intervention in the rural economy has often been unproductive and public-sector programmes inefficient. Future investments need to target investments more closely to supply public, as opposed to private, goods and services.
(ii) Building institutional capacity: Agricultural productivity depends not only on technologies, but also on institutions. Emphasis needs to shift to longer-term support for institutionally diversified agricultural knowledge and information systems.
(iii) Public-private partnerships: Effective development needs public-private partnerships. The public sector sets the agenda and provides a policy framework, but implementation

efficiency and effectiveness are enhanced by incorporating private-sector institutions (NGOs, private input suppliers, agribusiness and producer organizations).

(iv) User participation and strengthening local capacities: Decentralization strategies can improve efficiency, effectiveness and sustainability of investments. Rural producer and community organizations (especially for women) should play a role in policy formulation and service delivery.

(v) Improving the technical base: Access to state-of-the-art technologies requires that research and extension link international and national research systems and the private sector.

(vi) Flexible arrangements and effective involvement of users to respond to local needs and initiatives. Overly rigid mechanisms will be counterproductive.

(vii) Recognizing off-farm needs and opportunities: Small farms are not always viable, and agricultural programmes have been too narrowly focused. Investments have to address broader rural livelihood needs and facilitate farmers' exit from agriculture when this is desirable.

(viii) Better monitoring and evaluation systems.

E. Advocating Pro-Poor Institutional Transformation

67. **Progress in policy reform.** The past decade has seen much progress on policy and institutional issues throughout the developing world:

(i) Domestic input and output markets have become more liberal in many countries.

(ii) A framework for reducing interventions in international agricultural trade has been introduced, yet the task of liberalization is still far from complete. Developing countries need to liberalize their own trade policies too; as well as to promote regional trade.

(iii) Subsidized credit programmes have diminished.

(iv) The operation of land markets has improved.

68. Despite the progress achieved, the policy reform agenda is still not complete. Some countries are slow, some reforms are politically difficult, while others are technically complicated. Governments still assess their policies in terms of agricultural impact, and are not yet focused on rural poverty as the strategic issue. Thus, even reform-oriented governments may adopt policy measures that enhance agricultural growth, but are not as conducive to rural poverty reduction. The continuation of policy and institutional reforms to create a pro-poor policy environment, as called for in the Monterrey Consensus, is therefore one of the major thrusts of the Strategic Framework.

69. **The Strategic Framework's policy agenda**. Experience indicates that an appropriate overall macroeconomic policy and institutional framework is essential to growth and poverty reduction, and for the success of development activities in the rural sector. There is a need both to complete the traditional policy reform agenda and to address, in a gender-responsive manner, new policy issues (see Appendix 6 for details), In particular, there is a need for:

(i) Advancing trade liberalization and the World Trade Organization (WTO) process on issues such as tariff reduction and market access, mainly through advocacy partnerships.

(ii) Further domestic policy reform. The liberalization agenda requires further significant reforms in the domestic rural and agricultural policies of developing countries. Three critical policy issues are common to many developing countries: (i) the revision of policies to maintain low food prices, while catering for social safety nets; (ii) the promotion of efficient markets and the privatization of parastatals; and (iii) the pricing of water for more efficient use;

(iii) Development of an effectivee institutional framework. Good public institutions are characterized by transparency, accountability, responsiveness to clients, checks and balances, participatory approaches and concern for the interests of the disadvanged.

(iv) Decentralization. Governments need to develop decentralized systems, and define and implement actions to make decentralization an effective reform of the governance system, and to this effect: upgrade administrative capacity; transfer responsibility **and** power; enhance accountability; and retain economies of scale in certain government functions. The role of the rural poor, especially rural women, and their organizations in planning and implementing decentralized government and development is a core concern for IFAD.

(v) Enhance rural finance development. Efficient and cost-effective financial services are essential elements of an entrepreneurial environment. Households need access to safe savings facilities and insurance mechanisms, and rural entrepreneurs need access to a range of credit products to take advantage of market and investment opportunities. While many microcredit programmes entail some public subsidy, their outreach to poor clients lacking other formal sources of finance may justify support in the context of poverty alleviation. A sequenced strategy for assistance in rural financial management has three stages. The first stage focuses on macroeconomic policies and the legal and regulatory framework. The second stage includes institution-building activities (such as training, technical assistance and the development of procedures and systems) using non-lending instruments such as grants. The third stage involves innovative approaches to saving, with credit lines only for qualified institutions where liquidity is a constraint.

(vi) Land reform for countries with inequitable land distribution. Some countries have a highly unequal pattern of land ownership. A more equal distribution of land can produce greater social harmony, higher productivity and poverty alleviation. Recently land reform has emerged as an important issue in many countries where governments are looking for cost-effective models of dealing with it in a way that does not undermine the security of property rights. Several countries have been experimenting with community-managed agrarian reform programmes that are often referred to as ‘market-assisted’. Under such programmes, groups of landless negotiate directly with willing would-be sellers of land, and then, with credit support and follow-up infrastructure investment by the state, proceed to establish a smallholder farming structure backed by strong community organizations.

(vii) Transformation of the farm sector in transition economies. The shift from centrally planned economies to market-oriented systems has had a mixed success in the rural sector. Several countries have made much progress in liberalizing domestic output and input markets, and in facilitating a transfer of the farming structure from the predominant inefficient collectives, communes and state farms, to a heterogeneous structure composed of family farms, corporate entities, and smaller and more efficient cooperatives. In many countries, though, the process of transformation of the farm structure is far from being complete. Some of the world’s most fertile lands are located in countries where agriculture has not yet been reformed to function at its full productive potential The loss of their traditional markets and the difficulty in accessing new markets also needs to be addressed.

70. **A pragmatic approach to dialogue for institutional change.** The policy and institutional reform agenda is complex, and progress may be slow. There is a tendency to overestimate government’s ability to complete reforms. Selectivity in identifying the key policy transformation objectives, and their correct sequencing, together with partnerships with more policy-oriented organizations are essential for success. National ownership in identifying and planning the implementation of the agenda for institutional changed is crucial.

F. Supporting the Debt Sustainability of Heavily Indebted Poor Countries

71. IFAD is fully participating in the Debt Initiative at a total projected nominal cost of USD 440 million, of which USD 107 million may fall due in the Sixth Replenishment period, the peak period for the Initiative.[5] The Initiative is expected to provide 37 low-income countries with a sustainable exit strategy out of unmanageable debt. So far, 24 countries have become eligible for debt relief, and many of the remaining country cases are conflict-affected and/or have heavy debt arrears, which may delay their eligibility for the Initiative.

72. Supporting the debt sustainability of heavily indebted poor countries depends on a number of factors (see Appendix VII for a more complete list), of which the most relevant for IFAD are:

(i) implementation of sound economic policies that establish an environment conducive to growth and poverty reduction;
(ii) political stability, peace and conflict prevention;
(iii) policy-making institutions that are reasonably well-functioning and accountable, leading to the emergence and enforcement of good policies, and highlighting the importance of governance, public-sector accountability and transparency;
(iv) implementation of strong poverty-reduction programmes, including the mitigation of natural disasters or health threats such as the HIV/AIDS epidemic;
(v) mitigating protectionist policies that restrict access to export markets;
(vi) broadening and diversifying the narrow production and export base of HIPCs, heavily dependent upon a few primary commodities, which make them particularly vulnerable to external and terms-of-trade shocks (export growth is needed to strengthen HIPC's external payment capacity); and agricultural diversification is part of this strategy); and
(vii) the provision of additional financial resources on highly concessional terms and conditions. It is a fundamental principle of the Debt Initiative that additional development financing is required, over and above Debt Initiative relief.

73. Many of these issues are strategically important for IFAD, and only its participation in PRSP processes (planning and implementation), – resulting in synergy between the PRSP and COSOPs, and in integration of IFAD operations in poverty-reduction programmes – will ensure IFAD's contribution to addressing the above challenges.

74. In order to meet these challenges efficiently, the PRSP processes need to be strengthened to address the following issues:

(i) Speed needs to be balanced with quality.
(ii) More attention needs to be paid to institutional capacity-building for civil-society organizations to sustain their role.
(iii) The key role of agricultural development in reducing poverty is inadequately reflected in many PRSPs.
(iv) The policy, institutional and organizational transformation agenda is inadequately reflected.
(v) PRSPs largely focus on the medium term and not sufficiently on longer-term implementation.
(vi) PRSPs do not adequately articulate contingency plans for possible shortfalls in growth or revenue performance.
(vii) There is a need to ensure that Debt Initiative tracking does not undermine improvements in public-expenditure management generally; and

[5] Document EB 2002/75/R.14 provides updated information.

(viii) Specific work is required to identify measurable poverty-reduction targets for which governments would choose to be accountable.

75. In the context of the need for further improvement of PRSP processes, IFAD is organizing its support to some 15 PRSP processes, by: supporting participatory processes for the planning and updating of PRSPs; providing assistance in the actual implementation of PRSPs and their participatory monitoring; defining and pursuing the agricultural development agenda; helping the poor articulate and meet their policy and organizational requirements; and institutionalizing PRSP processes. Partnership with governments (central and local) and other actors in the sphere of rural development (especially IFIs) is of foremost concern.

G. Playing a Catalytic Role Beyond the Country Level

76. Enabling the poor to overcome their poverty will be achieved more rapidly in a **supportive regional and global environment**. Local and community-based responses to poverty will work better in a more supportive global context. At present, the rural poor cannot exercise a direct or decisive influence at this level. IFAD must therefore play a pro-poor advocacy role in their interests. Advocacy to influence policy will focus on issues identified as critical during work with poor rural people in the field, and will take two forms:

(i) developing and sharing knowledge generated from country programme experience; and
(ii) seeking to influence regional and international policies that shape rural development options.

IV. THE SCOPE OF THE PROGRAMME OF WORK

77. The point has been made that IFAD needs a Programme of Work with a critical mass. There is a level below which programme impact on poor people would be limited, and impact on institutions and policies so local and specific, that it would severely constrain IFAD’s catalytic role. Building on a current base level of approximately USD 440 million (nominal) per annum, IFAD stakeholders have judged this level to be USD 450 million in 1996 prices, or about USD 520 million in today’s prices.

78. IFAD’s average annual lending programme for the last three years (the duration of a Replenishment period) amounts to USD 415 million, and this has supported an average annual total project cost of USD 922 million, which implies a leverage factor of 122%. With these resources, IFAD supported an average of 27 projects per year, which are reaching annually about 10 million people. This allowed IFAD to reach about 60 different countries in a three-year period, with a total of 82 projects. This also means that IFAD, on average, reaches a large share of its 118 operational countries every six years. Applying the same programme structure ratios and the current average loan size of about USD 15 million, an annual lending programme of USD 520 million would lead to the financing of about USD 1.2 billion of total project costs. It would finance 30 to 34 projects per year, which would reach about 13 million people per year. A lending programme of USD 520 million would thus allow IFAD to strengthen its catalytic role; reach a significantly increased number of beneficiaries; and the increased frequency of its lending to different borrowing member countries would ensure a more continuous dialogue for policy change and better-structured leverage within partnerships.

79. Countries with a per capita gross national product (GNP) of USD 805 or less (in 1992 prices) are eligible to receive highly concessional loans. Countries with a per capita GNP between USD 806 and 1 305 are eligible for intermediate-term loans, and those with a per capita GNP above USD 1 306 are eligible for ordinary-term loans. Of IFAD’s borrowing countries about 14 borrow on intermediate terms and 30 on ordinary terms. These are mainly countries in Latin America, the Near East and

North Africa; some are in Asia, while only few are in Africa. The Fund's flexible policy framework for resource allocation reserves two thirds of its lending programme for highly concessional borrowers, leaving approximately one third for intermediate and ordinary-term borrowers. IFAD will continue to focus mainly on its highly concessional borrowing countries (with a 67% target); but because of the role of agriculture, the levels of poverty and the potential for knowledge-generation in these economies, IFAD also needs to remain active with Member States that borrow on intermediate and ordinary terms.

A. Base-Level Programme of Work

80. With a programme of work of USD 520 million, during the Sixth Replenishment period, IFAD's programme would aim at reaching the Strategic Framework objectives within the policy, strategy and sectoral framework outlined above; and it would do so by adopting a range of region-specific programmatic emphases.

81. The Fund would cover essential community development and longer-term rehabilitation needs in vulnerable regions such as Central America, the uplands in Asia and sub-Saharan, and especially Sahelian Africa. In effect, the Fund would substantially address the investment and knowledge development 'gap' that has widened as other donors have reduced their commitments to the agricultural and rural sectors. It would also make adequate investment in countries where good return has been shown on the development dollar for poverty reduction (in Mozambique and Uganda, for example).

82. More specifically, the Fund would consolidate advances in sectors and approaches known to have a lasting impact on poverty reduction (rural finance and commercialization, and gender-responsive programme designs) and, at the same time, seriously address other important structural issues, such as land reform and natural resource management. Progress in one area establishes strong bridgeheads for others: for example, experience in rural finance and commercialization helps define concretely and coherently the parameters of land reform. Community organization is valuable as a basis for sustainable natural resource management.

83. **Africa**. The Fund would offer significant follow-through on rural finance and commercialization projects – that is, going beyond localized microfinance institutions to develop umbrella organizations and links with the commercial banking sector under enabling legislation. It would also sustain robust investments in natural resource management in the most vulnerable areas and begin to address one of the critical emergent issues confronting rural Africa – land reform – especially in southern Africa. The policy and institutional framework in many African countries has improved. There is now an opportunity to implement new and more enduring approaches, to smallholder development. If governments are not assisted to implement new approaches, the opportunity may vanish. Governments are increasingly turning to IFAD for support in transforming policies into realities. IFAD would finance programmes to establish the institutional framework at all levels for change with confidence – with the firm expectation that sufficient resources will be available to weather the inevitable difficulties of transition. As called for, IFAD may also engage in programmes that would address the issues of HIV/AIDS and rural poverty. Specifically in West Africa, the Fund would also resume lending to countries that have not borrowed for a long time, especially countries emerging from conflict. NEPAD is providing the development community with an important opportunity for partnership building around such development challenges.

84. **Latin America and the Caribbean**. The challenge of poverty reduction in Latin America and the Caribbean has been compounded by three catastrophes – *El Niño*, Hurricane Mitch and the effects of financial crises. The resource needs of the region are patently much greater than available given the long-term effects of natural disasters: the reversal of economic progress in many Central American and Andean countries and the ravaging of farm infrastructure, and crops. The Fund would seek to deal

with the long-term fall-out from these disasters; it would be well placed to influence national and regional anti-poverty policies and programmes; and it would be in a position to help address the neglected problems of the indigenous populations. An effective programme would allow IFAD to build strong partnerships with other international donors based on a solid medium-term intervention strategy in each country.

85. **Asia and the Pacific**. Despite impressive economic growth in the past 20 years, the Asia and Pacific region still contains 950 million of the world's 1.3 billion people living in poverty. Moreover, by any measure of the depth of poverty (social and health indicators), the picture is bleak.

86. One major lesson from past crises is the need to focus on agriculture for income-generation in the hinterland, where rainfed agriculture is critical to survival – roughly 266 million hectares of agricultural land are rainfed in Asia's developing countries. Today, new opportunities also exist to promote community-based resource management systems in mountainous areas, where upland dwellers have been known to be effective stewards of biodiversity. In these areas the concentration of the rural poor tends to be high. IFAD would support poverty reduction efforts, so crucial for the social stability of Asian countries, for the protection of their natural resources and for the global environment.

87. **Near East, North Africa and Eastern Europe**. In the Near East and North Africa, water – for human and animal consumption, and for agriculture – is becoming scarcer day by day. Soils in fragile, dryland ecosystems under relentless pressure are being depleted and degraded. IFAD has developed special expertise in such marginal areas, and more resources would mean a greater likelihood of helping the poor in these areas to cope with the harsh environmental constraints they face. The Fund would pursue its current goals of diffusing improved participatory resource management techniques, creating self-reliance in poor communities, lessening dependence on the state and reducing migration.

88. In some rural areas of **Eastern Europe and the Caucasus**, people are hovering on the brink of social disintegration and armed conflict. IFAD projects could contribute to fostering peaceful and sustainable solutions to the economic hardships that rural people are facing. In these areas, IFAD would help to stop poverty from increasing, and keep the gap between the rich and the poor from growing wider. The Fund's expertise and assistance to small-scale producers would be used to show how rural poverty reduction and more equitable income distribution – not just rapid asset accumulation among urban elites – can be a result of the transition from central planning to the market economy.

B. A Comprehensive Programme of Work to Implement the Strategic Framework

89. The Plan of Action and the Strategic Change Programme are tools to deal more effectively with challenges that go beyond country programme development, but that constitute an integral part of IFAD's catalytic role: knowledge management, policy advocacy and global partnership-building. It will be important to allocate adequate programme resources to these activities to ensure that IFAD plays its innovation role in these areas as well. These activities appropriately complement country programme development work, in a comprehensive programme of work.

C. Qualitative Difference of an Enhanced Programme of Work

90. If the programme of work were increased over the level of USD 450 million in 1996 prices (USD 520 million in today's prices), by 15% to the level of USD 600 million, IFAD's lending would lead to the financing of about USD 1.3 billion of total project costs. It could fund four to six more projects/programmes per year, and that would reach about 15 million people per year. Furthermore the enhanced lending programme would lead to significant developments in qualitative aspects of the programme, and thereby enhance its impact.

91. IFAD would also be able to achieve some important qualitative differences vis-à-vis the base scenario. The Fund would be able to address more adequately the additional concessional financing requirements of a series of HIPCs that have received debt relief under the Debt Initiative; and to provide programmatic support to a wider range of the PRSPs anchored in the economic activities of the rural poor. It should be noted that the Debt Initiative, in itself, indirectly increases the demand on IFAD's resources through the reduction in reflows, unless additional external resources are mobilized.

92. IFAD would further be able to address in a more programmatic and comprehensive manner:

- (i) the requirements of the new Member States that have joined the Fund since 1994, without affecting the lending to the traditional Member States;
- (ii) the extensive development needs of the vast numbers of indigenous peoples in Asia and Latin America, which can only sporadically be served under the current core programming levels;
- (iii) the rural poverty implications of the contagious financial crises in Asia and Latin America; and
- (iv) the longer-term development needs of countries that have emerged from socio-political crises (for example, in Africa) or natural disasters (as in Central America).

93. IFAD would also be able to assume deeper sectoral leadership in key regions (particularly in Africa) and extend its innovation-oriented pilot projects into sectoral and longer-term programmes with anti-poverty policy objectives. It could also mobilize additional cofinancing behind such larger-scale programmes. This will also allow IFAD to help reverse the declining trend in ODA investment in agricultural development, and to act as a catalyst for smallholder agricultural development.

V. CONCLUSION: RESOURCE REQUIREMENTS

94. Document REPL.VI/2/R.3 sets out the resource implications of these alternative programme levels.

LIST OF PERTINENT DOCUMENTS AVAILABLE ON REQUEST

- "Partnerships for Eradicating Rural Poverty" and the associated "IFAD V: Plan of Action (2000-2002)"
- Progress Report on the IFAD V: Plan of Action (2000-2002)
  Document REPL.VI/1/R.3, dated 12 February 2002
- Regional Strategies
- *Rural Poverty Report 2001 – The Challenge of Ending Rural Poverty*
- Strategic Change Programme
- *Strategic Framework for IFAD 2002-2006: Enabling the Rural Poor to Overcome their Poverty*

LIST OF APPENDIXES

THE MILLENNIUM DEVELOPMENT GOALS

1. **The Millennium Development Goals.** In the course of the 1990s, a series of global conferences and summits defined programmes of action on a number of development challenges (including sustainable development, food security, gender, poverty and housing). To plan for and monitor progress in meeting these development commitments, the OECD, developed an integrated set of International Development Goals, enacted in 2000 as the Millennium Development Goals (MDGs).

2. MDGs entail: (i) a global consensus that development equals poverty reduction; and (ii) a broad agreement on a set of goals and targets for poverty reduction, which actually largely meets the goals of the poor themselves, as identified by a vast number of participatory poverty assessments. Agreement on goals and targets constitutes a necessary (but insufficient) condition for enhanced effectiveness of development cooperation through coordination and partnership. The goals represent a partnership between the developed and the developing countries determined, as the United Nations Millenium Declaration states, “to create an environment – at the national and global levels alike – which is conducive to development and the elimination of poverty”.

3. The enunciation of the MDGs is now focusing all actors’ poverty reduction strategies on the agreed set of ‘7 plus 1’ development goals (see Table 1), in addition to the fundamental need for high-quality growth. The main reference document for developing the MDGs has been Section III of the Millennium Declaration on ‘Development and Poverty Eradication’. For the purpose of monitoring progress, the normal baseline year for the targets will be 1990, which is the baseline used by the global conferences of the 1990s.

Table 1: Millennium Development Goals, Targets and Indicators [1]

Goals	Targets	Indicators
Goal 1: Eradicate extreme poverty and hunger	**Target 1**: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. **Target 2**: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	1.1. Proportion of population below USD 1 per day 1.2. Poverty gap ratio [incidence x depth of poverty] 1.3. Share of poorest quintile in national consumption 2.4. Prevalence of underweight children (under-five years of age) 2.5. Proportion of population below minimum level of dietary energy consumption
Goal 2: Achieve universal primary education	**Target 3**: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	3.6. Net enrolment ratio in primary education 3.7. Proportion of pupils starting grade 1 who reach grade 5 3.8. Literacy rate of 15-24-year-olds
Goal 3: Promote gender equality and empower women	**Target 4**: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	4.9. Ratio of girls to boys in primary, secondary and tertiary education 4.10. Ratio of literate 15-24-year-olds by gender 4.11. Share of women in wage employment in the non-agricultural sector 4.12 Proportion of seats held by women in national parliament
Goal 4: Reduce child mortality	**Target 5**: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	5.13. Under-five mortality rate 5.14. Infant mortality rate 5.15. Proportion of one-year-old children immunized against measles
Goal 5: Improve maternal health	**Target 6**: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio	6.16 Maternal mortality ratio 6.17 Proportion of births attended by skilled health personnel
Goal 6: Combat HIV/AIDS, malaria and other diseases	**Target 7**: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS **Target 8**: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases	7.18. HIV prevalence among 15-24-year-old pregnant women 7.19. Contraceptive prevalence rate 7.20. Number of children orphaned by HIV/AIDS 8.21. Prevalence and death rates associated with malaria 8.22.Proportion of population in malaria risk areas using effective malaria prevention and treatment measures 8.23. Prevalence and death rates associated with tuberculosis (TB)

[1] Where relevant, the indicators should be calculated for sub-national levels -– urban and rural areas, regions, socio-economic groups, and by age and gender. Some of the indicators listed below will be monitored separately for (LDCs), Africa, land-locked countries and small-island developing states.

		8.24. Proportion of TB cases detected and cured under DOTS (directly observed treatment short course)
Goal 7: Ensure environmental sustainability	**Target 9**: Integrate the principles of sustainable development into country policies and programmes, and reverse the loss of environmental resources **Target 10**: Halve, by 2015, the proportion of people without sustainable access to safe drinking water **Target 11**: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	9.25. Proportion of land area covered by forest 9.26. Land area protected to maintain biological diversity 9.27. GDP per unit of energy use (as proxy for energy efficiency) 9.28. Carbon dioxide emissions (per capita) [Plus two figures of global atmospheric pollution: ozone depletion and the accumulation of global warming gases] 10.29. Proportion of population with sustainable access to an improved water source 11.30. Proportion of people with access to improved sanitation 11.31. Proportion of people with access to secure tenure [Urban/rural disaggregation of several of the above indicators may be relevant for monitoring improvement in the lives of slum dwellers]
Goal 8: Develop a global partnership for development (*Some of the indicators will be monitored separately for LDCs, Africa, land-locked countries and small-island developing states.)*	**Target 12**:Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development, and poverty reduction – both nationally and internationally **Target 13**:Address the special needs of LDCs. Includes: tariff and quota-free access for LDC exports; enhanced Debt Initiative and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction . **Target 14:** Address the special needs of land-locked countries and small-island developing States **Target 15**: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term **Target 16**: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth **Target 17**: In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries **Target 18**: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications	Target 12-14 **Official Development Assistance** 32. Net ODA as percentage of DAC donors' gross national income (GNI) [targets of 0.7% in total and 0.15% for LDCs] 33. Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation) 34. Proportion of ODA that is untied 35. Proportion of ODA for environment in small-island developing states 36. Proportion of ODA for transport sector in land-locked countries **Market Access** 37. Proportion of exports (by value and excluding arms) admitted free of duties and quotas 38. Average tariffs and quotas on agricultural products and textiles and clothing 39. Domestic and export agricultural subsidies in OECD countries 40. Proportion of ODA provided to help build trade capacity **15. Debt Sustainability** 41. Proportion of official bilateral HIPC debt cancelled 42. Debt service as a percentage of exports of goods and services 43. Proportion of ODA provided as debt relief 44. Number of countries reaching Debt Initiative decision and completion points 16. 45. Unemployment rate of 15-24-year-olds 17. 46. Proportion of population with access to affordable essential drugs on a sustainable basis 18.47. Telephone lines per 1 000 people 18.48. Personal computers per 1 000 people

4. **Governance of the MDGs and reporting on the MDGs.** The United Nations will report on progress towards the MDGs at the global and country levels, coordinated by UNDESA and UNDP, respectively. Reporting will be based on two processes: (i) close consultation and collaboration with all relevant institutions, including the United Nations Development Group (including WHO and UNCTAD), other United Nations departments, funds, programmes and specialized agencies, the World Bank, IMF and OECD and regional groupings and experts; and (ii) the use of progress reports on and updates of the nationally owned poverty reduction strategies such as the poverty reduction strategy papers, United Nations common country assessments (CCAs) and national human development reports (NHDRs), that emphasize a consultative process among the development partners. The main purpose of such collaboration and consultation will be to ensure a common assessment and understanding of the status of the MDGs at both the global and national levels. The United Nations Secretariat will invite all relevant institutions to participate in and contribute to global and country-level reporting with a view to issuing an annual United Nations report that has the wide support of the international community and that can be used by other institutions in their regular reporting on the goals.

5. IFAD will have to do its part in achieving the goals and reporting on them. To this effect, and given IFAD's mission, the Fund would specifically focus on a more limited and specific set of goals (targets and indicators) related to the specifics of its rural poverty-reduction programme priorities and its instruments for poverty reduction, as tentatively listed in Table 2. However, the methodological problem of attribution of achieved impact to specific investment programme activities remains to be solved; as does the fact that IFAD relates to some of the goals with different, but always appropriate, indicators (e.g. country-specific poverty lines and anthropometric measures – stunting – for child malnutrition).

Table 2: MDGs Most Relevant to IFAD

Goals	Targets	Indicators
Eradicate extreme poverty and hunger	• Halve, between 1990 and 2015, the proportion of people whose income is less than USD 1 a day. • Halve, between 1990 and 2015, the proportion of people who suffer from hunger	• Proportion of population below USD 1 per day • Poverty gap ratio [incidence x depth of poverty] • Prevalence of underweight children (under-five years of age)
Promote gender equality and empower women		• Ratio of literate among 15-24-year-olds, by sex.
Combat HIV/AIDS, malaria and other diseases	• Have halted by 2015, and begun to reverse, the spread of HIV/AIDS	• HIV prevalence among 15-24-year-old pregnant women
Ensure environmental sustainability	• Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources • Halve, by 2015, the proportion of people without sustainable access to safe drinking water	• Proportion of land area covered by forest • Land area protected to maintain biological diversity • Proportion of population with sustainable access to an improved water source
Develop a Global Partnership for Development	• Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development and poverty reduction – both nationally and internationally • Address the special needs of the least-developed countries. Includes: tariff and quota free access for LDC exports; the enhanced Debt Initiative and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction • Address the special needs of land-locked countries and small-island developing states • Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term • In cooperation with developing countries, develop and implement strategies for decent and productive work for youth	**Official Development Assistance** • Net ODA as percentage of DAC donors' GNI [targets of 0.7% in total and 0.15% for LDCs] • Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation) • Proportion of ODA for environment in small-island developing states • Proportion of ODA for transport sector in land-locked countries **Market Access** • Proportion of exports (by value and excluding arms) admitted free of duties and quotas • Average tariffs and quotas on agricultural products and textiles and clothing • Domestic and export agricultural subsidies in OECD countries • Proportion of ODA provided to help build trade capacity **Debt Sustainability** • Unemployment rate of 15-24-year-olds

6. **The cost of reaching the MDGs.** Using two parallel methods[2], a recent World Bank study provides two broadly consistent estimates for the additional annual foreign aid required to reach the MDGs by 2015:

(a) between USD 39 billion and 54 billion for reducing income poverty by half between 1990 and 2015[3]; or
(b) between USD 40 and 60 billion a year for the health, education and environmental goals, noting that the achievement of these goals contribute substantially to reducing income poverty.

7. The question asked was: If the necessary changes in policies and institutions are forthcoming, what additional financial resources will be needed to achieve the 2015 goals? The results of the two methods are broadly consistent and call for a doubling of annual ODA.

8. The basic World Bank assessment distinguishes between 33 'on-track' countries[4] that do not need additional aid to reach the income poverty-reduction goal; and 65 'uphill countries' that are the potential recipients of this additional aid. Using a composite performance indicator these uphill countries are further subdivided: (i) 43 countries with adequate policies and institutions, and that can make effective use of additional funds immediately; and (ii) 22 countries that would need to improve their policies and institutions before they could effectively benefit from additional aid. The 43 uphill countries with adequate policies require USD 39 million in additional aid to reach the income poverty-reduction goal. For the other 22 uphill countries, it is assumed that additional aid would be forthcoming only if they improved their policies and institutions up to the average of the better-performing countries, and if they improved service delivery to make the additional spending effective. In that case, an additional USD 15 billion per year would be needed to assist these countries in reaching the poverty goal.

9. Greater improvements in the policy framework than those assumed, together with improvements in policies by rich countries, such as those for trade, would work to reduce the required resources.

10. The assessment does not distinguish between private and public investment. If these countries are successful in improving their investment climate, the amount of additional foreign aid needed will decrease. First, such an improvement would work to increase private investment, which, in terms of growth, can substitute for aid. Second, the overall productivity of capital in the economy will increase, reducing the amount of additional investment (and hence foreign aid) needed to generate the same growth rate.

11. The assessment also assumes that the world trading system will remain essentially unchanged – becoming neither more protectionist nor more open. If the Fourth World Trade Organization Ministerial Meeting in Doha, Qatar, held in November 2001, produces tangible results, they should include providing greater market access for developing countries. For developing countries as a

---

2 The first approach considers economic growth as the main driver, and estimates the additional costs by calculating the additional savings required to finance the investment that will lead to the desired income growth. The second approach looks at the specific interventions required to achieve the goals of education, health and the environment. To the extent that improvements in education, health and the environment lead to faster economic growth – and there is substantial evidence that they will—the second approach can also be associated with a growth-driven strategy to achieve the goals. Similarly, the additional growth in the first approach increases public resources that could, and will, be spent on education, health and environmental interventions such as those in the second approach. Thus, the ultimate differences between the two approaches may not be so great, but the fact that they start from different premises should not be overlooked.

3 It should be noted that, with income poverty linked to the other targets, such as infant mortality and primary enrolment, achieving this goal will go some way towards achieving the others. The link is stronger the more the actions to promote growth are associated with those to promote human development.

4 Countries that are either on track to reach the goal of poverty reduction using currently available resources, or countries where additional aid will not make a big difference, since foreign aid is so small compared to the size of their economy

group, the benefits of this increased market access will be much larger than financial transfers through ODA over the period to 2015. Unfortunately, these gains would not substitute for development assistance in helping all countries reach the MDGs for two reasons: first, Africa plays such a small part in world trade (and already has preferential access in certain areas) that the geographic distribution of trade-related benefits favours the high-trading, lower and middle-income countries. Second, these low-income countries are too poor to benefit fully from multilateral trade liberalization without aid. To take advantage of market access, they require hefty investments in trade-creating infrastructure, transportation and telecommunications, as well as investments in trade-related government institutions (such as better customs and tax administration), and overall management of public investment. These in turn require development assistance – 'aid for trade'. In short, even though reducing trade barriers it will undoubtedly benefit developing countries by stimulating growth and reducing global poverty, is not sufficient to eliminate the need for aid in those countries with the largest income-poverty gap.

12. For most uphill countries with adequate policies, absorptive capacity is unlikely to be a problem, in the absence of diminishing returns to aid. Possible diminishing returns to aid would be the result of congestion effects – too many projects absorbing the limited technical and managerial talent in developing countries. A shift by donors towards simplified and harmonized aid modalities could therefore be an important element in reaching the goals.

13. Additional financing is, however, one of many inputs required to reach the MDGs. Money alone will not guarantee that the goals will be reached. Policies and institutions are fundamental to progress on poverty reduction in all its dimensions. When countries have the appropriate policies and institutional arrangements that will make additional aid effective, then money can play an important if not critical role in accelerating progress towards the goals. To realize this international commitment is for all members of the global community to accelerate their efforts: for the 22 or so uphill countries to improve their policies and institutions; for the developed countries to relax trade barriers and better coordinate aid; and for donors to increase financial aid by about USD 40-60 billion annually.

14. **In conclusion.** The MDGs constitute a rallying point for all development actors. However, while the importance of poverty is overwhelmingly acknowledged, inadequate attention is given to rural poverty, in general but also in the MDGs. To deliver on its mission in the context of the MDGs, IFAD needs to continue advocating the rural dimension of poverty in international and national fora; highlighting the resource, institutional and policy implications of the MDGs in rural areas; mobilizing partnerships around these rural challenges; and contributing to the reporting on progress made in reaching the MDGs.

SUMMARY OF PLAN OF ACTION MEASURES TAKEN

Objective	Measures taken
Policy and Participation: increased emphasis on influencing policies and institutions in favour of the poor and on promoting organizations that serve and represent the rural poor	• Interdepartmental thematic working group established to develop an approach (source book) to policy/institutional analysis and dialogue for change and to manage related knowledge, with the aim of putting policy-related work on a more systematic and monitored basis • The policy orientation of IFAD-financed projects/programmes continuously enhanced in the main areas of rural finance, decentralization and community-based development, rural service delivery, land tenure, and natural resource management (especially water and rangelands) • Country strategic opportunities papers (COSOPs) increasingly prepared with reality-check workshops and fora involving all stakeholders and beneficiaries in the process • Collaboration with other IFIs strengthened in the assessment of policy and institutional environments (e.g. with the World Bank in the context of PRSPs) • Special studies and workshops held to promote pro-poor policies (e.g., an NGO study on options for service delivery in hill areas in Nepal, used by the Government as basis for a new policy for improving the livelihood of the poor • Training planned for 2002 to develop staff capacity for policy and institutional analysis • Partnerships and networking with relevant institutions in policy analysis under preparation
Enhanced Performance and Impact Management	• Joint working group of the Programme Management Department and the Office of Evaluation and Studies established to review the issue of 'impact achievement through the project cycle' • Unified project design document and introduced together with 'key file', a tool-kit that comprises: a logical framework macro, poverty and target-group diagnosis tools, an institutional capabilities matrix to asses project partner organizations, linked to a matrix of stakeholder roles, and a summary of other donor operations and partnerships in the programme area • Methodological framework for impact assessment prepared on the basis of a survey by all divisions of the Programme Management Department, and expected to establish linkages to the MDGs and to reflect the harmonization of evaluation criteria called for by the OECD\DAC and the Evaluation Cooperation Group of the multilateral development banks • Practical guide for the monitoring and evaluation of rural development projects drafted; and development of operational guidelines for impact assessment and customization for the different regions of the practical guide for the monitoring and evaluation of rural development projects planned • Cross-cutting issues of environment, household food security and gender mainstreamed in operations; and anthropometric measures of malnutrition and gender-disaggregated indicators introduced • Focus of the project portfolio review process sharpened on the assessment of performance based on revised project status reports and country-portfolio issues sheets • Guidelines for integrating impact assessment in the project completion reports introduced • Training planned of staff and IFAD project managers in approaches to impact enhancement

Innovation and Knowledge Management: a number of initiatives have been taken and are being tested	• Four thematic groups established in the areas of diagnostic tools, rangeland management, rural microenterprises and rural finance • Established pilot knowledge base – Gender and Household Food Security – on IFAD's website • Knowledge-Management Facilitation Unit established and a knowledge-management strategy in preparation (focus themes of knowledge-generation and dissemination, internal organizational responsibilities, and work programme and budget) • Assessment of IFAD's capacity for innovation completed with definition of IFAD's role to be one of recognizing good innovations, adapting them further through field application and expansion, and catalyzing replication and scaling up by other partners
Partnership-Building : Strategic partnership-building has been pursued in a variety of forms, ranging from the project level to country and international levels	• In several countries, IFAD has taken part, in line with resource availability, in multi-stakeholder partnerships, including UNDAF the CDF and PRSPs. However, the CDF appears to be somewhat uncertain given that in many countries (including countries not covered by the Debt Initiative) coordination efforts are related to the PRSP process; • The most recent efforts to strengthen IFAD's strategic partnership with the World Bank have focused on policy dialogue/advocacy and country-specific operations. A new IFAD/World Bank partnership initiative has been discussed at the senior management level. • The potential for partnerships has been constantly explored with other actors, including governments, NGOs, and bilateral and multilateral agencies. • With regard to the private sector, pilot projects have been designed with commercial banks to support microfinance institutions, and with international companies to provide integrated pest-management services under IFAD-funded projects.

REGIONAL STRATEGIES: CHALLENGES, OPPORTUNITIES AND CONSTRAINTS

Western and Central Africa
• Poverty predominantly rural, with 75% of the poor living in rural areas • Poverty to be viewed in the context of a rapid political, social, economic, demographic and environmental change • Strategy focus on human capital and social organization, natural resource productivity, income-generation and vulnerability; with three cross-cutting themes of gender equity, participation and indigenous knowledge; and building on synergy between investing in health and education, and agriculture and revenue-generating activities • Other strategic emphases include: small-scale irrigation; pest control; agricultural product and input marketing; peri-urban agriculture; communications and rural infrastructure; malaria prevention (versus a unique emphasis on HIV/AIDS); investment in women; cooperative development; developing local capacity through support to decentralization initiatives and strengthening farmers' organizations; role of the private sector, but not as a panacea for agricultural development as its interest in this sector is often limited to export crops and readily accessible production zones; complementarity with regional initiatives such as the New Partnership for Africa's Development (NEPAD) • IFAD as an advocate for the agricultural and rural sector to other donor partners
Eastern and Southern Africa
• Rural and agricultural questions at the heart of the poverty problem • IFAD's four strategy thrusts: improve access of poor farmers to markets and relations with the private sector; raise their access to, and control over, land and water; organize the financial services necessary to save, invest and meet crises; and develop and access the technology and information poor people need to produce and sell their products • Other strategy issues: the importance of appropriate land tenure systems, which ensure security, provide for inheritance from one generation to another, and enable land to be used as collateral by borrowers; the enormous potential for increasing production through expansion in irrigation; the crucial role played by rural finance as a prerequisite for on-farm investment (including financial service delivery by non-financial institutions); the importance of ensuring the access of rural producers to markets, (both local and international), improving rural transport facilities, providing better market information and promoting locally based agro-processing to add value • The HIV/AIDS epidemic: not a health problem per se and responses within the context of the health sector have only limited impact; the spread of HIV/AIDS is accelerated by poverty; best tackled through rural development – by reduction of gender disparities, and promotion of education, community empowerment and increased incomes within rural families. A specific challenge set to IFAD: consider building a limited number of projects around the issue of HIV/AIDS, retool its existing projects to explicitly focus on the issue, and consider reduction of HIV/AIDS infection rates as a measure of success of its interventions • Policy and institutional environment: consensus on the crucial importance of local ownership and policy commitment, as a prerequisite to agriculture-based economic growth. Commitment at the government level must be matched by strengthening the capacity of rural communities and of women as change agents and the importance of decentralization of government and service institutions • Strong plea for true partnership with donors beyond financing development, but partnership to be built within a government-led policy, and strategic and programmatic framework.
Asia and the Pacific
• Poverty reduction – and indeed peace, stability and sustainable economic growth – can only be achieved by conscious effort to enable historically excluded people to exercise their full potential • Catalytic role by focusing on the less-favoured areas – remote uplands and mountains, marginal coastal areas and erratically watered drylands • Four major elements of strategy: changing unequal gender relations to increase women's ownership and control of assets, and their effective participation in management of community affairs; enhancing the productivity of staple food in less favoured areas, primarily through sustainable agricultural technologies; reforming property and tenurial rights of marginalized minorities and indigenous peoples; expanding the capabilities of the poor through greater access to self-help, local accumulation, new skills and technologies • Other issues: the role of the state in service delivery and playing a facilitating role to promote pro-poor growth; the importance of South-South cooperation and the need to learn from outside the region and from developed countries; the focus on operational/implementation issues and particularly the need for mainstreaming, developing indicators for monitoring and building capacity of government to monitor and evaluate progress; IFAD focus on small areas, stay longer and play a catalytic role in scaling up projects based on its successful experience

Near East and North Africa
• Region has two main constraints: natural resource constraints including a fragile land base and declining soil fertility, limited water resources and frequent climatic shocks (droughts and floods); and institutional constraints such as unequal land distribution and insecurity of land tenure, poor and unsustainable management of common pool resources, low public-sector investment in physical and social infrastructure in rural areas, gender imbalances and lack of grass-roots and civil-society organizations • IFAD strategy focuses on four main themes: empowerment of the rural poor; income diversification; equitable access to resources for men and women; and natural resource management • Other priorities for the region: partnership-building among countries of the region to lead the coordination process; participatory approach; the important role of rural women; access to markets (both regional and international) as an important factor for poverty alleviation; the importance of agricultural technology, extension and literacy of rural people (especially rural women); improved natural resource management to ensure sustainability of development activities for future generations; need for increase in the Near East and North Africa Division's share within IFAD's lending and grant resources • Negative impact of industrialized countries' agricultural subsidies as a significant constraint to economically viable production and marketing of agricultural products by small farmers.
Eastern and Central Europe and Newly Independent States
• Agriculture in the sub-region is in a state of transition: abrupt termination of central planning and state services, including reduction in public-sector spending and the dissolution of production, marketing and distribution channels at the regional, national and local levels • The sector needs institutional reform to encourage investment and allow small farmers better access to markets, input supplies, finance and technical assistance • Rural poverty most severe for farmers in uplands and mountainous areas, rural wage earners, rural women, the elderly and ethnic minorities • IFAD strategy for reducing rural poverty focuses on six main themes: strengthening institutional capacity; establishing market linkages for agriculture; enhancing on-farm productivity; investing in the non-farm rural economy; improving the management of natural resources; and developing rural financial services • Particular focus on mountain areas, land consolidation, rural financial services, market access and linkages with the private sector • Policy dialogue: need for collaboration with other multilateral and bilateral donors (e.g. for marketing, the development of small enterprises and linkages with the private sector, cooperation with the European Bank for Reconstruction and Development (EBRD) and the World Bank)
Latin America and the Caribbean
• Rural poverty is major challenges for the region, but policies give priority to the other sections of the economy, not the rural poor • Globalization often has a negative impact on the rural poor and emerging opportunities are not fully utilized, and IFAD should adapt its strategy to these challenges, working in partnership with other institutions (including FAO and WFP) and, in-country, with civil society, the private sector and NGOs • IFAD to develop new instruments for poverty reduction in the region: direct lending to a broader set of institutions – not only to the central government • Many countries have started a process of decentralization, and IFAD should work with the new institutional structures created at local and regional level • Services provision to take into account the diversity of the rural population and to respond to demands • Gender mainstreaming crucial • Strategy to be translated into an Plan of Action with clear targets for subsequent years, and the implementation of this plan to be assessed periodically • Need for further analysis on trade barriers, in particular agricultural subsidies by OECD countries, and impact of the financial crisis on the rural poor

COUNTRY STRATEGIC OPPORTUNITIES PAPER (COSOP)
Outline

Currency Equivalents
Weights and Measures
Fiscal Year
Abbreviations and Acronyms
Country Map showing IFAD funded operations
Table: IFAD Portfolio Overview

		Approximate Number of Pages
	EXECUTIVE SUMMARY	**(2 - 3)**
I.	**BACKGROUND**	**(0.5)**
II.	**ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT**	**(4 - 5)**
	A. Country Economic Background	
	B. The Agricultural Sector and Rural Development: Opportunities and Constraints	
	C. The Rural Poverty Context: Opportunities and Constraints	
	D. National strategy for Rural Poverty Eradication and PRSP	
III.	**LESSONS FROM IFAD'S EXPERIENCE**	**(1 - 2)**
IV.	**COUNTRY STRATEGIC FRAMEWORK FOR IFAD**	**(5 - 6)**
	A. IFAD's Strategic Niche and Proposed Thrusts in the Country	
	B. Main Opportunities for Programme Interventions and Innovation	
	C. Opportunities for Strategic Linkages with Other Bilateral and Multilateral Donors	
	D. Outreach and Partnership Possibilities with NGO, National and Local Initiatives	
	E. Areas for Policy Dialogue	
	F. Action Areas for Improving Portfolio Performance and Management of Debt-Servicing	
	G. Linkages with the Strategic Framework and the Regional Strategy	
	H. Tentative Three Year Lending Framework and Rolling Programme of Work	
	I. Other Activities and Operations -- Workshops, TAGs, ECP	
V.	**CONCLUSIONS AND RECOMMENDATIONS FOR FOLLOW-UP**	**(1)**

ATTACHMENTS

I. **Profiles of Project Ideas**
II. **Summary of collaboration partnerships/initiatives**

TABLES

1. **Country Basic Data and indicators**
2. **Detailed Country Loan and Grant Portfolio**

Note: Executive Summary, 2-3 pages; Main Paper, maximum 15 pages; optimum 12.

STRATEGIC INVESTMENT IN AGRICULTURAL DEVELOPMENT FOR INCREASED PRODUCTIVITY

1. The building blocks for an agricultural development strategy consist of the following elements:

2. **Diversity in agriculture.** In many developing countries, agriculture is in transition from a subsistence orientation and government domination to a modern agriculture that is well integrated in markets and has access to modern technology. The agricultural sector, however, consists of a variety of farmers and farm types that have achieved different degrees of transition and need different kinds of public support. These include:

(i) Commercial farms, which are well integrated in markets and provide decent incomes. The challenge for these farms is to maintain and improve their competitiveness in an ever-changing technical and commercial environment.
(ii) Small family farms that are partly integrated in markets, using some modern technology and providing family income around the poverty line. Their challenge is to become competitive farms, well-integrated in markets, so as to generate adequate farm income for the family.
(iii) Subsistence-oriented farms that mainly use traditional technology, have limited access to profitable markets and provide low levels of living, often below the poverty line. The challenge for most is to improve their technology, market access, and escape from grinding poverty. Many are run by women.
(iv) Part-time farmers who practise small-scale farming in addition to earning major off-farm incomes. Many of them have incomes around the poverty line. Their challenge is to obtain a stable income from different sources. Some aim at moving out of agriculture, others want to become full-time farmers. Many are women.

3. **Engines for future agricultural development**. In recent decades, development experience has shown that agriculture has been a main engine of growth in poor countries. Public provision of irrigation and new technology has been the main means for achieving agricultural growth. However, globalization, major changes in markets and technology and the changing role of the private sector provide new drivers for agricultural growth – and, particularly in areas with high population density, and in middle-income countries, engines of rural growth and poverty reduction surely go beyond agriculture.

(i) Transport and trade are initially the most important drivers for the rural economy.
(ii) Public investment in agricultural research and development are main sources for productivity growth in agriculture.
(iii) Rapid growth of demand for high-value products provides a new source of rural growth.
(iv) Private entrepreneurs have important roles in creating rural growth and employment by developing market outlets and in delivery of modern inputs.
(v) Biotechnology offers new opportunities for agricultural growth, and needs to be managed in harmony with biodiversity.
(vi) Information and communication technology is likely to provide information on markets and prices, reduce uncertainty and thus better manage risk, and help to link producers to markets. It also provides new opportunities for obtaining access to information on employment, production technology, epidemics, legal entitlements and social services.
(vii) Rural industries play an important role in economic development and poverty reduction. With adequate infrastructural and institutional development, rural entrepreneurs emerge from among farmers, traders, artisans and landless labour. The playing field for small rural enterprises must be levelled.

(viii) Increased participation of rural workers in income-generating activities adds to rural growth and poverty reduction. Increased mobility through transport, information, labour-market regulations and training contribute to this.

4. **Increasing agricultural productivity.** Future directions for increasing agricultural productivity include:

(i) Defining the role of the public sector: Public intervention in the rural economy has often been unproductive and public-sector programmes inefficient. Future investments need to target investments more closely to provision of public, as opposed to private, goods and services.
(ii) Building institutional capacity: Agricultural productivity depends not only on technologies, but also on institutions. Emphasis needs to shift to longer-term support for institutionally diversified agricultural knowledge and information systems.
(iii) Public-private partnerships: Effective development frequently needs public-private cooperation. The public sector must set the agenda and provide a policy framework, but implementation efficiency and effectiveness are enhanced by incorporating private-sector institutions (NGOs, private input suppliers, agribusiness and producer organizations).
(iv) User participation and strengthening local capacities: Decentralization strategies can improve efficiency, effectiveness and sustainability of investments. Rural producer and community organizations should play a role in policy formulation and service delivery.
(v) Improving the technical base: Access to state-of-the-art technologies requires that research, extension, and other programmes link the international and national research systems and the private sector.
(vi) Flexible arrangements: Effective involvement of users requires the flexibility to respond to local needs and initiatives. Overly rigid mechanisms will only ensure that public agencies will maintain control.
(vii) Recognizing off-farm needs and opportunities: Small farms are not always viable. Agricultural programmes have been too narrowly focused. Future investments will have to address a broad agenda of rural livelihood needs and facilitate farmer exit from agriculture when this is desirable.
(viii) Better monitoring and evaluation systems (M&E): M&E, including impact evaluation, continues to be weak. Better M&E requires improved management information systems, and greater participation.

ADVOCATING PRO-POOR INSTITUTIONAL TRANSFORMATION

1. **Progress in policy reform.** The past decade has seen much progress on policy and institutional issues throughout the developing world:

(i) Domestic input and output markets have become more liberal in many countries.
(ii) A framework for reducing interventions in international agricultural trade has been introduced, yet the task of liberalization is still far from complete. Developing countries need to liberalize their own trade policies too.
(iii) Subsidized and targeted credit programs have diminished.
(iv) The operation of land markets has improved.

2. In spite of the progress achieved, the policy reform agenda is still not complete. Some countries are slow, some reforms are politically difficult or contradict ideological values, while other policy reforms are technically complicated. Governments still assess their policies in terms of agricultural impact, and are not yet focused on rural poverty as the strategic issue. Thus, even reform-oriented governments may adopt policy measures that enhance agricultural growth, but which are not as conducive to rural poverty alleviation. The neglect of rural infrastructure and human development services is an example of this. The continuation of policy and institutional reforms to create a policy environment that is pro-poor is therefore one of the major thrusts of the Strategic Framework.

3. **The Strategic Framework's policy agenda.** Experience indicates that an appropriate overall macroeconomic policy and institutional framework is essential for growth and poverty reduction, and for the success of development activities in the rural sector. There is a need to complete the traditional policy reform agenda, and address new policy issues, and in particular:

(i) Advancing trade liberalization and the WTO process. For developing countries the liberalization of trade and full participation in the WTO process are the most important policy challenges in the near future. Completion of trade liberalization has the potential to increase the welfare gains of the developing world by an estimated USD 43 billion annually. It must be emphasized, however, that most of these gains would come from trade policy reforms within the developing countries themselves, and not as a result of tariff reduction among OECD countries. Therefore, it is in the interest of developing countries to move ahead on trade liberalization reforms (with adequate safety nets for the poor) without waiting for OECD action. The need for better agriculture and trade policies that enhance development requires: continued advocacy of trade liberalization in both OECD countries and developing countries, at high-level global forums; analytical work highlighting the key areas for further liberalization, and mainstream trade liberalization and trade capacity development; capacity building, technical assistance and training to assist developing countries in equipping themselves with policy and institutional tools to manage their integration into the global economy; and the provision of resources to promote trade policy reforms and to strengthen trade support services infrastructure, institution-building, trade promotion and trade capacity-building.

(ii) Further domestic policy reform. The liberalization agenda requires further significant reforms in the domestic rural and agricultural policies of the developing countries. In addition to issues that are directly WTO-driven (such as tariff reduction, and market access), there are three critical policy issues that are common to many developing countries: (i) the revision of policies to maintain low food prices, while catering for social safety nets; (ii) the promotion of efficient markets and privatization of parastatals; and (iii) the pricing of water for more efficient use.

(iii) Development of an effective institutional framework. Good public institutions are characterized by transparency, accountability, responsiveness to clients, checks and balances, participatory approaches and concern for the interests of the disadvantaged. They also practice independent audit procedures for both financial and substantive affairs and adopt M&E systems as part of the management system. Governments should concentrate on the provision of public goods and on the establishment of supporting legal, administrative and regulatory systems, which correct for market failures, facilitate efficient operation of the private sector, and protect the interests of the disadvantaged. Many functions under government responsibility can be carried out more effectively by contracting to specialized private-sector firms and NGOs under competitive bidding. Certain functions that need to be performed by public agencies can be better accomplished if the agencies are organized as financially autonomous entities, capable of securing much of their funding through the recovery of costs from users. Some services may prove too expensive for the poor, and require graduated tariffs, direct income subsidies, or vouchers for the needy. The financial viability of these public service entities requires that commercial and social objectives be kept separate and distinct.

(iv) Decentralization. Governments need to develop or strengthen decentralized systems to define and implement actions to be undertaken in order to make decentralization an effective reform of the governance system, and to this effect: upgrade administrative capacity; transfer responsibility **and** power; enhance accountability; and retain economies of scale in certain government functions. The role of the rural poor and their organizations in planning and implementing decentralized government and development is an important concern for IFAD.

(v) Enhance rural finance development. Efficient and cost-effective financial services are essential elements of an entrepreneurial environment. Households need access to safe savings facilities and insurance mechanisms and rural entrepreneurs need access to a range of credit products to take advantage of market and investment opportunities. Rural financial intermediation is difficult because of low population density, small average loans, lack of collateral, seasonality of agriculture and high transaction costs of financial intermediation. Commercial banks have largely avoided servicing rural areas. Experience with the relatively few successful rural financial institutions indicates that factors for success are an absence of political interference in banking decisions; authority to charge interest rates that reflect the risk and the cost of lending; use of incentives to clients for good repayment performance; incentives to staff for good field branch performance; and use of peer-group responsibility methods. Such microfinance institutions can serve relatively poor rural residents. While many microcredit programmes entail some public subsidy, their outreach to poor clients who do not have other formal sources of finance may justify support in the context of poverty alleviation. A sequenced strategy for assistance in rural financial management has three stages. The first stage focuses on macroeconomic policies and the legal and regulatory framework. The second stage includes institution-building activities (such as training, technical assistance and the development of procedures and systems) using non-lending instruments such as grants. The third stage involves innovative approaches to saving, with credit lines only for qualified institutions where liquidity is binding.

(vi) Land reform for countries with inequitable land distribution. Some countries have a highly unequal pattern of land ownership, where a relatively small number of households own most of the land while a large proportion of the rural population is landless or owns very small farms. A more equal distribution of land can produce greater social harmony, higher productivity and poverty alleviation. But the record of land reforms has been poor. Recently land reform has emerged as an important issue in many countries where land remains high unequally distributed, and governments are looking for cost-effective models of dealing with it in a way that does not undermine the security of property rights. Several countries have been experimenting with community-managed agrarian reform programs that are often referred to as "market-assisted." Under such programs, groups of landless negotiate directly with willing would-be sellers of land, and then, with credit support and follow-up infrastructure investment by the state, proceed to establish a smallholder farming structure backed by strong community organizations. The experiment with this approach for land reform is ongoing and shows much promise.

(vii) Transformation of the farm sector in transition economies. The shift from centrally planned economies to market-oriented systems has had a mixed record of success in the rural sector. Several countries have made much progress in liberalizing domestic output and input markets, and in facilitating a transfer of the farming structure from the predominant inefficient collectives, communes and state farms, to a heterogeneous structure composed of family farms, corporate entities, and smaller and more efficient cooperatives. In many countries, though, the process of transformation of the farm structure is far from being complete. Former large-scale collectives have reorganized in various formats of joint stock companies, where land and other assets have theoretically been distributed to members, but are held in common management; but the mode of operation of these entities and, hence, the level of efficiency and profitability, are still much the same as under the earlier system. In other countries, the process of privatization has led to the concentration of farm assets and decision-making power in the hands of former managers, leaving the labour force in a form of client-patron relationship that is neither conducive to social justice, nor necessarily efficient. The lack of wide-scale transformation in some of those countries gave rise to a dual structure where households maintain small home plots on which intensive (and fairly efficient, given the constraints) production of vegetables and livestock takes place with inputs acquired (legally or not) from the collective enterprise. The latter engages in the main production of the grains or other bulk products, using capital intensive technology. The transformation of the farm structure of slow-reforming transition economies is a high priority on the policy agenda. Some of the world's most fertile lands are located in countries where agriculture has not yet been reformed to function at its full productive potential, resulting not only in poverty at the local level, but also in the non-provision of grains that could be significant for global food security. The loss of the previous markets and the lack of new market windows also needs to be addressed.

4. **A pragmatic approach to dialogue for institutional change.** The policy and institutional reform agenda is significant, and progress will be slow, because of domestic political constraints and limited skills and expertise both within the public and private sectors. Experience shows that there is a tendency to overestimate government's ability to complete reforms that are painful to interest groups. Selectivity in identifying the key policy transformation objectives, and their correct sequencing, together with partnerships with more policy-oriented organizations are essential for success.

SUPPORTING THE DEBT SUSTAINABILITY OF HEAVILY INDEBTED POOR COUNTRIES

1. The challenge after debt relief consists in ensuring long-term debt sustainability, This requires growth and poverty reduction; and this depends on:

(i) implementation of sound economic policies that establish an environment conducive to growth and poverty reduction: (a) macroeconomic policies, (including monetary, fiscal and exchange rate policies) that, with timely adjustment in the face of economic shocks, provide a stable environment for economic activity; (b) structural policies, (including trade, tax and sector policies and regulatory environments) that affect incentives for private investment and production; (c) public sector management, whereby public-sector institutions provide services complementary to private initiatives such as infrastructure and social services; (d) governance and market institutions, including the rule of law (the judiciary and the police), and (e) social inclusion, which embraces the full participation of society through social services that reach the poor and disadvantaged, including women and minorities;

(ii) political stability, peace and conflict prevention;

(iii) policy-making institutions that are reasonably well-functioning and accountable, leading to the emergence and enforcement of good policies; highlighting the importance of governance, public sector accountability and transparency;

(iv) enhancing of the sustainable growth performance of the HIPCs through sustained investment in people and physical infrastructure; and through prudent budgeting and reorienting of expenditures from nonproductive to growth enhancing activities within a medium-term framework, which would also help achieve a sustainable fiscal position;

(v) implementation of strong poverty-reduction programmes, including the mitigation of natural disasters or health threats such as the HIV/AIDS epidemic;

(vi) mitigation of protectionist policies that restrict access to export markets;

(vii) broadening and diversifying of the narrow production and export base of HIPCs, heavily dependent upon a few primary commodities, which make them particularly vulnerable to external and terms-of-trade shocks (export growth is needed to strengthen HIPCs' external payment capacity); and agricultural diversification is part of this strategy;

(viii) prudent debt management, and the provision of additional financial resources on a grant basis or on highly concessional terms and conditions. It is a fundamental principle of the Debt Initiative that new development financing be additional, over and above HIPC debt relief;

(ix) development of the country's fiscal and external repayment capacity, i.e. the growth of income, exports and fiscal revenues; and

(x) policy reforms to develop the financial sector, with the support of donors and creditors, so as to help create a level playing field and facilitate private-sector involvement. However, even with strong private-sector growth, a very substantial part of HIPCs' development expenditures will still remain to be financed externally by the public sector.

2. However, if these challenges are to be met, various aspects of the PRSP process need to be addressed:

(i) Speed needs to be balanced with quality. Generally, the strategic and operational quality of PRSPs could be improved if more time were taken to produce them and of the participatory process for their formulation were deepened.
(ii) More attention needs to be paid to the critical role of civil society and to ensuring that institutional capacity is in place for these actors to sustain their role.
(iii) The key role of agricultural development in reducing poverty is inadequately reflected in many PRSPs;
(iv) The policy, institutional and organizational transformation agenda – to ensure that the strategic priority investments actually translate into poverty reduction – is inadequately reflected in the PRSPs and in the completion-point conditions identified by IMF and the World Bank.
(v) PRSPs largely focus on the short to medium term and not sufficiently on longer-term implementation;
(vi) PRSPs do not adequately articulate contingency plans for possible shortfalls in growth or revenue performance, which would lead to unforeseen problems and poorly planned adjustments in PRSP implementation;
(vii) there is a need to ensure that Debt Initiative tracking mechanisms do not undermine the ability to track all poverty-reducing spending and improvements in public-expenditure management generally; and
(viii) more specific work is required to address the rather general lack of realistic, measurable poverty-reduction targets for which governments would choose to be accountable.