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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Consultation on the Sixth Replenishment of IFAD's Resources – Fifth Session
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**ENABLING THE RURAL POOR TO OVERCOME THEIR POVERTY:
REPORT OF THE CONSULTATION ON THE SIXTH REPLENISHMENT
OF IFAD'S RESOURCES (2004-2006)**

DRAFT

1. At its Fourth Session, the Consultation reviewed the second draft of its Report on the Sixth Replenishment of IFAD's Resources as contained in document REPL.VI/4/R.5.
2. The Consultation is invited to consider this revised draft and is asked to note that the report, as presented, constitutes work in progress, reflects the discussions of the Consultation's Fourth Session and takes into consideration written comments received from the membership subsequent to that Session.

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ABBREVIATIONS AND ACRONYMS

ACA	Advance Commitment Authority
COSOP	Country Strategic Opportunities Paper
FfD	Financing for Development
GEF	Global Environment Facility
HIPC	Heavily Indebted Poor Country
IDA	International Development Association
IFI	International Financial Institution
IMF	International Monetary Fund
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
ODA	Official Development Assistance
PBAS	Performance-Based Allocation System
PRSP	Poverty-Reduction Strategy Paper
SCP	Strategic Change Programme
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS



ENABLING THE RURAL POOR TO OVERCOME THEIR POVERTY: REPORT OF THE CONSULTATION ON THE SIXTH REPLENISHMENT OF IFAD'S RESOURCES (2004-2006)

I. INTRODUCTION

1. The purpose of this document¹ is to articulate the level of resources needed to reach agreed objectives in rural poverty reduction in partnership with others during the Sixth Replenishment period (2004-2006). The resource level has been considered against a background of severe world poverty, IFAD's specific role in the global combat against poverty, and the strategic priorities of the Fund. This document summarizes the conclusions of the Consultation on the Sixth Replenishment of IFAD's Resources concerning the Fund's strategic priorities and approaches and the focus of its programme of work from 2004 to 2006. It concludes with the recommendation to the Governing Council of a replenishment level of **USD ... million** to support an annual programme of work of **USD ... million** in (year) United States dollars.

II. THE STATE OF RURAL POVERTY

2. During the 1990s, the gross domestic product (GDP) per capita in developing countries grew by 1.6% per year. During the decade the actual number of people living on less than one dollar per day only declined from 1.276 billion in 1990 to 1.151 billion in 1999. Estimates by the World Bank and by IFAD in its *Rural Poverty Report 2001* highlight that of the world's approximately 1.2 billion extremely poor, three quarters, about 900 million people, live in rural areas, largely dependent upon agriculture and related activities for their livelihood.

3. While poverty rates declined in most regions, in sub-Saharan Africa and the transition countries of eastern Europe and central Asia, the incidence of poverty intensified. Much of the progress in Asia occurred in China, where sustained growth lifted nearly 150 million people out of poverty. Faster growth in parts of southern Asia also led to some decline in the total number living in extreme poverty. In other regions, however, even as the proportion of those in extreme poverty has fallen, the actual number of poor has risen with population growth. The proportion of poor is highest in sub-Saharan Africa, where civil conflict, slow economic growth and the HIV/AIDS pandemic have pushed millions to the margin of survival.

4. Recognizing the urgency of responding to the challenge of mass poverty, at the Millennium Summit in September 2000 world leaders adopted the goal of halving the proportion of those living in extreme poverty by 2015. Unfortunately, the present rate of poverty reduction is well below the level required to achieve this goal; in sub-Saharan Africa it is one sixth the rate required. The Millennium Summit Declaration has, however, brought reinforced priority and attention to poverty. This new sense of urgency was reflected in the outcome of the Financing for Development (FfD) Conference held last March in Monterrey, Mexico, in which substantial additional development assistance for poverty reduction was pledged by the United States and the European Union. The challenge now is to translate these new commitments into ground-level action that makes a real difference in the lives of the poor.

5. The world's understanding of poverty has evolved greatly and has internalized the poor's own perception of their poverty. Poverty is experienced as lack of adequate income to meet basic needs;

¹ Document REPL.VI/2/R.2 provides a technical background for this paper.



insecure access to productive assets (human, natural, physical, financial and social capital); lack of nutrition security; precarious health conditions; unequal access to education and social services; and lack of self-esteem, dignity and empowerment. Poverty is also a condition of vulnerability, exclusion, powerlessness and inability to escape violence. 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 control the conditions of their livelihoods, 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. Lack of strong social organization makes it difficult for them to exploit opportunities within their communities and to develop links with external partners. Powerlessness is clearly one of the most significant causes of poverty; it is also one of its most important effects. Among the highly diversified rural poor 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.

6. Progress in world poverty reduction is significant, but the number of poor people remains vast, especially in rural areas and among women. The adoption of a comprehensive definition of poverty is prompting the design and implementation of inclusive, efficient and gender-responsive strategies for rural poverty reduction and validates IFAD’s focus on reducing rural poverty by “enabling the rural poor to overcome their poverty”.

III. IFAD’S ROLE AND IDENTITY

7. IFAD is unusual among international financial institutions (IFIs) in that it has a specific mandate focused on the rural poor and on helping them overcome poverty and food insecurity. Over the last quarter century, the Fund has directed all of its resources to identifying the causes and developing innovative solutions to the poverty that entraps large numbers of smallholder farmers and other rural poor groups, especially women. A quarter of a century ago, other IFIs provided a significant proportion of their lending to agriculture and the rural sector. Over the last two decades, however, the World Bank and regional development banks have sharply reduced the share of their lending for agriculture, currently to levels well below 10% of the total. More generally, agriculture now receives a sharply lower proportion of global official development assistance (ODA). The character of this assistance has also shifted towards sectoral lending, especially for the social sectors, with less support to agriculture and other productive activities of the poor.

8. This has left IFAD as one of the few development agencies focusing on providing direct support for activities designed to increase productivity and growth and improve living standards among the rural poor. The Fund has sought over the last year, especially at the FfD Conference, to work with other organizations to highlight the importance of agriculture and rural development for poverty reduction and the necessity of increasing investments in the rural sector.

9. In some developing countries, in consequence, IFAD has emerged as one of the principal external financing agencies for rural development and support to the smallholder farm sector. IFAD’s programmes are thus strongly complementary to the macro and sector policy programmes of other IFIs. One of the aims of its programmes is to ensure that smallholder farmers and other poor groups obtain equitable access to the benefits generated by the infrastructure and sector-wide programmes financed by other IFIs.

10. A distinguishing characteristic of IFAD is that developing Member States as a group are significant donors to the Fund. During the last two IFAD replenishments, 22% of total contributions were made by the developing countries of Lists B and C. This compares with an average of 2.1% for the International Development Association (IDA), 4.6% for the African Development Fund (AfDF)



and the Asian Development Fund (AsDF), and 8.3% for the Fund for Special Operations of the Inter-American Development Bank. Because of its resource constraints, IFAD pursues an active campaign to mobilize cofinancing for the programmes it helps fund. In the context of the supervision of its programmes, it works in partnership with cooperating institutions, thereby also influencing their approach to rural poverty reduction.

11. **Search for innovation.** The Fund has succeeded in promoting a number of innovative approaches that in some cases have been replicated and scaled up. In particular, IFAD has developed cross-cutting approaches such as: (i) innovation in soil and water conservation under the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification; (ii) innovation in rural finance; (iii) innovation in land-tenure policy for natural resource management; (iv) reviving endogenous innovation in farming systems; (v) innovation in gender mainstreaming; and (vi) extension systems, including market-based service provision.

IV. THE STRATEGIC CONTEXT FOR IFAD

12. The strategies to guide IFAD in fulfilling its mission during the Sixth Replenishment period consist of: the Millennium Development Goals (MDGs); the *Strategic Framework for IFAD 2002-2006*; the regional strategies; the IFAD V: Plan of Action (2000-2002) and the Strategic Change Programme (SCP) (formally called the Process Re-Engineering Programme).

A. Millennium Development Goals, Monterrey Consensus and IFAD's Contribution

13. The global conferences of the 1990s called for action on a range of development challenges in different sectors of human life; these commitments were synthesized in 2000 as the MDGs in the Millennium Declaration. Agreement on goals and targets for 2015 is spurring effective development cooperation through coordination and partnership. It focuses all actors' poverty-reduction strategies on an agreed set of complementary goals and their enabling conditions (see Appendix A for a detailed discussion). The FfD Conference in Monterrey has reinvigorated this consensus through a global partnership for development, centred on the MDGs and the requisite enabling conditions such as policy and institutional reform, ODA, market access and debt sustainability.

14. IFAD is fully committed to helping achieve the MDGs and will report on the progress made. Eradication of extreme poverty and hunger, universal primary education, gender equality and empowerment of women, reduction of child mortality, improvement of maternal health, combat against HIV/AIDS, malaria and other diseases, and environmental sustainability are of concern to IFAD (again, see Appendix A for details). IFAD will contribute to securing:

- (a) the rural dimension and gender responsiveness of the MDGs;
- (b) eradication of extreme poverty and hunger;
- (c) empowerment of women;
- (d) environmental sustainability; and
- (e) a global partnership for development.

15. IFAD will also indirectly pursue some of the education-, sanitation- and health-related goals not specifically mentioned in the above list. It will do this through its partnerships with the Belgian Survival Fund (BSF), the Joint United Nations Programme on HIV/AIDS (UNAIDS) and others, for whom these goals, together with their targets and indicators, are directly relevant.

B. IFAD's Strategic Framework Objectives: Operational Implications

16. To guide IFAD in delivering its mission and contributing to the MDGs, in 2001 the Fund developed the *Strategic Framework for IFAD 2002-2006: Enabling the Rural Poor to Overcome their*



Poverty. The Executive Board and the Governing Council endorsed the framework in December 2001 and February 2002, respectively.

17. The strategic framework sets the mission and three strategic objectives for the Fund:
 - (a) mission: enable the rural poor to overcome their poverty;
 - (b) objectives:
 - (i) strengthen the capacity of the rural poor and their organizations;
 - (ii) improve equitable access to productive natural resources and technology; and
 - (iii) increase access to financial services and markets.

18. In relation to these objectives, the Fund will reinforce its catalytic role both through its field operations and through policy dialogue and advocacy.

C. IFAD V: Plan of Action (2000-2002): Building on Achievements

19. The report of the Consultation for IFAD's Fifth Replenishment – Partnerships for Eradicating Rural Poverty: Report of the Consultation to Review the Adequacy of the Resources Available to IFAD – was accompanied by the IFAD V: Plan of Action (2000-2002), a crucial organizational development instrument. The plan of action guides IFAD in realizing the policy framework of the Fifth Replenishment. In implementing this plan, concrete measures are being taken to develop a basic conceptual, methodological and procedural framework and the organizational capacity to deliver greater impact in order to sharpen the catalytic profile of IFAD and enhance the quality of its agricultural and rural development programmes. Details are provided in Appendix B.

D. Strategic Change Programme: Modernizing Policies, Processes and Systems

20. The objective of the SCP is to make IFAD a more efficient and effective organization in realizing its strategic objectives. It aims to develop the Fund's institutional capabilities through organizational development and through the modernization of its policies, processes and systems. This entails modernizing its human resource management policy, financial management system, strategic planning and resource-allocation process, 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 strategy-oriented management information system. The specific objectives of the SCP are described in Appendix B.

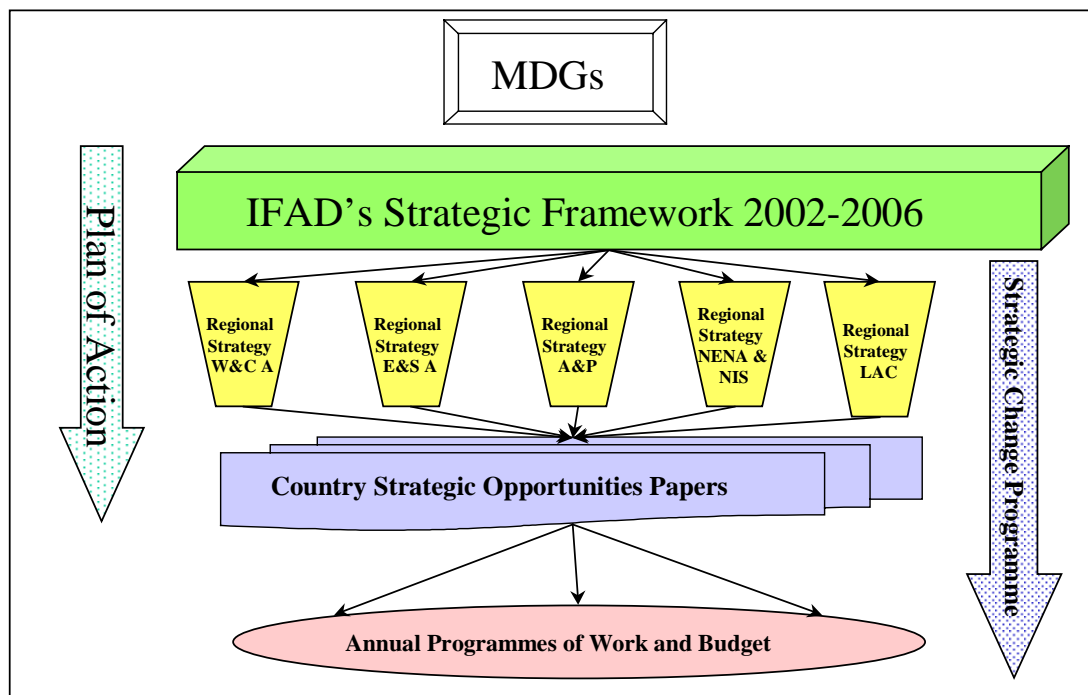
E. Regional Strategies

21. In the context of preparations for IFAD's *Rural Poverty Report 2001* and the *Strategic Framework for IFAD 2002-2006*, the regional divisions undertook detailed rural poverty assessments that constituted the basis for subsequent regional strategies. These strategies describe IFAD's pursuit of its strategic framework mission and objectives at the regional level, and constitute the first level of operationalizing the framework. They identify the core rural poverty issues the Fund is confronting in each region, opportunities that exist to address them, constraints, and the strategic choices the Fund will pursue in the medium term with its partners. The regional strategies form the basis for the regional lending programme framework and the country strategies, and will, in turn, evolve over time on the basis of experience acquired through country strategy development and performance. The regional strategies were reviewed in-depth at round tables during the Twenty-Fifth Session of the Governing Council held in February 2002 and are also discussed at regional workshops.

F. Linkages

22. The MDGs, strategic framework, regional strategies and SCP are mutually reinforcing elements of an integrated framework for IFAD during the Sixth Replenishment period. They jointly frame IFAD's priorities for the use of its institutional capacity into strong policy coherence. The MDGs set the global poverty-reduction objectives, their enabling conditions and global partnership requirements. The strategic framework defines IFAD-specific objectives for rural poverty reduction and articulates the Fund's strategy for contributing to the global goals; the SCP develops the policies, processes and systems required for modernizing IFAD to fulfil its mission in the light of the strategic framework. Together they develop the institutional capabilities with which IFAD can play an operational and a broader catalytic role in rural poverty eradication. The regional strategies provide a framework for developing country strategies consistent with the strategic framework. These linkages and their logical sequence are illustrated in the following chart.

Enabling the Rural Poor to Overcome their Poverty



Note: W&CA	=	Western and Central Africa
E&SA	=	Eastern and Southern Africa
A&P	=	Asia and the Pacific
NENA & NIS	=	Near East and North Africa and Newly Independent States
LAC	=	Latin America and the Caribbean

V. OPERATIONALIZING THE STRATEGIC FRAMEWORK AND THE REGIONAL STRATEGIES

23. The strategic framework and the supporting regional strategies provide the basis for all IFAD's activities and resource allocations. The process has four building blocks: IFAD's programme of work; a policy framework for developing country programme allocations; country-level programme



planning through country strategic opportunities papers (COSOPs) to ensure programmatic selectivity and effectiveness; and the Fund's catalytic efforts in support of its programme priorities.

A. IFAD's Programme of Work

Level of the Programme

24. The strategic framework and the supporting regional strategies, being directional, are scale neutral – they can be implemented through programmes at different levels. However, there is a level of operations below which programme impact would be limited on poor people, and so local and specific on institutions and policies that it would severely constrain IFAD's catalytic role. At the time of the Fifth Replenishment, IFAD's stakeholders judged this level to be USD 450 million in 1996 prices, or about USD 520 million in 2004 prices. During the Sixth Replenishment period, IFAD will maintain a programme of work designed to maximize its impact in reducing rural poverty through increased growth and productivity and higher living standards. This programme will be based on IFAD's available resources and sound financial practices in order to ensure that the Fund can continue to help the rural poor overcome their poverty.

25. IFAD's average annual lending programme for the last three years amounted to USD 415 million, and this supported an average annual total project/programme cost of USD 922 million, which implies a leverage factor of 122%. With these resources, IFAD sustained an average of 27 projects/programmes per year, which had an estimated annual 10 million direct beneficiaries. This allowed IFAD to operate in 60 different countries in a three-year period, with a total of 82 projects/programmes. This also means that IFAD, on average, reaches a large share of its 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 an annual programme with total investment costs of about USD 1.2 billion. It would finance 30 to 34 projects/programmes per year, which would have an estimated annual 13 million direct beneficiaries. Increased frequency of programmes in borrowing countries would allow a more continuous dialogue on policy change and better-structured leverage within partnerships.

26. Implicit in this statistical sketch of IFAD's total lending-programme level relative to the number of poor people reached is the aspiration that contributions to IFAD's replenishment, amounting annually to 0.3% of current ODA levels, would lead to an IFAD contribution to the targeted reduction in the number of poor people that significantly exceeds its share of ODA.

27. With a view to securing a critical mass of impact on people, policies and institutions, an annual programme of work at the level of **USD ... million** (in ... prices) is confirmed as the target level for the Sixth Replenishment period.

Programme Focus

28. During the Sixth Replenishment period, IFAD's programme of work will concentrate on the mission to enable the rural poor to overcome their poverty. Consistent with a performance and impact orientation, investments will be directed to helping poor producers increase their productivity and output by:

- (a) developing and strengthening organizations of the poor to confront the issues they define as critical;
- (b) securing equitable access for the rural poor to land, water and forests, and to context-specific technologies that enhance farm productivity, with gender-differentiated approaches;
- (c) developing sustainable and responsive rural finance institutions in market-oriented systems;



- (d) developing market linkages through diversification of the production base, improvements in processing, efficient marketing services, and market and transport infrastructure development;
- (e) increasing access to knowledge so that poor people can seize opportunities and overcome obstacles;
- (f) expanding the influence that the poor exert over public policy and institutions (including laws and regulations) of relevance to rural poverty reduction;
- (g) enhancing their bargaining power in the marketplace; and
- (h) ensuring that women are at the centre of the agenda of institutional transformation – as dynamic organizers and effective participants in grass-roots organizations and local self-help initiatives.

29. Gender responsiveness, participation and enhanced productivity, within a sustainable livelihoods approach, remain constant programme values for the Fund. In developing its programme of work, IFAD aims at innovation and at pro-poor institutional transformation. Its country programmes will pursue the specific sectoral policy objectives introduced below. Within these priorities, IFAD will deploy a range of region-specific programmatic emphases based on the evolving regional strategies.

30. In general, the Fund will cover essential rural development and longer-term rehabilitation needs in vulnerable regions such as Central America, the rainfed areas and uplands in Asia, and sub-Saharan Africa. The Fund will substantially address the investment and knowledge-development gap that has widened as other donors have reduced their commitments to the agricultural and rural production sectors. It will also invest adequately in countries that have shown good returns on development assistance in terms of poverty reduction (Mozambique and Uganda, for example).

31. More specifically, the Fund will consolidate advances in sectors and approaches known to have a lasting impact on poverty reduction (such as rural finance, commercialization and gender-responsive programmes). At the same time, it will seriously address other important structural issues such as land reform and sustainable natural resource management, for which community organization is a valuable basis.

32. **Africa.** The Fund will offer significant follow-through on rural finance and commercialization programmes – going beyond localized microfinance institutions to develop umbrella organizations and links with the commercial banking sector under enabling legislation. The New Partnership for Africa's Development (NEPAD) is providing the development community with an important opportunity for partnership-building around such development challenges. IFAD has actively participated in the NEPAD preparatory process and in regional meetings, and will seek to continue its participation in the partnership in concrete ways; when possible, IFAD investments in Africa that clearly support the NEPAD Partnership shall be made explicit. The Fund will sustain investments in natural resource management in the most vulnerable areas and will address the problem of land tenure confronted by poor people. The policy and institutional framework in many African countries has improved. There is now an opportunity to implement more enduring approaches to smallholder development. If governments are not assisted in implementing such approaches, the opportunity may vanish. Governments have increasingly turned to IFAD for support in transforming policies into reality. IFAD will finance programmes to establish institutional frameworks for change at all levels. It will also engage in partnership programmes that address the issue of HIV/AIDS as a rural poverty issue that heavily impacts the productive capacities of the poor. In West Africa, specifically, the Fund will seek to resume lending to countries that have not had recent loans, especially countries emerging from conflict.

33. **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 needs of the region are much greater than the resources available, given the long-term effects of natural disasters: reversal of economic progress in many Central American and Andean countries and the ravaging of farm infrastructure and crops. The Fund will seek to deal with the long-term fallout from these disasters. It will be well placed to influence national and regional anti-poverty policies and programmes, and will be in a position to help address the neglected problems of indigenous populations. An effective programme will allow IFAD to build strong partnerships with other international donors based on a medium-term intervention strategy in each country – recognizing that other IFIs in the region put less emphasis on rural development.

34. **Asia and the Pacific.** Despite impressive economic growth in the past 20 years, the Asia and the Pacific region still has the overwhelming majority of the world's people living in poverty. Moreover, by any measure of the depth of poverty (social and health indicators), the picture is challenging.

35. 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 – in Asia's developing countries roughly 266 million hectares of agricultural land are rainfed. 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 is high. IFAD will support poverty-reduction efforts – crucial to the social stability of Asian countries – for the protection of their natural resources and the global environment.

36. **Near East and North Africa.** In the Near East and North Africa, water is a critical factor for human and animal consumption and for agriculture. Soils in fragile, dryland ecosystems under relentless pressure are being depleted and degraded. IFAD has developed considerable experience in such marginal areas. More resources would mean a greater likelihood of helping the poor cope with harsh environmental constraints. The Fund will 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.

37. In rural areas of **eastern Europe and the Newly Independent States**, people are on the brink of social disintegration and armed conflict. IFAD programmes can contribute to fostering peaceful, sustainable solutions to the economic hardship that rural people face. The Fund will support small-scale production systems based on a well-sequenced transition from central planning to a market economy. This will include support for second-generation institutional reforms, in particular with regard to sustainable rural finance organization.

Lending Programme Structure by Terms and Conditions and by Region

38. Countries with a per capita gross national product (GNP) of USD 805 or less (in 1992 prices) are eligible to receive highly concessional loans. Those with per capita GNP between USD 806 and 1 305 are eligible for intermediate terms, and those with per capita GNP above USD 1 306 are eligible for ordinary terms. Of IFAD's borrowing countries, about 14 borrow on intermediate terms and 30 on ordinary terms. These are mainly countries in Latin America and the Near East and North Africa, with some in Asia and only a few in Africa. The Fund's policy framework for resource allocation reserves two thirds of its lending programme for highly concessional borrowers, leaving approximately one third for those on intermediate and ordinary terms.

39. In 1999, upon the recommendation of the Ad-Hoc Committee on Regional Allocations, the Executive Board approved the following allocation of IFAD's lending programme resources by geographic region: 39.4% for Africa, 28.5% for Asia and the Pacific, 17.0% for Latin America and



the Caribbean, 7.1% for the Near East and North Africa, and 8% for eastern Europe and the Newly Independent States.

40. During the Fifth Replenishment period, at least 67% of IFADs loan resources are being allocated to countries that borrow on highly concessional terms and conditions. Historically, lending to Africa accounts for 52% of all highly concessional lending. During the Sixth Replenishment period the Fund should continue to provide a similar proportion of lending on highly concessional terms in the context of a Performance-Based Allocation System (PBAS).

B. Linking Resource Allocations to Performance

41. In pursuing the objective of maximizing the impact of its resources on rural poverty, IFAD will further its practice of focusing resources on the best opportunities for accelerated and sustained rural poverty reduction through design and implementation of explicit, transparent performance-based allocation. In line with systems already in place in other IFIs, the objective of the system should be to ensure that countries having created or creating a conducive national, sectoral and local framework for sustainable rural poverty reduction receive *ex ante* allocations of IFAD resources in line with their demonstrated ability to use such resources effectively. The system should also ensure that countries that have had less success in creating such a framework receive support of the appropriate level and nature to enable them to confront the challenge.

42. The IFAD PBAS should draw upon the experience and general approach of other IFIs (notably AfDF, AsDF and IDA) in developing their performance-based allocation systems, but it should also clearly reflect the specificity of IFAD's mandate, its mechanisms of assistance, and its financial and governance structure. In particular, the country performance assessments within the IFAD PBAS should include three measurements: general performance, sectoral performance and portfolio performance. Given IFAD's sole engagement in the rural sector, sectoral performance should be given special weight, and measurements and assessments in the sectoral index should reflect IFAD's engagement with issues of gender, effective empowerment, good governance in rural areas, and social marginalization. Resource allocations should be generated by combining performance and need assessments so as to ensure that IFAD's engagement with the poorest of the rural population and the poorest countries is properly reflected.

43. The development and implementation of this system must involve IFAD's Member States – in both the initial formulation and in particular country assessments (which must involve a dialogue between IFAD and the Member concerned). The objective is a fully transparent system agreed by IFAD's Members.

44. The functional details of the system will be developed in consultation with Members. An informal panel under the chairmanship of the Vice-President of IFAD and including three nominees from each List, as nominated by respective List convenors, would be formed to consider development of this proposal. In consultation with the panel, IFAD would present a more-detailed set of proposals to a seminar in conjunction with the Twenty-Fifth Anniversary Session of the Governing Council in February 2003. On the basis of discussion at the seminar and inputs from the panel, IFAD would prepare a revised and expanded proposal to be presented to an informal seminar of the Executive Board in April 2003. Subsequent to the seminar, and again in consultation with the informal panel, IFAD would further revise and expand its proposals, which would be submitted for the approval of the Executive Board at its Seventy-Ninth Session in September 2003. During the following transitional year, country assessments would be undertaken to allow full integration of the PBAS into the programme of work considered by the Executive Board in 2004.



C. Ensuring Selectivity and Effectiveness: Operating at the Country Level

45. Country programme planning and implementation is the core process for giving scale to the strategic framework, the regional strategies and the lending programme framework. In particular, it is the process through which the Fund harmonizes its role as a universal institution (in which all developing Member States are in principle eligible to borrow) with the need for strategic focus and selectivity in order to enhance effectiveness. It is ultimately the critical process through which the Fund applies its framework for linking resource allocations to performance in order to enhance aid effectiveness.

Country Strategic Opportunities Papers

46. The main instrument for country programme planning is the COSOP. Appendix C provides a more detailed presentation on this instrument.

47. The COSOP is a country-specific document, prepared by IFAD in close collaboration with the country concerned – country ownership is vital. It is forward-looking, providing a medium-term planning framework, and encompasses all IFAD operations in a country (ongoing projects, new projects and programmes, policy dialogue, the Debt Initiative for Heavily Indebted Poor Countries (HIPC), arrears settlement, collaboration with NGOs, technical assistance grants, workshops, studies, etc.). It 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 programme approaches (see below). In order to realize these objectives COSOPs need to: prescribe the recommended investment approach/instrument for the country concerned on the basis of performance and lessons learned; develop the agenda for IFAD's institutional and policy dialogue; design a strategy for increasing agricultural and rural productivity and sustainability; define IFAD's participation in the poverty-reduction strategy paper (PRSP) process; specify IFAD's role in post-crisis rehabilitation where appropriate; and identify the opportunities for partnership development and the approach to be taken to be effective at the country level.

48. COSOPs also constitute the basis for linking regional strategy to specific country programme scenarios according to criteria that indicate the likelihood of effective use of the resources provided. In this context, the COSOP also describes, where necessary, the process and the support needed to reach the required performance standard. COSOPs assess the country's policy and institutional framework for effective rural poverty reduction. They define an agenda for the institutional transformation that will accompany programme development in order to ensure the long-term effectiveness of IFAD's support.

49. COSOPs constitute an appropriate instrument for allocating IFAD's scarce resources strategically, ensuring programme selectivity, and applying its policy framework for linking resource allocations to performance to ensure effectiveness. For the Sixth Replenishment period, the conclusions of the Executive Board review of the pilot experience of COSOPs (end-2002) will need to be internalized.

Programme Approach

50. As the organizing principle for investments in sustainable poverty eradication, the 'project' has demonstrated its merits; especially when new strategies or approaches need to be tested and where the policy and institutional environment needs further development to support rural poverty reduction. It is often location-specific, implemented by well-organized project management teams, with clearly defined planning processes and objectives to be achieved in a relatively short period (6-8 years) through an appraised set of activities. The Fund has broadened the scope for project investments by



introducing a higher level of flexibility and participation in project development and by emphasizing the merits of a well-planned programme for developing the country portfolio through a strategic mix of country operations. Country portfolios consist of a balance and sequence of innovative pilot, replicated and scaled-up projects.

51. The Fund recently introduced the flexible lending mechanism (FLM)² – a new lending instrument to address the need for a more programmatic approach – and the pilot experience is under review. At the Seventy-Sixth Session of the Executive Board, it was agreed that new FLM loans would be limited to those already in the pipeline until an evaluation of the FLM is completed in 2004, with the subsequent level of FLM activity to be determined by the Executive Board.

52. Recently, a number of countries have made significant progress in establishing an effective policy and institutional environment and have developed effective strategies for rural poverty reduction (such as the PRSP). The effectiveness of aid would be greatly enhanced if all external development assistance would rally around such strategies. It would rationalize the demand on scarce domestic financial and human resources, harmonize donor approaches, enhance country ownership, facilitate partnerships, and result in more efficient programmes and sustainable impact on rural poverty and the policy framework.

53. IFAD will allocate greater resources to those countries that have a proven record of effective performance. Furthermore, IFAD will join national partnerships, participate in country processes of rural-poverty-reduction strategy development, and design and implement its country programmes in that context, through the COSOP process.

Institutional Transformation for Effective Rural Poverty Reduction

54. The past decade has seen considerable progress in policy and institutional transformation for effective rural poverty reduction throughout the developing world. Domestic input and output markets have become more liberal in many countries; a framework for reducing interventions in international agricultural trade has been introduced; subsidized credit programmes, whose benefits tend to be pre-empted by the less-poor, have diminished; and the operation of land markets has improved. This has begun to create an incentive framework and an enabling environment for production by the rural poor. Despite the progress achieved, the policy reform agenda is still incomplete. The continuation of policy and institutional reforms to create an enabling policy environment that addresses the needs of the poor, as called for also in the Monterrey Consensus, is thus one of the major thrusts of the strategic framework. There is a need both to complete the traditional policy reform agenda and to address, in a gender-responsive manner, new policy issues in rural poverty reduction. The COSOP constitutes an important opportunity to initiate this process together with the country. Areas for specific attention are provided in more detail in Appendix D.

55. However, the policy and institutional reform agenda is complex, and progress may be slow. There is a tendency to overestimate 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 to success. National ownership in identifying and planning the implementation of the agenda for institutional change is crucial.

56. During the Sixth Replenishment period, IFAD will use the COSOP process to advocate an agenda of policy and institutional transformation for effective rural poverty reduction, in partnership

² FLM programmes are longer term, most often divided in three phases, with substantial levels of flexibility. The results of each phase trigger the subsequent phase. FLM programmes have stronger monitoring and evaluation (M&E) efforts supported by higher levels of resources, and the quality of the policy environment, especially decentralization, is a prerequisite.



with other organizations, ensuring country ownership of the agenda and paying due attention to sequencing.

Increasing Agricultural Productivity and Sustainability

57. Development experience has shown that agriculture is a major engine of growth in poor countries. Accelerated rural poverty reduction depends on direct measures for increasing productivity in the agricultural sector, with its backward and forward linkages to rural enterprises that provide goods and services to the farm sector. The building blocks of productivity-focused agricultural development – in the context of a sustainable natural resources management strategy – consist of several mutually reinforcing elements (described in Appendix E). The COSOP needs to identify these elements and develop them into a strategy for the country, IFAD and its partners.

58. Building on its experience in rural poverty –reduction, in the Sixth Replenishment period IFAD will support the enhancement of productivity and sustainability in the smallholder agricultural sector, especially among women farmers. It will do this by harnessing recognized engines for agricultural development, investing to increase agricultural productivity, and building productivity and economic viability criteria into its programme designs. COSOPs are IFAD’s core process for achieving this objective.

Working in the Framework of PRSPs (in HIPCs and non-HIPCs)

59. IFAD is fully participating in the Debt Initiative for HIPCs, 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. The Debt Initiative is expected to provide 37 low-income countries with a sustainable strategy to exit from unmanageable debt. So far, 24 countries have become eligible for debt relief. Many of the remaining country cases are conflict-affected and/or have heavy debt arrears, which may delay their eligibility. One of the criteria for the Initiative is the development and implementation of an effective, country-owned poverty-reduction strategy. This approach was subsequently adopted by the International Monetary Fund (IMF) as an eligibility criterion for access to its poverty reduction and growth facility (PRGF). As a consequence, from 60 to 70 low-income countries either have a PRSP or are in the process of developing one.

60. This constitutes an opportunity to ensure that rural poverty reduction and its enabling conditions are an integral part of the country’s own poverty-reduction strategy. IFAD’s participation in the PRSP process will aim at ensuring a number of measures in support of rural production and poverty reduction (identified in Appendix F). In particular, the Fund will foster agricultural diversification, as part of a strategy for broadening and diversifying the narrow production and export base of HIPCs, heavily dependent upon a few primary commodities, which makes them particularly vulnerable to external and terms-of-trade shocks.

61. IFAD’s participation in PRSP processes (planning and implementation) will also result in synergies between PRSPs and its COSOPs, and an integration of its operations into broader poverty-reduction programmes. IFAD’s participation in these processes can take different forms: 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. The COSOP process allows IFAD to influence PRSPs and also allows it to define its specific role concretely in the broader framework of poverty reduction provided by PRSPs. For this reason, IFAD needs to develop COSOPs even in countries that have PRSPs or other poverty-reduction strategies and sector-wide approaches.



62. During the Sixth Replenishment period, IFAD will participate in PRSP processes, giving priority to those countries in which the potential for effective rural poverty reduction is high and the potential for partnerships with other organizations in the context of the PRSP is most promising. The link between COSOPs and PRSPs must be ensured.

IFAD's Role in Post-Crisis Rehabilitation

63. Crises – natural disasters, civil strife, financial crises – and the resulting emergency situations have proliferated considerably in developing countries, with increased incidence and severity. Whatever the cause of the crisis, it is often the rural poor who are hardest hit, due to their greater vulnerability. Crises also significantly disrupt agriculture and food production. A major challenge in post-crisis assistance is harmonizing the need for emergency relief with that of a return to sustainable development.

64. COSOPs are IFAD's instrument of choice in planning the implementation of its Framework for Bridging Post-Crisis Recovery and Long-Term Development (September 1998) in countries where this is appropriate. Appendix G provides the elements of this framework.

65. During the Sixth Replenishment period, IFAD may selectively participate in post-crisis rehabilitation, basically on the basis of loan resources, but it may also do so with a limited level of grant resources and with supplementary funds specifically mobilized for the purpose.

D. Acting as a Catalyst

66. Impact is of central concern to IFAD. In the sphere of its investment programmes, this translates into a focus on sustainable impact on rural poor people, enabling them to overcome their poverty. But impact on people benefiting directly from IFAD's lending programmes, crucial as it is, is not enough. IFAD needs to expand its catalytic role beyond its own programme funding, influencing that of others, and extending into impact on country policy and the institutional environment, and on the global policy agenda for rural poverty reduction. To do this IFAD needs to: enhance and apply innovation capacity, ensure country ownership, address the issue of field presence and in-country capacity, work in partnership with others and pursue cofinancing and supplementary funding, engage in global pro-poor policy advocacy, and realize its specificity in all these contexts.

Focus on Innovation

67. Despite challenges, the Fund has succeeded in promoting a number of innovative approaches, presented earlier, that in some cases were replicated and scaled up. Successful innovative approaches promoted by IFAD are based on a structured, conscious process of innovation, with sequential stages that build on the traditional knowledge of the poor in specific contexts, their culture, social norms and resource constraints, that are affordable by the poor and that produce fairly rapid results.

68. The Fund has a potentially stronger role in promoting replicable innovation for rural poverty reduction. Evaluations have concluded that IFAD's main innovative role should be as a 'facilitator' in scouting for, identifying and promoting innovative approaches in cooperation with its partners. The Fund and its partners should continue to facilitate, more proactively, the promotion and dissemination of innovations in rural poverty reduction that are identified by various sources, including the poor themselves, and enable them to be replicated and/or scaled up by other IFAD projects and larger partners. Partial testing of innovative approaches for performance improvement and validation can and should be supported by IFAD through its grant programme.



Field Presence and In-Country Capacity

69. IFAD will further analyse the issue of enhancing its field presence. Attention will be paid to the objectives, potential for success and cost implications of various options. In consultation with List convenors, the Secretariat will draft a proposal on this process and submit it to the Seventy-Seventh Session of the Executive Board in December 2002. This document will provide a synthesis of the main issues raised by the Consultation, in particular referring to the: (i) goal and purpose of IFAD's field presence; (ii) needs to which it should respond; (iii) range of options that should be envisaged; and (iv) criteria to be applied in selecting options for specific circumstances. The document will also propose a time plan for implementing suggested follow-up action, including: (i) identification of country-specific needs; (ii) initiatives to enhance the use of traditional tools; (iii) testing of new and innovative mechanisms to strengthen project implementation and policy dialogue; and (iv) budgetary implications of the different options.

70. In assessing options, IFAD will consider a number of key criteria, keeping in mind that there can be no blueprint approach in view of the differences among countries and regions. Options will be evaluated in relation to identified needs and to the main purpose they should serve. In the past, the need to better support project implementation and thus to strengthen IFAD's impact in the field was already the foremost reason for establishing a (proxy-) presence in selected countries. To this end, short-term missions by IFAD staff, international consultants and cooperating institutions were complemented by local resources, including local consultants, joint project offices and local resource groups. Such initiatives have led to good results in project implementation and administration. However, they have been less successful in strengthening IFAD's catalytic role through policy dialogue, partnership building and knowledge management. Thus IFAD will aim to strengthen existing mechanisms and identify new and innovative ones for these functions. It will, in particular, support in-country capacities to enable the rural poor to contribute themselves, through their institutions, to policy decisions affecting their interests.

71. IFAD will be giving priority to measures that allow maximum reliance on in-country resources. It will capitalize on its own experience in implementing a variety of existing tools and, in addition, will search for innovative models that ensure national ownership and strengthen local capacities. Both conceptually and organizationally, IFAD will not act in a vacuum but in relation to its partners. It will contribute to processes such as PRSP by providing links between the preoccupations of the rural poor and national policies. By the same token, the Fund will benefit from enhanced in-country capacity and closer involvement in policy dialogue when preparing its country strategies and its loan and grant projects. IFAD will identify synergies with other United Nations (UN) agencies in the light of the ongoing UN reform process and the related reflections on UN field presence.

Working in Partnership

72. 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.

73. **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. UNDAF is an internal UN instrument for planning and coordinating UN-system support to Member States for follow-up to global conferences in which international development goals have been defined. The CDF was conceptualized by the World Bank as a government process to articulate a comprehensive framework for the development of a country. A third process, the PRSP, which was discussed earlier, was developed in recent years as a country-owned, government-managed process to develop and implement a strategy for poverty reduction. In addition to these global multi-stakeholder partnership frameworks, other forms of more-specific partnership are in the making. One important example is NEPAD, the significant initiative taken last year by African countries, with a steering committee



consisting of the presidents of Algeria, Egypt, Nigeria, Senegal and South Africa. IFAD will actively support NEPAD and its programmes.

74. The key challenge is to continuously broaden the scope of strategic partnership-building initiatives with bilateral and multilateral agencies. Effective approaches include periodic planning meetings with external partners at field and headquarters levels. Efforts are being made to expand existing multi-year partnership frameworks through programmatic supplementary funds in support of knowledge management, policy advocacy, and innovation and impact-enhancement activities in selected strategic-framework programme areas. Partnerships with IFIs should also pursue common objectives in knowledge management and in policy dialogue with governments and potential replicators of proven innovations, as well as benefiting from their capacity as cofinanciers and cooperating institutions.

75. IFAD's Rome-based headquarters provides other opportunities for close partnerships. Cooperation with the World Food Programme (WFP) and the Food and Agriculture Organization of the United Nations (FAO) has been greatly strengthened in recent years. The Fund's housing of the Popular Coalition to Eradicate Hunger and Poverty and of the Global Mechanism of the United Nations Convention to Combat Desertification has broadened the potential for collaborating with other stakeholders in rural development.

76. **Partnerships with the private sector and civil-society organizations.** IFAD takes advantage of many opportunities for developing strategic partnerships beyond governments and inter-governmental organizations. Country strategy work, driven by the borrowing Member State, provides a framework for sharing experience and a vision of the road forward, and for developing platforms for cooperation. Participatory project planning and monitoring puts the ultimate clients – the rural poor and their organizations – at the centre of the partnership. Involvement of community-based organizations and NGOs in investment projects expands the partnership to civil society and ensures a broader exchange of knowledge and stronger participation. Researchers and research centres, supported by 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.

77. The success of IFAD's mission also depends on the creation of sustainable, productive private-sector investment, both agricultural and non-agricultural, in rural areas. IFAD programmes are already focused on helping rural people obtain the financing, technology, market access and training to develop income-generating activities. The Fund works primarily with smallholder farmers who are the principal private-sector actors in the rural economy. The catalytic effects of IFAD's activities may be enhanced by greater direct engagement of private enterprise in the financing and implementation of its projects. A strategy for achieving greater involvement of private service providers in IFAD programmes, through cofinancing and other forms of partnership consistent with IFAD's mission, will be presented to the Eightieth Session of the Executive Board in December 2003.

78. The Consultation reviewed a proposal for a formal relationship with the NGO community and the invitation of NGO representatives to Executive Board meetings. No consensus was reached on the proposal. Nonetheless, the Consultation took note of IFAD's current practice of granting observer status to NGOs that have applied to participate in the Governing Council. On average, over 50 NGOs are invited and from five to ten observers are in attendance at each session. The NGO community also designates an NGO representative, who is invited to address the Governing Council. IFAD works in partnership with NGOs through periodic IFAD/NGO consultations (ten since 1990) and collaboration at the project level through a tripartite partnership between IFAD, NGOs and the government. By December 2001 some 800 NGOs had participated in IFAD projects, of whom 80% were southern. The Consultation was also informed that the African, Asian and Inter-American Development Banks, the IMF and the World Bank do not have NGO representatives attending executive board meetings,



although a number involve NGOs in their annual meetings and related events through seminars and side events. Moreover, the African Development Bank would invite two to three NGO representatives to attend future replenishment meetings, and the Global Environment Facility permits five NGOs selected by the NGO community and accredited to the organization each year to be represented at its Council sessions. IFAD will continue to monitor and adjust to evolving IFI practice regarding NGO consultation and participation.

79. **Cofinancing.** For IFAD, strategic partnership-building has much broader objectives than cofinancing and consists of knowledge-sharing and adopting complementary strategies, as already described. But cofinancing *is* strategically important to IFAD in leveraging its resources, and it is therefore considered a tangible outcome 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 developed an elaborate and diversified approach to mobilizing cofinancing, as indicated in the following box. In the area of cofinancing, IFAD performs better in some years and better with some partners. Cofinancing is not yet a systematically strong point in its strategic partnership-building efforts, and the Fund needs to continue learning and working to improve its strategy in this area. Opportunities for partnerships with private-sector enterprises in the financing of projects should also be pursued more systematically as part of IFAD's cofinancing and partnership strategy objectives.

IFAD's Cofinancing Strategy Objectives

The common concerns of the different approaches to and procedures for cofinancing are enhancement of project coverage; leveraging of other institutions' resources and thus implicitly their strategies and policies; and project sustainability without IFAD.

The strategic objectives specific to these different approaches and procedures are:

- (a) cofinancing of IFAD-initiated projects: mobilizing of additional resources behind innovative approaches developed by IFAD;
- (b) 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;
- (c) joint cofinancing: simultaneous and pro rata financing of all project activities, in order to develop a fully joint project;
- (d) parallel cofinancing by activity or by area: selection by each financier of specific activities or areas to be supported by its resources, thus permitting each financier to pursue its own comparative advantage in a common project; and
- (e) 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:

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

80. During the Sixth Replenishment period, IFAD will continue to engage actively in multi-stakeholder coordination processes, develop programme-based partnerships and pursue cofinancing to leverage its own programme of work.

Playing a Catalytic Role beyond the Country Level

81. "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, but at present, the rural poor do not exercise a direct or decisive influence at this level. IFAD's policy dialogue efforts 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.



82. The plan of action and the SCP 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 an innovative role in these areas as well. They complement country programme development in a comprehensive programme of work.

83. Policy dialogue efforts should be an integral part of IFAD's programme of work during the Sixth Replenishment period.

VI. MEASURING RESULTS AND IMPACT

84. The need to assess and measure the results and impact of IFAD-supported operations has long been a concern for the Fund. This became more pressing with the adoption of the IFAD V: Plan of Action (2000-2002). The plan emphasized various interrelated areas in need of improvement and progress has been made since then. The Consultation has been informed of the new developments in the IFAD-wide system for measuring results and impact.

85. IFAD has been pursuing a continuous process for measuring and monitoring results of project implementation. At the design stage, a logical framework is defined for each project, including results-oriented indicators that can be referred to throughout the implementation period when measuring and monitoring results. Moreover, IFAD has recently launched an initiative to further enhance the capacity of ongoing IFAD-supported projects for systematic monitoring and evaluation (M&E). In consultation with its project partners, it has prepared a comprehensive guide for M&E at the project level. Targeted primarily at managers, M&E officers and implementation partners of IFAD-supported projects, the guide is expected to become an important milestone in enhancing the effectiveness of project M&E systems, including their capacity to measure impact and results. It is now being tested in the field in IFAD's regions and customized to reflect regional diversity. This involves workshops, training and the establishment of networks of consultants and technical advisors with expertise in the fields of M&E and impact-oriented management. Measurement of progress in gender equality and regular disaggregation of M&E data by gender will be cross-cutting concerns. Translation of the guide into local languages will be part of its customization.

86. Periodic progress reporting by ongoing projects throughout project implementation, regular supervision and follow-up missions and mid-term reviews provide IFAD with quantitative and qualitative information on the interim results achieved. An internal review process, based on individual project status reports, serves to monitor these results on a regular basis. Project completion reports, prepared by the borrower with IFAD support, elaborate and assess the final results and outcome of all projects. The information provided in these reports is compiled annually in the Progress Report on the Project Portfolio. This report, which is shared with the Executive Board during its spring session each year, is progressively reflecting the Fund's increased emphasis on results and impact orientation. Moreover, IFAD has recently launched an effort to establish a consistent and system-wide approach to assessing results and impact, reflecting a unified definition of rural poverty impact based on six domains of livelihood. This will facilitate linking the regular monitoring of implementation results with the impact assessments undertaken during project evaluations. It will also provide a basis for a consistent portfolio- and country-level performance measurement system.

87. In 2001, IFAD also developed a new methodological framework for evaluation, including impact assessment. Its objectives are to: (i) better measure and evaluate impact at project completion; (ii) produce a consolidated picture of the results, impact and performance of a group of completed projects evaluated during a given year; and (iii) synthesize learning from evaluations. The



methodology consists of a set of common evaluation criteria, including agreed categories of impact indicators for rural poverty reduction. The common evaluation criteria are: rural poverty impact and the performance of the project and of partners. The methodology embodies the above-mentioned unified definition of rural poverty impact based on six domains³ of the livelihoods of the rural poor and the overarching factors of sustainability, innovation and scaling-up. These are derived from the *Rural Poverty Report 2001* and the *Strategic Framework for IFAD 2002-2006*. IFAD is now applying this methodology in all project evaluations. The use of common evaluation criteria, including agreed domains of impact, will ensure that impact is systematically assessed and results are comparable across projects. It will thus be possible to aggregate and consolidate the results achieved and provide an overview of the impact and performance of a group of completed projects evaluated during the course of a given year. This consolidated overview will be presented in annual reports on IFAD's impact and development effectiveness. These reports – to be issued first in 2003 – will complement the annual portfolio report and provide IFAD management and the Executive Board with a consolidated picture of results, impact achievement and effectiveness, as well as a summary of lessons learned on the basis of project evaluations undertaken during the reporting year.

88. **Gender mainstreaming.** IFAD is currently developing an action plan for gender mainstreaming for 2003-2005. It will identify actions to operationalize the principles of the strategic framework as they relate to gender mainstreaming and the empowerment of rural women. The plan will specify institutional responsibility for each action and indicators for measuring progress. IFAD will report on the implementation of the action plan in the annual portfolio report to the Executive Board.

89. **Independence of the evaluation function.** The Consultation discussed a paper presented by the Fund on strengthening the effectiveness of the evaluation function at IFAD in the light of international experience. The paper was in response to a proposal made by a Member State that the Office of Evaluation and Studies (OE) report directly to the Executive Board, independently of management. The paper covered international principles for evaluation of development assistance, and a survey of how major multilateral development organizations handle the issue of independence of their evaluations. It also explained IFAD's current approach to evaluation, the pros and cons of independence from management, and ways to further enhance the independence of the evaluation function at IFAD.

90. [Many Consultation members expressed support for the proposal contained in the paper. It consists of a two-pronged approach to balance the need for enhancing independence with the requirement of improving the evaluation learning loop. The Consultation also provided guidance on further defining the proposed dual reporting of OE to both the President and the Evaluation Committee. It confirmed the need to formulate an evaluation policy for IFAD, with particular emphasis on clarifying the following issues: (i) degree of independence required to strengthen the evaluation function; (ii) roles of OE in the evaluation learning loop and of management in ensuring follow-up on evaluation recommendations; (iii) roles of the Evaluation Committee and of management in the context of the proposed dual reporting; (iv) means of limiting the costs involved in the proposed dual reporting, taking into consideration the need to avoid overburdening the Evaluation Committee; (v) process of reviewing, finalizing and disclosing evaluation reports; and (vi) OE's role in the promotion of evaluation capacity-building in developing countries.]

91. Based on the discussions and guidance provided by the Consultation, it was decided that the Fund would prepare a detailed proposal on strengthening the independence and effectiveness of

³ The six domains referred to are (i) impact on physical and financial assets; (ii) impact on human assets; (iii) impact on social capital and empowerment, including impact on gender equity; (iv) impact on food security; (v) environmental impact; and (vi) impact on institutions and policies. Quantitative and qualitative indicators have been developed for each of these domains and are being field-tested during 2002.



IFAD's evaluation function. This proposal will be submitted to the Seventy-Eighth Session of the Executive Board in April 2003.

92. **External evaluation of IFAD.** The Consultation discussed the proposal for an external and independent evaluation of IFAD during 2003 and 2004. The discussion was based on a paper presented by Denmark and cosponsored by The Netherlands, Norway and Switzerland. The membership endorsed the proposal to have such an evaluation and noted that there has been no independent evaluation of IFAD, apart from the Rapid External Assessment that was conducted in 1994. It has been stressed that the whole membership should have ownership of this evaluation. While emphasizing that the planning and undertaking of such an important task should be done carefully and judiciously, the Consultation stressed the need to ensure that the evaluation is completed in 2004, ahead of the Seventh Replenishment of IFAD, to eliminate any risk of delay in this replenishment. It was agreed that to guarantee the integrity of the independence and external nature of the evaluation, it should be externally funded through an independent trust fund set up specifically for this purpose and that the Executive Board should assume a role in managing the evaluation process. It was also agreed that the IFAD Secretariat would provide an initial list of candidates of international standing, possibly supplemented by other suggestions by the membership, for the drafting of the evaluation terms of reference (TOR). The desirability of finalizing the TOR in time to permit an early discussion by the Executive Board was stressed. It should clarify the evaluation process, the way in which it will be managed and the exact role of IFAD in order to ensure balance between provision of information and support for and independence of the process.

VII. MANAGING IFAD'S FINANCIAL RESOURCES

93. The Consultation recognized the strong interlinkages between Replenishment level, reflows, investment income and the use of Advance Commitment Authority (ACA) on the one hand and the lending level on the other. IFAD needs to have a credible and increased lending level in the coming years. It was noted that IFAD is currently in a transition phase, with a new investment policy that provides more stability, and moving towards a situation in which Member State contributions will be the main basis of IFAD lending.

94. Use of ACA during the Sixth Replenishment period will follow the procedures specified in the Resolution on the Sixth Replenishment. While there was a range of views on the extent to which ACA should be used, it was emphasized that it should be used prudently. Taking note of the Fund's present financial situation, and recognizing the need to maintain its lending levels, there was support for the view that the ceiling for the use of ACA during the Sixth Replenishment period should be based on the same principles as that of the Fourth and Fifth Replenishment periods, namely a ceiling of three years of reflows. It was emphasized that efforts should be made to keep actual ACA use below the ceiling. Moreover, as IFAD completes a transition towards its new investment policy and resource base, there should be a tapering off of use of ACA.

95. For illustrative purposes, the Consultation had available an updated version of Resource Scenario G⁴, as well as a variation of this scenario that showed the implications of a six-year encashment period as opposed to a three-year one. With regard to the encashment issue, a number of countries expressed their willingness to accept a three-year encashment period, while others expressed their preference for a longer one. In this context, there was support for efforts to develop incentives to encourage earlier encashment with respect to a standard, base six-year encashment period.

96. In the light of these considerations, the Consultation agreed to a Sixth Replenishment significantly higher than the Fifth Replenishment and further agreed to a total Sixth Replenishment of

⁴ As indicated in document REPL.VI/3/R.3.



USD () million. The details of the contributions pledged are set out in the table attached to the Replenishment Resolution.

97. **Financing Debt Initiative commitments.** At its Twenty-Third Session in February 2000, the Governing Council decided that IFAD would participate fully in the Debt Initiative for HIPCs, that it would do so through a combination of internal and external resources, but that it would need to minimize the impact of debt relief on IFAD's capacity to provide new loans and grants. In the light of IFAD's constrained resource position, each dollar of debt relief provided by the Fund implies de facto an equivalent reduction in resources available for commitment to new loans and grants.

98. The financial implications of IFAD's participation in the enhanced Debt Initiative will be substantial, especially during the Sixth and Seventh Replenishment periods. Thus, in order to meet the Governing Council requirement, the Fund needs to mobilize additional external resources. It has been doing so through direct contributions, as well as through contributions from IFAD-earmarked resources in the World Bank-administered HIPC Trust Fund. The document prepared for the Development Committee meeting in September 2002 showed that IFAD, with Debt Initiative requirements of net present value (NPV) USD 238 million (for 26 countries), ranks seventh among multilateral creditors participating in the Initiative but has received very limited financing from the World Bank trust fund.

99. In line with the level of external support provided to other IFIs participating in the Debt Initiative (a number of IFAD's institutional characteristics are close to those of the African Development Bank), and considering the level of contributions to IFAD's Replenishment provided by developing countries themselves, the proposal has been made that IFAD should seek additional external financing to cover two thirds of its Debt Initiative requirements and internalize one third.

100. In this regard, the Consultation noted that significant progress has been made in mobilizing additional resources and in obtaining IFAD access to the World Bank trust fund. Sweden's announcement that it will provide USD 17 million for IFAD through an earmarked contribution to the trust fund was strongly welcomed, as were announcements by several other Member States of their support for IFAD access to the fund. IFAD will continue its efforts to mobilize additional financing for its Debt Initiative requirements.

101. In relation to the need to mobilize additional external resources, IFAD attended the October 2002 technical meeting for the World Bank trust fund. The meeting noted IFAD's total Debt Initiative costs of USD 308 million in NPV terms (for all eligible countries) and requested that IFAD submit detailed information on the Initiative's financing consequences for the institution, so that donors can re-examine the case for IFAD's access to the fund. The next meeting to review the resource position of the trust fund is planned for the autumn of 2003, but some donors are seeking an earlier opportunity.

VIII. RECOMMENDATION

102. The Consultation on the Sixth Replenishment of IFAD's Resources (2004-2006) recommends to the Governing Council the adoption of the draft resolution enclosed as Annex I to this report.



**DRAFT RESOLUTION ON THE SIXTH REPLENISHMENT OF
IFAD'S RESOURCES**

To be completed at a later stage, upon completion of the discussion of document REPL.VI/5/R.2/Add.1.

IFAD VI OBJECTIVES, ACTIONS AND OUTPUTS

Objectives	Actions	Outputs/Results	Target Date
Operationalizing the Strategic Framework and the Regional Strategies	<p>Performance-Based Allocation System</p> <ol style="list-style-type: none"> 1. The PBAS in IFAD will be developed through a consultative process with Members and presented to the Executive Board. 2. Country performance assessments under the PBAS will be initiated. 3. Allocation decisions will be governed by the PBAS. 	<ol style="list-style-type: none"> 1. (a) Revised document REPL.VI/4/R.5 (b) Informal seminars (c) Technical discussions with a special informal panel (d) Executive Board approval 2. PBAS implemented 3. Ongoing process 	<ol style="list-style-type: none"> 1. (a) December 2002 (b) 25th Anniv. Session of the Governing Council 2003 and April Session of the Executive Board 2003 (c) As necessary (d) September 2003 2. 2004 3. 2005
	<p>COSOPs</p> <ol style="list-style-type: none"> 1. The conclusions of the Executive Board review of the pilot experience of COSOPs (end-2002) will be internalized. 2. IFAD will use the COSOP process to advocate a policy and institutional transformation agenda for effective rural poverty reduction, in partnership with other organizations and ensuring country ownership of the agenda where applicable, in line with the PRSP. 3. IFAD will participate in PRSP processes, giving priority to those countries in which the potential for effective rural poverty reduction is high and the potential for partnerships with other organizations in the context of the PRSP is most promising. 	<ol style="list-style-type: none"> 1. Executive Board review 2. Country strategies 3. Country strategies 	<ol style="list-style-type: none"> 1. December 2002 2. Ongoing process 3. Ongoing process
	<p>Field Presence and In-Country Capacity</p> <ol style="list-style-type: none"> 1. IFAD will further analyse the issue of enhancing its field presence and in-country capacity. In consultation with List convenors, the Secretariat will draft a proposal on the process and submit it to the Executive Board. 	<ol style="list-style-type: none"> 1. Executive Board paper 	<ol style="list-style-type: none"> 1. December 2002



Objectives	Actions	Outputs/Results	Target Date
	<p>Working in Partnership</p> <ol style="list-style-type: none"> 1. A strategy for achieving greater involvement of private-sector participants in IFAD programmes, through cofinancing and other forms of partnership consistent with IFAD's mission, will be provided to the Eightieth Session of the Executive Board in December 2003. 2. Opportunities for partnerships with private-sector enterprises in the financing of projects should also be pursued more systematically as part of IFAD's cofinancing and partnership strategy objectives. 3. IFAD will continue to engage actively in multi-stakeholder coordination processes, develop programme-based partnerships and pursue cofinancing to leverage its programme of work. 	<ol style="list-style-type: none"> 1. Executive Board paper 2. COSOPs 3. Regional and country strategies 	<ol style="list-style-type: none"> 1. December 2003 2. Ongoing process 3. Ongoing process
	<p>Gender Mainstreaming</p> <ol style="list-style-type: none"> 1. An action plan for gender mainstreaming for 2003-2005 will identify actions to operationalize strategic-framework principles as they relate to gender mainstreaming and the empowerment of rural women. Annual progress reports will be provided to the Executive Board. 	<ol style="list-style-type: none"> 1. Annual portfolio report 	<ol style="list-style-type: none"> 1. 2003 and annually thereafter
Monitoring Results and Impact	<p>Results and Impact</p> <ol style="list-style-type: none"> 1. A consolidated overview of IFAD's impact and development effectiveness, and a summary of lessons learned from a group of completed projects evaluated during the course of a given year will be presented in annual reports. 	<ol style="list-style-type: none"> 1. Annual report to Executive Board 	<ol style="list-style-type: none"> 1. December 2003 and annually thereafter
	<p>Independent Evaluation Function</p> <ol style="list-style-type: none"> 1. An evaluation policy for IFAD will be formulated. 2. Management will prepare a detailed proposal on strengthening the independence and effectiveness of IFAD's evaluation function. 	<ol style="list-style-type: none"> 1. Policy document 2. Executive Board paper 	<ol style="list-style-type: none"> 1. 2003 2. April 2003

Note: External evaluation of IFAD. An externally funded independent trust fund will be set up specifically to finance an external evaluation of IFAD, and the Executive Board will assume a role in managing the evaluation process. Management will provide an initial list of candidates of international standing, possibly supplemented by other suggestions by the membership, for drafting the evaluation TOR. The Evaluation Committee of the Executive Board will expeditiously select the person/s from this list to draft the TOR, which should be finalized in time to permit an early discussion by the Executive Board.



LIST OF DOCUMENTS PROVIDED TO THE CONSULTATION AND OTHER REFERENCE DOCUMENTS AVAILABLE

DOCUMENTS PROVIDED TO THE CONSULTATION¹

Document No.	Title
REPL.VI/1/R.3	Progress Report on the IFAD V: Plan of Action (2000-2002)
REPL.VI/1/R.4	External Review of the Results and Impact of IFAD Operations
REPL.VI/1/R.6	Resource Scenarios for the Sixth Replenishment Framework
REPL.VI/1/R.7	External Review of the Results and Impact of IFAD Operations: Terms of Reference
REPL.VI/1/R.8/Rev.1	Summary of Discussions
REPL.VI/2/R.2	Operationalizing IFAD's Strategic Framework during the Sixth Replenishment Period (2004-2006)
REPL.VI/2/R.3	Resource Scenarios for the Sixth Replenishment Framework
REPL.VI/2/INF.2	Information Note – Use of Advance Commitment Authority in IDA and AsDF
REPL.VI/2/INF.4	International Development Association (IDA 13) – HIPC Debt Relief Trust Fund Support for Regional and Sub-Regional Multilateral Creditors
REPL.VI/2/INF.6/Rev.1	Concluding Statement by the Chairman
REPL.VI/3/R.2 + Country Notes	External Review of the Results and Impact of IFAD Operations
REPL.VI/3/R.3	Resource and Burden-Sharing Scenarios
REPL.VI/3/R.4/Rev.1	Advance Commitment Authority (ACA) in the International Development Association (IDA) and the Asian Development Fund (AsDF)
REPL.VI/3/R.6	Enhancing IFAD's Field Presence
REPL.VI/3/R.7	IFAD and Performance-Based Lending
REPL.VI/3/R.9	Comments from IFAD's Management on the External Review of the Results and Impact of IFAD Operations
REPL.VI/3/INF.3	Financing IFAD's Participation in the Debt Initiative for Heavily Indebted Poor Countries
REPL.VI/3/INF.4	IFAD's Programme of Work
REPL.VI/3/INF.5	Chairman's Summary of the Deliberations on the External Review of the Results and Impact of IFAD Operations

¹ Documentation presented to the Fifth Session of the Consultation will be included in the final report.



REPL.VI/3/INF.6	Concluding Statement by the Chairman
REPL.VI/4/R.2	Options for Enhancing IFAD's Field Presence
REPL.VI/4/R.3	Criteria and Principles for the Development and Operation of a Performance-Based Allocation System in IFAD
REPL.VI/4/R.4	Strengthening the Effectiveness of the Evaluation Function at IFAD – A Discussion Paper on IFAD in the Light of International Experience
REPL.VI/4/R.6	Exchange Rates for the Sixth Replenishment of IFAD's Resources
REPL.VI/4/INF.3	Attendance of Non-Governmental Organizations at Executive Board Sessions of IFAD and Other International Financial Institutions
REPL.VI/4/INF.4	Heavily Indebted Poor Countries (HIPC) Initiative: Status of Implementation
REPL.VI/4/INF.5	Concluding Statement by the Chairman

AVAILABLE REFERENCE DOCUMENTS²

IFAD V: Plan of Action (2000-2002): Annex I of GC 24/L.3, Partnerships for Eradicating Rural Poverty: Report of the Consultation to Review the Adequacy of the Resources Available to IFAD: 2000-2002

Regional Strategies:

- Asia and the Pacific
- Central and Eastern Europe and the Newly Independent States
- Eastern and Southern Africa
- Latin America and the Caribbean
- Near East and North Africa
- Western and Central Africa

Rural Poverty Report 2001

Strategic Framework for IFAD 2002-2006

² Available on the IFAD website.



LIST OF APPENDIXES

Appendix A	Millennium Development Goals
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Appendix C	Country Strategic Opportunities Papers
Appendix D	Institutional Transformation for Effective Rural Poverty Reduction
Appendix E	Increasing Agricultural Productivity and Sustainability
Appendix F	Working in the Framework of PRSPs (in HIPCs and non-HIPCs)
Appendix G	IFAD's Role in Post-Crisis Rehabilitation

MILLENNIUM DEVELOPMENT GOALS

1. 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 Millennium 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 Indicators¹

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

¹ Where relevant, the indicators should be calculated for subnational 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 least developed countries (LDCs), Africa, land-locked countries and small-island developing states.

<p>Goal 6: Combat HIV/AIDS, malaria and other diseases</p>	<p>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</p>	<p>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) 8.24. Proportion of TB cases detected and cured under DOTS (directly observed treatment short course)</p>
<p>Goal 7: Ensure environmental sustainability</p>	<p>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</p>	<p>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]</p>
<p>Goal 8: Develop a global partnership for development <i>(Some of the indicators will be monitored separately for LDCs, Africa, land-locked countries and small-island developing states.)</i></p>	<p>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</p>	<p>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</p> <p>12-14. 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</p> <p>15. Debt Sustainability 15. 41. Proportion of official bilateral HIPC debt cancelled 15. 42. Debt service as a percentage of exports of goods and services 15. 43. Proportion of ODA provided as debt relief 15. 44. Number of countries reaching Debt Initiative decision and completion points</p> <p>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</p>

4. **Governance of the MDGs and reporting on the MDGs.** The United Nations will report on progress towards the MDGs at 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, comprising 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 PRSPs, 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 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, as well, is contributing to achieving the MDGs and will report on the progress made. The eradication of extreme poverty and hunger, universal primary education, gender equality and empowerment of women, the reduction of child mortality, the improvement of maternal health, the combat against HIV/AIDS, malaria and other diseases, and environmental sustainability are of concern to IFAD, as mutually reinforcing causes and consequences of poverty. However the selected goals (targets and indicators) are not all directly relevant for IFAD's programme priorities and instruments. While the methodological problem of attribution of achieved impact to specific investment programme activities remains to be resolved, IFAD will help in securing:

- (a) the rural dimension and the gender responsiveness of directly relevant goals;
- (b) the eradication of extreme poverty and hunger, using as indicators country-specific poverty lines and anthropometric measures for child malnutrition – stunting;
- (c) the empowerment of women, by enabling rural women and their organizations to participate on a sustainable basis in the development and implementation of pro-poor policies and poverty-reduction programmes;
- (d) environmental sustainability, by supporting the integration of the principles of sustainable development into country policies and programmes and by contributing to biodiversity; and
- (e) a global partnership for development, by contributing to ODA for agricultural development, through advocacy for market access and by contributing to debt sustainability.

6. IFAD will also indirectly contribute to some of the education, sanitation and health related goals, targets and indicators not specifically retained in the above list, through its partnerships with the BSF, UNAIDS and others, for whom these goals, targets and indicators are directly relevant.

Table 2: MDGs Most Relevant to IFAD

Goals	Targets	Indicators
Eradicate extreme poverty and hunger	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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		<ul style="list-style-type: none"> • Ratio of literate among 15-24-year-olds, by sex.
Combat HIV/AIDS, malaria and other diseases	<ul style="list-style-type: none"> • Have halted by 2015, and begun to reverse, the spread of HIV/AIDS 	<ul style="list-style-type: none"> • HIV prevalence among 15-24-year-old pregnant women
Ensure environmental sustainability	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Develop further an open, rule-based, predictable, non-discriminatory trading and financial 	Official Development Assistance <ul style="list-style-type: none"> • Net ODA as percentage of DAC donors' GNI [targets of 0.7% in total and 0.15% for LDCs]



	<p>system. Includes a commitment to good governance, development and poverty reduction – both nationally and internationally</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 <p>Market Access</p> <ul style="list-style-type: none"> • 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 <p>Debt Sustainability</p> <ul style="list-style-type: none"> • Unemployment rate of 15-24-year-olds
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7. **The cost of reaching the MDGs.** Using two parallel methods², a recent World Bank study provides two broadly consistent estimates for the additional annual foreign aid required to reach the MDGs by 2015:

- USD 39-54 billion for reducing income poverty by half between 1990 and 2015³; or
- USD 40-60 billion a year for the health, education and environmental goals, noting that the achievement of these goals contribute substantially to reducing income poverty.

8. 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.

9. The basic World Bank assessment distinguishes between 33 ‘on-track’ countries⁴ 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 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.

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 more the actions to promote growth are associated with those to promote human development, the stronger is the link.

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.



In that case, an additional USD 15 billion per year would be needed to assist these countries in reaching the poverty goal.

10. 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.

11. 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.

12. 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 group, the benefits of this increased market access will be much larger than financial transfers through ODA over the period up 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 will undoubtedly benefit developing countries by stimulating growth and reducing global poverty, it is not sufficient to eliminate the need for aid in those countries with the largest income-poverty gap.

13. 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.

14. However, additional financing is 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 requires that all members of the global community accelerate their efforts: that the 22 or so uphill countries improve their policies and institutions; that the developed countries relax trade barriers and better coordinate aid; and that donors increase financial aid by about USD 40-60 billion annually.

15. **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.

16. Recent estimates set the additional, annual ODA required to reach the MDGs by 2015 at approximately USD 54 billion. 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, most prominently in the recent FfD Conference in Monterrey; the European Union (EU) Summit in Barcelona, Spain; and declarations by the governments of the United States and others. In Monterrey an estimated additional USD 30 billion was pledged by the United States and the EU for the period 2002-2006.

IFAD V: PLAN OF ACTION (2000-2002) AND THE STRATEGIC CHANGE PROGRAMME

IFAD V: Plan of Action (2000-2002): Building on Achievements

1. The document Partnerships for Eradicating Rural Poverty: Report of the Consultation to Review the Adequacy of the Resources Available to IFAD was accompanied by the IFAD V: Plan of Action (2000-2002). By implementing this plan, concrete measures will have been taken to develop the basic conceptual, methodological, procedural and organizational 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.

2. The specific achievements relate to four capacity-development areas:
 - (a) Policy and participation. The objective was to develop organizational capacity to influence policies and institutions in favour of the poor and to promote organizations that serve and represent the rural poor. To this end: IFAD has developed an approach to institutional analysis and dialogue for pro-poor policy change; training is being provided to develop staff capacity for policy and institutional analysis; partnerships have been established with other international financial institutions for the assessment of policy and institutional environments (e.g. with the World Bank, and in the context of PRSPs); and efforts are being made to enhance the policy orientation of IFAD-financed programmes in core sectoral areas and in relation to the strategic framework objectives, which is being reflected in IFAD's country strategy work.

 - (b) Performance and impact. IFAD has developed an approach for 'impact achievement through the project cycle', and the unified project design document with its 'key file' is a core instrument. A methodological framework has been established for impact assessment, and a practical guide for the monitoring and evaluation of rural development projects has been disseminated. The cross-cutting issues of environment, household food security and gender have been mainstreamed in operations. The project portfolio review process has sharpened its focus on the assessment of performance, and guidelines have been introduced for integrating impact assessment in the project completion reports. Staff and IFAD project managers are being trained in approaches to impact-enhancement.

 - (c) Innovation and knowledge management. An assessment of IFAD's innovation capacity has been completed and the implications of this review are discussed further below. On the basis of pilot experience with four thematic groups (in the areas of: diagnostic tools, rangeland management, rural microenterprises and rural finance) IFAD is developing its strategy for knowledge management.

 - (d) Partnership-building. IFAD takes part in multi-stakeholder partnerships, such as PRSPs, and the strategic partnership with the World Bank has been strengthened, with a focus on policy dialogue, advocacy and country-specific operations. Project-related partnerships have also been developed with the private sector.



Strategic Change Programme: Modernizing Policies, Processes and Systems

3. The SCP has the 2005 objective of making IFAD a more efficient and effective organization in delivering the strategic framework by developing its institutional capabilities through organizational changes and through the modernization of its policies, processes and systems. This entails the modernization of its human resources management policy, financial management system, strategic planning and resource-allocation process, 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.

4. Specific objectives of the SCP comprise:

- (a) strategic planning and budgeting: to link resource allocations closely to strategic priorities;
- (b) financial management: to ensure an efficient and accountable use of resources through decentralized resource management, based on a structure of cost centres and supported by a robust control and assessment framework;
- (c) human resources management: to establish this as a value-adding activity by improving the organization's human resources management capabilities;
- (d) management information systems: to establish a more integrated and standardized IT architecture to empower users and to lead to efficient IT support for institutional and strategic framework priorities;
- (e) administrative services: to use technology to reduce costs and make service provision quicker and more effective;
- (f) knowledge management: to align the knowledge management strategy with the strategic framework and to ensure that the activities undertaken add value to the strategic priorities of increasing the Fund's field impact, developing partnerships and new product development efforts.



COUNTRY STRATEGIC OPPORTUNITIES PAPERS

1. The main instruments for country programme planning are the COSOPs. The COSOP for a country:

- (a) describes **rural poverty** and its context; rural poverty-reduction 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;
- (b) identifies poverty-reduction **strategies** and priorities (including PRSPs) shared by the government concerned, IFAD and other partners (such as civil-society organizations and cofinanciers); and articulates IFAD's role and the potential for strategic alliances;
- (c) positions IFAD in relation to government **policy** and in the micro-macro debate, with a strategic framework emphasis on equity in access to productive assets and on the enabling policy framework. It also positions IFAD in the debate on the **institutional framework**, focusing on the local level, decentralization, good governance, participation, enabling the poor and their organizations, and empowerment of the poor in public, economic and social spheres; and it identifies institutions with whom the Fund can link. The COSOP provides the basis for dialogue with the concerned government and other stakeholders. 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;
- (d) develops country **programme options** in the context of the respective regional strategy. IFAD and its partners are selective; they prioritize and choose those options for rural poverty reduction that will ensure the highest strategic 'returns' to their efforts. The COSOP is forward-looking, providing a medium-term planning framework with scenarios, encompassing all IFAD's operations in a country (ongoing projects, new projects and programmes, policy dialogue, the Debt Initiative for HIPC's, 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 programme approaches;
- (e) constitutes the basis for linking the allocation of the regional lending shares to specific country programme scenarios, on the basis of **performance criteria** that indicate the likelihood of effective use of the resources provided. In this context the COSOP would also describe the process and the support required by a poorly performing government to reach the required performance standard. COSOPs assess the pro-poor quality of a country's policy and institutional framework, 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.

2. In order to realize these objectives, COSOPs need to: prescribe the recommended investment approach/instrument for the country concerned on the basis of the above described performance criteria; develop the agenda for IFAD's policy dialogue in support of the needs of the poor; design a strategy for increasing agricultural productivity and sustainability; define IFAD's participation in PRSP process; and specify IFAD's role in post-crisis rehabilitation where appropriate. The following sections describe more precisely what this entails.

INSTITUTIONAL TRANSFORMATION FOR EFFECTIVE RURAL POVERTY REDUCTION

1. The past decade has seen much progress on pro-poor policy and institutional transformation throughout the developing world. Domestic input and output markets have become more liberal in many countries, a framework for reducing interventions in international agricultural trade has been introduced, subsidized credit programmes have diminished, and the operation of land markets has improved. This has started to create an incentive framework and an enabling environment for production by the rural poor. Despite the progress achieved, the policy reform agenda is still incomplete. The continuation of policy and institutional reforms to create a pro-poor enabling policy environment, as also called for in the Monterrey Consensus, is therefore one of the major thrusts of the strategic framework. There is a need both to complete the traditional policy reform agenda and to address, in a gender-responsive manner, new rural poverty-reduction policy issues. Areas for specific attention, in addition to the criteria for good performance identified above, are:

- (a) the agenda for agricultural trade reform, including the World Trade Organization (WTO) process, liberalization of the developing countries' own internal trade policies, as well as promotion of regional trade;
- (b) domestic rural and agricultural policy reform. Three critical policy issues are common to many developing countries: (i) the revision of policies to maintain low food prices, while catering to social safety nets; (ii) the promotion of efficient markets and the privatization of parastatal agencies; and (iii) the pricing of water for more efficient use;
- (c) the 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;
- (d) resource allocations to rural areas;
- (e) decentralization. Governments need to develop decentralized systems, and define and implement actions to make decentralization an effective reform of the governance system. 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;
- (f) rural finance development, in three sequenced 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;
- (g) land reform for countries with inequitable land distribution. Governments are looking for cost-effective models and have been experimenting with community-managed agrarian reform programmes that often are referred to as 'market-assisted';
- (h) transformation of the farm sector in transition economies. 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. The loss for these countries of their traditional markets and the need to access new markets also needs to be addressed.

2. 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 to success. National ownership in identifying and planning the implementation of the agenda for institutional changed is crucial.



INCREASING AGRICULTURAL PRODUCTIVITY AND SUSTAINABILITY

Development experience has shown that agriculture is a major engine of growth in poor countries and that rural poverty reduction itself depends on direct measures for increasing productivity in the agricultural sector, with its backward and forward linkages to rural enterprises that provide services to the farm sector. The building blocks for an agricultural development strategy focused on productivity consist of the following elements:

- (a) recognizing diversity in agriculture and tailoring strategies accordingly. In many developing countries, agriculture is in transition from a subsistence orientation and government domination to modern agriculture, well integrated into 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;
- (b) harnessing engines for agricultural development. Globalization, changes in markets and technology and the changing role of the private sector provide new drivers for agricultural growth. They consist of: transport and trade; public investment in agricultural research for productivity growth; biotechnology managed with consideration for safety, social acceptability and harmony with biodiversity; rapid growth of demand for high-value products; private entrepreneurship and rural industries to develop market outlets and deliver modern inputs based on infrastructural and institutional development; information and communication technology providing information on markets and prices, employment, production technology, epidemics, legal entitlements and social services; and increased participation of rural workers in income-generating activities due to increased mobility through transport, information, labour-market regulations and training;
- (c) investing to increase agricultural productivity. Future directions include: defining the role and supporting the efficiency of the public sector to supply public, as opposed to private, goods and services; building institutional capacity through longer-term support for institutionally diversified agricultural knowledge and information systems; developing public-private partnerships based on respective roles and comparative advantage; user participation and strengthening of local capacities, decentralization strategies and participation of rural producer and community organizations (especially of women) in policy formulation and service delivery; improving the technical base by linking international, national and private research and extension systems; flexible investment arrangements; recognizing off-farm needs and opportunities; and better monitoring and evaluation systems;
- (d) build productivity and economic viability criteria in programme designs.

WORKING IN THE FRAMEWORK OF PRSPs (IN HIPC AND NON-HIPC)

1. 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. The Debt 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. One of the criteria for the Initiative is the development and implementation of an effective country-owned PRSP. This approach was subsequently also adopted by IMF as an eligibility criterion for access to its PRGF. As a consequence from 60 to 70 low-income countries either have a PRSP or are in the process of developing one.

2. This constitutes an opportunity for ensuring that rural poverty reduction and its enabling conditions are an integral part of the country's own poverty-reduction strategy. IFAD's participation in the PRSP processes would aim at ensuring:

- (a) the implementation of sound economic policies that establish an environment conducive to growth and poverty reduction;
- (b) the development of the policy, institutional and organizational transformation agenda required to translate public expenditure into rural poverty reduction;
- (c) political stability, peace and conflict prevention;
- (d) 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; and institutional capacity-building for civil-society organizations to sustain their role;
- (e) implementation of strong poverty-reduction programmes, including the mitigation of natural disasters or health threats such as the HIV/AIDS epidemic;
- (f) mitigating protectionist policies that restrict access to export markets;
- (g) broadening and diversifying the narrow production and export base of HIPC, 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
- (h) the provision of additional financial resources on highly concessional terms and conditions.

3. IFAD's participation in PRSP processes (planning and implementation) will also result in synergy between the PRSPs and its COSOPs, and in integration of IFAD operations in poverty-reduction programmes, thereby effectively addressing the above challenges. IFAD's participation in PRSP processes can take different forms: 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.



IFAD'S ROLE IN POST-CRISIS REHABILITATION

1. Crises (natural disasters, civil strife, and financial crises) and the resulting emergency situations have proliferated considerably in the developing countries, with increased incidence and severity. Whatever the causes, it is always the rural poor who are hardest hit in times of crisis, due to their greater vulnerability. Crises also significantly disrupt agriculture and food production. A major challenge in post-crisis assistance is ensuring a smooth transition from emergency relief to sustainable development.
2. IFAD has a Framework for Bridging Post-Crisis Recovery and Long-Term Development (September 1998). The framework consists of the following limiting norms:
 - (a) the *objective* is to help the target group jump-start resumption of the development process and enhance their resilience and coping strategy in future crises. Such support is, by its very nature, the first phase of a long-term development process;
 - (b) possible *areas of support* are: the recovery of the target group's agricultural productivity and the resumption of the rural development process; income-generating activities, particularly through microcredit and microenterprises; resource conservation; and capacity-building for project implementation;
 - (c) the *selection criteria* are: complementarity with activities of other partners; impact on productivity and on the implementation of ongoing projects; the prospect of bridging the gap between relief and development; potential for enhancing the coping capacity of the target group; and expected economic benefits;
 - (d) a number of *design considerations* should be accommodated. These include: participatory needs assessment; identification of the causes of crises and mitigation measures; future coping strategy; emphasis on dialogue and cooperation with other donors; quick, high-impact, flexible design; use of existing technology; and focus on existing capacity. Particular attention needs to be given to ensuring equity, an adequate focus on gender, beneficiary participation, local capacity-building and a proper role for civil society;
 - (e) in the *implementation arrangements*, solid monitoring mechanisms need to be established with a view to capturing process issues;
 - (f) the possible *forms of involvement* are portfolio adjustment and support to early reconstruction;
 - (g) IFAD's involvement in post-crisis assistance will be decided on a *case-by-case basis*. Adequate consideration will be given to the level of security and stability as the enabling factor and to close inter-agency cooperation and coordination;
 - (h) the *project cycle* for post-crisis interventions may be adjusted to ensure that IFAD support is provided on a timely basis.

