



IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Consultation on the Seventh Replenishment of IFAD's Resources – Fifth Session

Rome, 14-15 December 2005

**IFAD'S CONTRIBUTION TO
REACHING THE MILLENNIUM DEVELOPMENT GOALS:
REPORT OF THE CONSULTATION ON THE SEVENTH REPLENISHMENT
OF IFAD'S RESOURCES (2007-2009)**

The Consultation is hereby requested to consider the revised version of Section A of the report.

A. The Action Plan

14.18. The principal vehicle for internal change in IFAD over the Seventh Replenishment period will be the IFAD Action Plan for Improving its Development Effectiveness and to implement the IFAD management response to the IEE. This Action Plan, [approved by the Executive Board in its December 2005 session and annexed to the Consultation Report](#), embraces the IEE's recommendations, the views of the Executive Board on change priorities, and IFAD management's own views on change requirements. The detailed elaboration and implementation of the Action Plan and the actual achievement of objectives outlined in the above paragraph will be organized in three main action areas: strategic planning and guidance; a new operating model; and knowledge management and innovation. Each of these will fully integrate the human resource management dimension of change and will mobilize the necessary information and communication technology support.

19. The Action Plan will assign priority to new approaches to sharpen and raise the effectiveness of national and international policies and programmes for rural poverty reduction. Stagnation in rural development and poverty reduction in many countries calls for new solutions, and it is IFAD's role in the international system – as the specialized multilateral agency for reducing rural poverty and food insecurity – to help provide them. It will strengthen rural development strategies and assistance by generating and testing innovative and better answers to the key income and food-security challenges facing rural poor people, and by mobilizing resources and partnerships to implement these approaches on a large scale. IFAD will invest in devising approaches that unlock both international assistance and

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the resources of developing countries themselves. A key function of knowledge management under the Action Plan will be to consolidate the lessons learned from successes – as well as failures – in such areas as microcredit, the role of international buyers in integrating rural producers into global supply chains, and organizational entities such as farmers’ organizations, women’s organizations and civil society. “Learning notes” will become an integral component of IFAD operations and these will be made available in easily accessible and useable form within IFAD and to all IFAD partners.

20. A **revised and updated strategic framework** will provide enhanced clarity to the **what** and the **how** of IFAD operations, including the thematic areas in which IFAD will be able to offer support and IFAD’s modus operandi with regard to partnerships and both national and international processes. It will give guidance on coordination with national governments, farmers, women’s organizations, and harmonization systems through PRSPs and other key national development planning processes. Placing partnership and comparative advantage at the centre of IFAD’s planning and operations, IFAD’s key strategy documents (including the strategic framework) will be produced in consultation with major partners and other groups. The new strategic framework will also follow from and reflect discussions with key partner organizations, most notably the World Bank, African Development Bank and FAO to clarify further and formalize the relative comparative advantages and division of labour required for effective partnerships.

21. The operationalization of IFAD’s definition of its role, focus and intended impact will be underpinned by a new planning and monitoring (for performance and impact) instrument. The major corporate **performance and impact indicators** relative to IFAD’s role and focus will be incorporated in a new medium-term plan (MTP). The MTP will be the framework for implementing a results-based management approach to planning and budgeting. It will identify IFAD’s monitorable targets for impact and supportive activities, and it will provide the broad guidelines for the allocation of IFAD’s overall resources.

22. The first IFAD Programme of Work and Budget reflecting the annualized tranche of operations under the MTP will be presented in September 2007. An upgraded strategic planning, budgeting and monitoring system will review and report on compliance and performance, supported by benchmarking with other comparable multilateral institutions. Drawing on MTP targets and progress monitoring mechanisms, as well as upon the Office of Evaluation’s findings on the sustainability of project benefits, IFAD will provide its Executive Board with **regular reporting on IFAD’s development effectiveness**, combining quantitative and qualitative indicators and drawing upon the results of the RIMS. The corporate objectives articulated in the strategic framework and elaborated in the MTP will provide the framework for IFAD’s country-level planning and reporting, which will reflect its corporate focus and comparative advantage through incorporation of the corresponding performance and impact indicators. (including the Action Plan target indicators of- The Action Plan will reaffirm strongly the centrality of the ARRI as both the principal measure of IFAD’s performance and as a vehicle for continuous learning and improvement. The Action Plan incorporates IFAD’s commitment to strive to achieve such performance standards as:

- 100% of projects will ~~having~~ have high or substantial congruency with country development priorities;
- 80% of projects ~~having~~ will have satisfactory outcomes ~~and being sustainable~~;
- 60% of projects ~~having~~ will have a high or substantial level of efficiency).

23. A new quality assurance system, drawing heavily on the experience of other IFIs, including the World Bank, will ensure policy coherence and improved quality at entry of all major operations and will elaborate and apply new criteria for measuring the quality of project design and implementation relative to effective targeting of the poorest, sustainability, innovation and partnership. At the same time, the Action Plan will apply exacting standards to the current portfolio to ensure year-on-year improvements, in particular in these areas.



23-24. The quality assurance system will capitalize on both the stronger technical and thematic capacities to be developed in IFAD and the active mobilization of special and complementary expertise in external organizations. With regard to quality at entry, and consistent with the spirit of the Paris Declaration on Aid Effectiveness, project and programme designs will be subject to review with key national and international partners at the country level, and documentation of this consultation will be an element of the project and programme approval process. Where appropriate conditions exist, project development will be fully within national agriculture sector planning processes. In this context IFAD will coordinate closely with its UN system and IFI partners, particularly in the framework of the Resident Coordinator system. IFAD-level entry processes will be upgraded within the framework of a more systematic external peer review process, already piloted in IFAD's rural finance operations.

24-25. **The Action Plan will elaborate processes, policies and instruments to bring about and to reinforce the harmonization of development efforts by the international community and to strengthen national and international processes for policy development.** IFAD's task is not only to support national priorities and international coordination systems but also to make these work better for the rural poor. IFAD will help improve national approaches to rural poverty reduction by working in and through national systems. It will contribute to the key Paris Declaration objectives through: progress indicator of having support to effective country development strategies; in place. It will support joint analytical work; It will promote and promotion of common systems of technical support. And it It will operate within national budgets through local public financial management systems, supporting the effective implementation of national policies of decentralized budgeting and planning in rural areas. Within the framework of new corporate partnership guidelines, IFAD will clarify the means by which it will respond to the TCP/R and the United Nations September Summit outcome document initiative for greater systemic coherence promoting "more tightly managed entities" in the fields of environment, humanitarian assistance and development.

25-26. Through **systematic engagement in PRSPs and SWAps, as specified in IFAD's policy on SWAps**, IFAD will selectively pursue opportunities for dialogue – derived from IFAD's field experience or required for project success. Capitalizing upon national poverty monitoring and strategy mechanisms where these exist. IFAD will promote the integration of lessons learned in exploratory projects seeking equitable access of the rural poor to the assets, services, information, technology and markets required for their economic and social advancement into mainstream poverty reduction policy and programming, and through the new operating model it will support the participatory and consultative processes that allow other local development partners, especially the organizations of the poor, to bring their knowledge and experience to the poverty reduction policy "table".

26-27. Effective participation in PRSPs and other forms of aid coordination will require the development of more concise and transparent country programme documentation. **Results-based country strategic opportunities papers (COSOPs)** will be IFAD's country-level planning instrument. They will be developed among IFAD, government, farmers' organizations, national stakeholders and assistance coordination mechanisms; and will provide the platform for IFAD's engagement with its country partners. The new COSOPs will be the interface between IFAD's corporate objectives and modalities, on the one hand, and country specificities and processes, on the other. They will incorporate and integrate priority programme, policy, partnership and knowledge-management objectives reflecting country conditions. They will be developed among IFAD, government, farmers' organizations, national stakeholders and assistance coordination mechanisms; and will represent the agreed medium term plan of work for IFAD to support the development, implementation and enrichment of national rural poverty reduction strategies and programmes (including PRSPs and SWAps).

27-28. **IFAD's Action Plan will also seek to identify the most cost-effective means by which IFAD can enhance its country-level presence and constructive engagement in country dialogue and donor collaboration as well as in implementation support and knowledge management. As a**



first step, the pilot programme launched under the Sixth Replenishment will be carefully examined with a view to identifying the approaches that are most suitable, flexible and cost-conscious, as well as those offering the most effective forms of integration with the processes and facilities of the United Nations system and other partners at the country level (the majority of country presence initiatives under the pilot programme are housed within the local United Nations Development Programme framework, and none are stand-alone operations). As a second step, the results of this exercise will be integrated into individual country COSOPs so that decisions may be reached on the basis of specific needs, the scope and requirements of individual programmes, and the availability of appropriate resources, both financial and human. IFAD's Action Plan will seek to identify the most cost-effective means by which IFAD can enhance its country-level presence and constructive engagement in country dialogue and donor collaboration as well as in implementation support and knowledge management. To ensure that appropriate and necessary action is not delayed IFAD will undertake immediately a fast-track, rapid assessment of its field presence and pilot project experiences to date, including costs and initial reported benefits. IFAD will also develop a corporate country-team model that will include a set of best practices for engaging in policy dialogue, implementation support and donor collaboration. As a further step, the pilot programme launched under the Sixth Replenishment will be systematically and independently evaluated and compared with the decentralization experiences and lessons learned from other IFIs. As a third step, as warranted, IFAD will develop a country presence policy that defines cases (e.g. portfolio at risk) where engagement beyond the corporate CPM model is required. The policy will provide guidelines for determining appropriate approaches that are most suitable, flexible and cost-conscious. The nature and focus of IFAD's in-country capacity will vary from country to country according to local needs and opportunity, but they will serve the common purpose of anchoring IFAD's activities in country priorities and country processes. This investment in and mobilization of local processes and capacities will also be supported by IFAD's adoption of an approach to project supervision and the systematic capture and sharing of experience in innovation that opens participation to qualified in-country organizations.

28:29. IFAD will strengthen integration, mutual learning and strategic convergence in country programming. **The Action Plan will introduce collaborative country programme management approaches involving in-country teams working in collaboration with country programme management teams at headquarters drawing on experience and capacity across the Fund and linked to new knowledge management and quality assurance processes.** This will be underpinned by country results targets and indicators that will be an obligatory part of all COSOPs and will be aligned with corporate level targets, performance and impact indicators.

29:30. IFAD's future knowledge management and innovation ~~strategy~~ strategies will be defined and implemented as part of the Action Plan. Innovation mainstreaming is already the subject of a major ongoing programme in IFAD (the Initiative for Mainstreaming Innovation), but a more clearly defined strategy, including for the identification and management of risk, is essential if this is to achieve the application that is required.

31. IFAD's knowledge management role will not be that of a strategic studies or policy analysis centre, such as the International Food Policy Research Institute (IFPRI). The knowledge management challenges are to ensure that continuous and effective learning derives from IFAD activities and that this learning is linked integrally to the learning of others in its areas of activity and focus, first and foremost through the system of knowledge development and exchange behind the Learning Notes and IFAD's Rural Poverty Portal. IFAD will present a knowledge management strategy to the Executive Board in December 2006..

30:32. IFAD's strategy for knowledge management and innovation will be guided by the basic principles of:

- (a) Focusing IFAD's engagement on the thematic issues and areas of its comparative advantage that will be identified in the strategic framework.



- (b) Mobilizing loan- and grant-based activities as platforms for knowledge development through explicit inclusion of knowledge development objectives and mechanisms in them.
- (c) Raising the level and quality of IFAD staff time in internal knowledge management.
- (d) Providing incentives for IFAD staff to innovate and share knowledge.
- (e) Building long-term knowledge development and dissemination partnerships with a limited number of global and regional centres of excellence (including in programme design and development).
- (f) Investing in the capacity of regional and national centres to explore selected agricultural and rural poverty reduction issues and options in partnership with organizations of the rural poor.
- (g) Reaching out to development partners through a targeted programme of knowledge and information-sharing.

31.33. Under the Action Plan, IFAD will develop staff capabilities to support changing functions and roles, and create an assessment and incentives framework ensuring that corporate objectives are effectively and consistently pursued by all employees. IFAD will review and revise its key staff competencies in the light of the revision of IFAD's operational model. It will recruit according to required competencies, and will expand staff training to build up capacity of existing staff to respond to new tasks. IFAD will conduct a staff competency and workload analysis as the basis of a programme of staff rotation and reallocation to meet new operational requirements.

32.34. In line with greater corporate accountability (through the adoption of a results-based management system and the review of development effectiveness), individual and group staff accountability will be increased on the basis of clearer individual and group definitions of objectives and outputs cascading from corporate objectives, and regular performance monitoring. As part of this, human resource management instruments and modalities will be introduced to enhance the skills, performance orientation and openness of management through:

- (a) A staff pay-for-performance system.
- (b) Increasing accountability for development results to the Executive Board.
- (c) Benchmarking institutional performance against performance of comparable multilateral development institutions.
- (d) Mobilizing high-level external assistance in corporate performance assessment.
- (e) Extending assessment and coaching under the Management Development Centre initiative with the World Food Programme (WFP) and the Food and Agriculture Organization of the United Nations (FAO) to all levels of management.

33.35. The Action Plan outlined above will allow IFAD to seize the new opportunities and challenges outlined in the IEE, to address its shortcomings and, most importantly, to achieve enhanced development effectiveness. In most countries, IFAD's resources will be modest compared with investment requirements for a comprehensive response to even a subsectoral problem. Therefore, IFAD's programme and scaling-up path will be worked out in close collaboration with national governments and assistance coordination mechanisms. IFAD's comparative advantage of addressing



the specific requirements of poor people will be rooted in partnerships with and investments in farmers', women's and community organizations making it possible for the organized views of the IFAD target group to be brought more to bear in local and national policy and programme processes.