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Enabling poor rural people
to overcome poverty

Meeting the challenge by delivering results: IFAD 2010-2012

Consultation on the Eighth Replenishment of IFAD's
Resources — Second Session
Rome, 22-23 April 2008

For: **Review**

Note to Consultation Members

This document is submitted for review by the Consultation on the Eighth Replenishment of IFAD Resources.

To make the best use of time available at Consultation sessions, Members are invited to contact the following focal point with any technical questions about this document before the session:

Edward Heinemann

Programme Manager

telephone: +39 06 5459 2398

e-mail: e.heinemann@ifad.org

Queries regarding the dispatch of documentation for this session should be addressed to:

Deirdre McGrenra

Governing Bodies Officer

telephone: +39 06 5459 2374

e-mail: d.mcgrenra@ifad.org

Contents

| | |
|--|---|
| Abbreviations and acronyms | ii |
| Executive summary | iii |
| Part One: The global context | 1 |
| A. Poverty today | 1 |
| B. A changing world | 2 |
| C. Agriculture in the global development agenda | 3 |
| D. IFAD's role today | 5 |
| Part Two: A changing IFAD in a changing world | 7 |
| A. Thirty years of evolution | 7 |
| B. Managing for development results | 8 |
| C. Improved performance and results | 11 |
| Part Three: Moving forward | 13 |
| A. Facing the future | 13 |
| B. Key issues | 14 |
| C. Programme priorities by region | 17 |
| D. Financing requirements for the Eighth Replenishment | 20 |
| Index of key words and terms | 22 |
| Annexes | |
| Annex I: | Performance against the conclusions and recommendations of the Seventh Replenishment |
| Annex II: | Results Measurement Framework for reporting on progress achieved against the Strategic Framework |
| Annex III: | New processes and tools for improving IFAD's development and organizational effectiveness and measuring results and performance |
| Annex IV: | IFAD's performance against the Partnership Commitments of the Paris Declaration on Aid Effectiveness |
| Annex V: | Scenario for the Eighth Replenishment |

Abbreviations and acronyms

| | |
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| AfDB | African Development Bank |
| ARRI | Annual Report on Results and Impact of IFAD Operations |
| CGIAR | Consultative Group on International Agricultural Research |
| CMR | corporate management result |
| COSOP | country strategic opportunities programme |
| CPPMS | Corporate Planning and Performance Management System |
| DSF | Debt Sustainability Framework |
| FAO | Food and Agriculture Organization of the United Nations |
| HIPC | Heavily Indebted Poor Countries |
| IDA | International Development Association |
| IFPRI | International Food Policy Research Institute |
| KSF | key success factor |
| MDG1 | first Millennium Development Goal |
| MDGs | Millennium Development Goals |
| MfDR | management for development results |
| MFI | multilateral financial institution |
| ODA | official development assistance |
| OE | Office of Evaluation (IFAD) |
| OECD-DAC | Organisation for Economic Co-operation and Development – Development Assistance Committee |
| OFID | OPEC Fund for International Development |
| OPEC | Organization of the Petroleum Exporting Countries |
| PBAS | performance-based allocation system |
| PDFF | Programme Development Financing Facility |
| PPR | Portfolio Performance Report |
| RIDE | Report on IFAD's Development Effectiveness |
| RIMS | Results and Impact Management System |
| RMF | Results Measurement Framework |
| UNFCCC | United Nations Framework Convention on Climate Change |

Executive summary

1. Three out of four extremely poor people in the world – some 720 million – live in rural areas and depend on agriculture and related activities for their livelihoods. The greatest numbers are in South Asia and sub-Saharan Africa. Everywhere, women are among the most vulnerable and marginalized. In a rapidly changing world, a series of new challenges – above all, rapidly increasing food prices and climate change - are emerging to threaten the progress being made towards the Millennium Development Goals (MDGs). Poor rural people in developing countries are highly vulnerable to the effects of both, and more and more of them are likely to be pushed deeper into poverty and face an ever greater risk of going hungry. Without major additional efforts, many of the poorest developing countries will not meet the first Millennium Development Goal (MDG1) of halving extreme poverty and hunger by 2015.
2. Today there is broad agreement that agriculture – especially smallholder agriculture – is central to development and poverty reduction; not only as a livelihood for large numbers of poor rural people, but also as a driver of economic growth and provider of environmental services. Nevertheless, the higher levels of assistance needed in order to achieve MDG1 are not forthcoming. Official development assistance (ODA) for agriculture still makes up less than three per cent of total ODA, and resource flows are not yet substantially increasing.
3. IFAD is both an international financial institution and a specialized agency of the United Nations. Its goal is to empower poor rural women and men to improve their food security and increase their incomes. Its loans and grants programme has been expanding at 10 per cent per year since 2003, and in 2007 reached US\$600 million. Its focus is principally on agriculture and helping very poor women and men, including those in remote and marginalized areas, to increase food production and earn a sustainable income. IFAD is implementing the Paris Declaration on Aid Effectiveness and its partnership commitments; it also supports efforts to improve the overall effectiveness of the United Nations, including by participating actively in the One United Nations pilots and working closely with the other Rome-based agencies.
4. IFAD has adopted management for development results (MfDR) as a basis for establishing coherent, linked systems and tools to plan, monitor and assess its development results. The MfDR approach has underpinned IFAD's Action Plan for Improving its Development Effectiveness which, in response to the Independent External Evaluation of IFAD completed in 2005, established a framework for a range of reforms across the organization. This ambitious Action Plan is now close to completion.
5. Under the Action Plan, IFAD has developed its Strategic Framework 2007-2010, which has guided all successive reforms. It has developed a series of new tools, organizational processes, policies and strategies to improve its country- and project-level operations and results. Together, these ensure that key issues such as targeting and gender, innovation and knowledge management, and project sustainability are fully mainstreamed. IFAD has also taken on responsibility for directly supervising the projects it supports, and has integrated 15 country presence initiatives into the budget. A related set of reforms have served to align IFAD's human and financial resources with the organization's objectives and ensure they are well managed: these include the establishment of results-based planning, budgeting and reporting; the monitoring and improvement of key financial efficiency ratios; and the development and early implementation of a human resource management framework.
6. IFAD has also established a series of tools to measure and report on its progress in achieving results. These have found that project performance is improving, with

80 per cent of projects rated satisfactory in terms of overall performance; and they conclude that IFAD is broadly on track to meet all its 2009 Action Plan targets, though particular attention must be given to sustainability. IFAD is also performing well in discharging its commitments under the Paris Declaration on Aid Effectiveness. Past weaknesses in policy dialogue, partnerships and lesson-learning and knowledge management are being addressed.

7. IFAD has the capacity to deliver a US\$3.0 billion programme of work between 2010 and 2012, the Eighth Replenishment period, while continuing to improve results and impact. On the basis of IFAD's past experience, a US\$3.0 billion programme of work would catalyse a similar amount of cofinancing, resulting in an overall investment in support of agriculture and rural poverty reduction of around US\$6.0 billion over the three-year replenishment period. Thus, through a proactive but prudent use of its internal resources, IFAD could deliver a US\$3.0 billion programme of work with a total replenishment of US\$1.2 billion.
8. Based on reasonable assumptions, this level of financing would enable IFAD to provide financing for projects to help, and create economic opportunities for, over 50 million poor rural women and men. Of these, 20 to 25 million would be in sub-Saharan Africa. In addition to the many people reached directly, many millions more would benefit from the results of IFAD's work in strengthening national capacities and advocating for pro-poor policies with its member countries and internationally. This would enable IFAD to make a substantial contribution to helping poor rural people across the world meet the challenges they face: the triple scourge of poverty, rising food prices and climate change.

Part One: The global context

A. Poverty today

1. **Insufficient progress towards the first Millennium Development Goal.** At the Millennium summit, the international community made a commitment to halve the proportion of people living in extreme poverty and hunger between 1990 and 2015. Considerable progress has been made in reducing poverty since then: between 1990 and 2004, the proportion of people living on less than US\$1 per day dropped from 28 per cent to 19 per cent of all those living in the developing world, while the absolute number of people also fell – from 1.25 billion to 970 million.¹ Less progress has been made in reducing hunger however: the proportion of those going hungry declined only marginally between 1990-92 and 2001-2003, from 20 to 17 per cent, while the absolute number actually increased to an estimated 824 million people in 2003.²
2. The global figures mask enormous regional differences. Rapid economic growth in East Asia – particularly China – has helped bring down the proportion of those living on less than US\$1/day from 30 per cent in 1990 to 9 per cent in 2004. Good progress has been made in South Asia as well, where the proportion of people living in poverty fell from 43 per cent to 31 per cent. Other regions saw less progress. In sub-Saharan Africa, the proportion declined from 47 per cent to 41 per cent, in Latin America from 10 per cent to 9 per cent, and in Eastern Europe and Central Asia it actually increased slightly. Without major additional efforts, MDG1 will not be met in many of the poorest developing countries.
3. The challenge is greatest in sub-Saharan Africa. While economic growth rates have averaged close to 6 per cent for the last three years, this is not yet resulting in substantially reduced rates of poverty and hunger; the number of people living on less than US\$1 per day actually increased by 58 million between 1990 and 2004, and by 2004 numbered around 300 million. Although sub-Saharan Africa accounts for only 31 per cent of the world's extremely poor, that proportion is increasing. In addition, three quarters of the world's "ultra poor" – those struggling to live on US\$0.50 per day or less – live in sub-Saharan Africa. The 120 million women and men that make up this group account for almost one in five of the region's population. The vast majority of them live in rural areas.
4. **World poverty is still predominantly rural.** The world's population is increasingly urban. Yet around 55 per cent of the developing world's population (three billion people) still live in rural areas. In Latin America and East Asia the absolute numbers of rural people are already declining due to rural-urban migration and slower population growth, but in South Asia the number of rural people is expected to continue to rise until 2025, and in Africa until at least 2030.
5. With high levels of out-migration from rural areas, vast numbers of households in developing countries have members in both the urban and rural spheres. In many areas, the household has become a unit that straddles the two, blurring the distinction between urban and rural sectors. Nevertheless, and despite declining levels of rural poverty over the past 15 years, global poverty remains overwhelmingly rural. Three quarters of the extremely poor people in developing countries – some 720 million – live in rural areas,³ and of these, almost three quarters live either in South Asia (around 330 million) or in sub-Saharan Africa (some 200 million). With rural poverty rates averaging more than double those found in urban areas, the majority of the poor will continue to live in rural areas for the foreseeable future.

¹ International Food Policy Research Institute (IFPRI), 2007.

² The Millennium Development Goals Report, United Nations, 2006.

³ Different data sources give widely differing figures for the numbers of poor and rural poor. This figure is derived from IFPRI 2007 and Chen and Ravallion (2007).

6. Most poor rural people depend directly or indirectly on agriculture. The poorest are landless sharecroppers, those farming plots of land that are either too small or too dry to provide for their needs, nomadic pastoralists, forest dwellers and subsistence fishing communities. Indigenous peoples (principally in Asia and Latin America) represent only 4 per cent of the world's population, yet make up 15 per cent of the world's extremely poor people. Women remain among the most vulnerable and marginalized everywhere, and in many countries the exodus of men from rural areas is resulting in a "feminization" of rural economies.
7. The factors determining rural poverty are complex, and vary enormously from one region to another. But everywhere, poor rural women and men lack assets, particularly land and water. Many live and farm in arid and semi-arid areas, or on steep mountain slopes or remote hillsides. They also lack access to finance, services, improved technologies and markets; they lack the knowledge and skills they need to improve their agricultural productivity; and they lack the organization required to exert influence in the marketplace and with service providers and policymakers. Rural poverty is frequently accompanied by conflict, often at the community or family level, typically over access to assets. Yet, in the midst of such difficult circumstances, poor rural people have developed coping strategies that are often based on knowledge passed down through generations; and these are important resources for overcoming poverty.

B. A changing world

8. We live in a rapidly changing world. Two related issues in particular, rising food prices and climate change, are already having an enormous impact at the global level, and especially – and most immediately – on poor rural people in developing countries. Poverty, rising food prices and climate change together amount to what IFAD's President, Lennart Båge, has referred to as a "triple scourge" of development challenges.
9. **Food prices.** Between 1974 and 2005, food prices on world markets fell by three quarters in real terms. Since then, they have soared. Prices for all major staples – wheat, maize, rice and edible oils – are at, or close to, all-time highs, and there are growing concerns over food price-driven inflation in the developing and developed world alike. The factors driving prices up are in large part demand-driven. They include rapidly rising demand for high-value meat and dairy products by increasingly wealthy urban populations in major economies such as China and India, which has in turn increased demand for cereals to manufacture animal feed. They also include rapidly growing demand for maize for the bio-ethanol industry, which is reducing the amount of cereal available on the world market. But supply factors are also important: high oil prices have increased the cost of purchasing fertilizer and transporting food; and in the past months, poor weather has reduced global production of cereals.
10. These price rises are having a dramatic impact all over the world. Food riots and protests have erupted in a number of countries; fragile democracies are feeling the pressure in terms of food insecurity; and many governments have taken emergency measures such as issuing export bans and imposing price controls on food, thereby distorting markets and presenting challenges to commerce. To compound the sense of uncertainty about prices, world food stocks are at the lowest level ever recorded as a proportion of production.
11. It now seems likely that high food prices are here to stay; indeed, both the International Food Policy Research Institute (IFPRI) and the Food and Agriculture Organization of the United Nations (FAO) project that cereal prices will continue to rise, by at least a further 10-20 per cent by 2015. In developing countries, many rural producers stand to gain from increased prices for their food crops. But food crop markets, and agricultural markets generally, are also becoming more demanding, and many others will be unable to exploit the new opportunities,

because they cannot access these new markets or produce for them reliably in the quantities or according to the increasingly high standards required. Still others will lose out: higher land values may lead to the displacement of poor farmers with insecure land access and tenure; and the poorest in rural areas – particularly landless labourers and the poorest smallholder farmers – will have to pay more for the food they need to buy. In many countries in sub-Saharan Africa, most poor rural households spend more on buying food than they earn from the food they grow and sell. These households will suffer most, and with food aid flows at their lowest level since 1973, they face new and very serious risks of hunger.

12. **Climate change.** The 2007 Fourth Assessment Report ("Climate Change 2007") of the Intergovernmental Panel on Climate Change (IPCC) removed any reasonable doubt about climate change, its causes, and the consequences for all of humanity unless appropriate and timely actions are taken. The warming of the climate system is unequivocal and accelerating. Temperatures are already increasing, and they are projected to rise further, by as much as three degrees Celsius during the 21st century. Sea levels will rise, rainfall patterns will change, and extreme weather events will increase further. The countries most at risk from climate-related threats are, with very few exceptions, developing countries.⁴
13. Agricultural production is expected to fall in tropical and most temperate regions as a consequence of climate variability and uncertain growing season length, decreased water availability, new patterns of pests and diseases and a loss of biodiversity. Recent analysis suggests that production in developing countries could decline between 9 per cent and 21 per cent by 2080,⁵ and that as early as 2030 Southern Africa could lose more than 30 per cent of maize, its main crop, and South Asia 10 per cent or more of staples such as millet, maize and rice.⁶
14. Almost everywhere, it is the poorest and most vulnerable in the rural areas that will be hardest hit. Temperature increases will not only reduce the yields of most crops; they will also – particularly in Africa – reduce the area of land suitable for arable production, and many currently living on the margins of arable lands will find themselves unable to farm. Drought and heavy flooding are becoming more frequent and more severe, and these will push many rural people into poverty and many of the poor into destitution; women will be affected disproportionately. Almost 50 million additional people could be at greater risk of hunger by 2020.
15. Taken together, rising food prices and climate change are likely to result in massive uncertainty, upheaval and change for the agricultural sector in developing countries. They may bring new opportunities for some, but they will also create risks and dangers for poor rural people everywhere, and will certainly push vast numbers of rural people ever deeper into poverty. Climate change and rising food prices are thus making the challenge of reaching MDG1 even greater. To meet it, it will be essential to strengthen the capacity of poor rural people to increase their food production while at the same time adapting to climate change: a formidable task.

C. Agriculture in the global development agenda

16. After many years of inadequate and declining investment in agriculture by governments, the private sector and development agencies, there is a growing recognition that agriculture is central to development. Most recently, the World Bank's 2008 World Development Report: Agriculture for Development explicitly recognized the centrality of agriculture to development – as a driver of growth for the wider economy, as a livelihood for the majority of people living on less than

⁴ IDA and Climate Change: Making Climate Action Work for Development.

⁵ William Cline: Global Warming and Agriculture: New Country Estimates Show Developing Countries Face Declines in Agricultural Productivity.

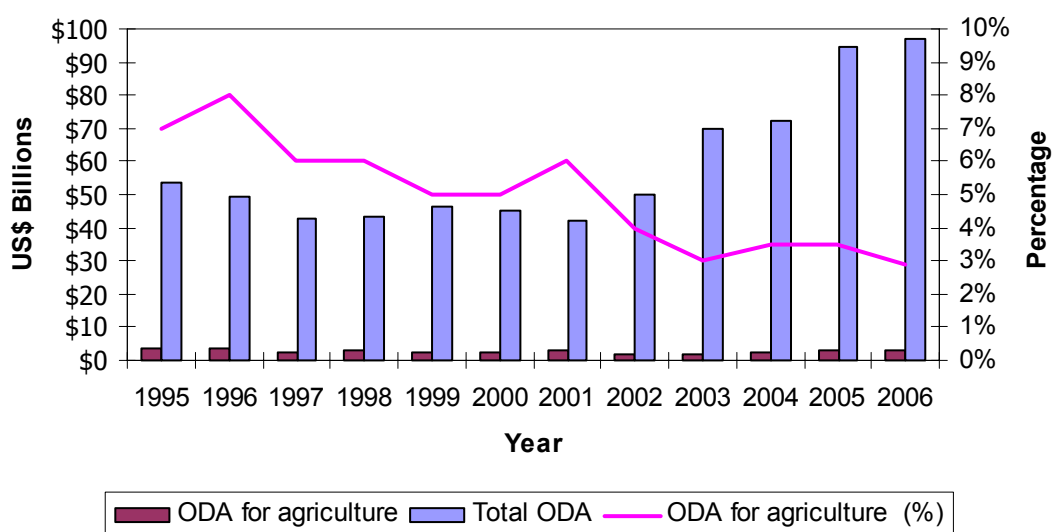
⁶ David Lobell, Marshall Burke, Claudia Tebaldi, Michael Mastrandrea, Walter Falcom and Rosamond Naylor. Prioritizing Climate Change Adaptation Needs for Food Security to 2030.

US\$1 per day and as a provider of environmental services. With regard to poverty reduction, it points out that gross domestic product (GDP) growth in agriculture is at least twice as effective in reducing extreme poverty as GDP growth originating in other sectors.

17. Yet despite widespread agreement on the importance of agriculture for growth and poverty reduction, actual support for the sector remains abysmally low. In transforming and urbanized countries, public expenditure on agriculture amounted to 7 per cent and 3 per cent of total public spending respectively in 2004; while in agriculture-based countries – typically the poorest of all developing countries – an average of only 4 per cent of total budgetary resources was spent on supporting agriculture – the sector that represented the single largest economic activity for close to 70 per cent of the population and contributed 29 per cent of GDP.⁷
18. This underinvestment by national governments is reflected in the pattern of official development assistance (ODA). The amount of ODA going to agriculture fell in nominal terms from US\$8 billion in 1984 to around US\$3 billion in 2006, by which time it made up less than 3 per cent of total ODA. Today, total ODA to African agriculture is about US\$1.2 billion – the same level as in 1975. Some bilateral donors have withdrawn entirely from the sector, and as yet there have been no substantial increases in resource flows from any multilateral financial institution (MFI) other than IFAD.

Figure 1

The decline of development assistance to agriculture



19. Nor are poor rural people receiving the help they need to adapt to climate change. As at mid-2007, multilateral financing delivered under the initiatives set up under the United Nations Framework Convention on Climate Change (UNFCCC) had reached only US\$26 million.⁸ Although bilateral and multilateral donors are gradually increasing support for adaptation, they are doing so from an extremely low baseline, and planning and financing for climate change adaptation are not yet core elements of most donor agencies' programmes.
20. Although the traditional donor community continues to give little attention to agricultural and rural development and the new challenges facing poor rural people, new funding sources are emerging. Private investment, both domestic and foreign, in agricultural value chains is increasing rapidly – if unpredictably – in many countries. Across all developing countries and on a massive scale,

⁷ World Bank. World Development Report 2008.

⁸ UNDP. Human Development Report 2007/08.

remittances from migrants not only help rural family members meet their basic needs, but also enable them to invest in agricultural assets.⁹ Private foundations such as the Bill and Melinda Gates Foundation are becoming important sources of agricultural development financing, and new official donors such as Brazil, China and India are all supporting African agriculture.

21. Overall, a consensus is emerging on the crucial importance of investment in agricultural development to feed the world, achieve the Millennium Development Goals, particularly MDG1, and address climate change. However, that investment is simply not forthcoming. Never has there been a greater need to expand such investment, including development assistance, focused specifically on enabling poor rural people to produce more food.

D. IFAD's role today

22. IFAD is both an international financial institution and a specialized agency of the United Nations. It is also the only such organization dedicated exclusively to agriculture and rural poverty reduction in developing countries. It has a track record as a trusted partner of governments and other national stakeholders: one which combines a new commitment to achieving and measuring development results with the legitimacy derived from its status as a United Nations agency and its broad-based membership and governance structure.
23. IFAD's goal is to empower poor rural women and men to enhance their productivity, improve their food security and increase their incomes. Its focus is principally on smallholder agriculture, as the main source of livelihoods for poor rural people. Its principal product is projects: not IFAD projects, but projects owned by member governments, which they develop jointly with IFAD and then manage and implement in collaboration with their national partners and with IFAD support.¹⁰
24. IFAD's comparative advantage is rooted in the special nature of its partnership in international financing and intergovernmental governance; and it is one that has been tempered through its experience and its record. It is defined in the IFAD Strategic Framework 2007-2010, in three broad areas. None of the three areas alone is unique to IFAD; it is the combination of the three that constitutes IFAD's specific comparative advantage.
 - Working with its partners – governments, civil society, NGOs, private-sector players and the international development community – to develop and implement sound and innovative projects and programmes that fit within national priorities for rural poverty reduction, are consistent with IFAD's objectives, and above all enable poor rural people to increase their agricultural production, food security and incomes.
 - Empowering poor rural women and men, by building their skills, their knowledge and their confidence, and by strengthening the capacity of their organizations, so that they can bring tangible benefits to their members and can influence and hold accountable the institutions and policy processes that affect them.
 - Capturing the lessons from the projects it finances and using the knowledge as a basis for engaging in dialogue with governments and other development agencies, with a view to informing their agricultural and rural development policies and investments.
25. IFAD is the only international financial institution that works directly and consistently with the most marginalized of rural populations, grass-roots

⁹ In 2006, total remittances to developing countries amounted to US\$300 billion (IFAD, 2007).

¹⁰ Throughout this paper the term "project" is used in a generic sense, to encompass investments that range from discrete, IFAD-supported, area-based projects to multi-stakeholder sectoral programmes to which IFAD contributes.

community institutions and farmer's organizations. This experience gives IFAD an especially strong comparative advantage in the delivery of support for agricultural and rural development, and a solid foundation from which to contribute to and help lead broader partnerships aimed at reducing rural poverty.

26. IFAD knows that there is no one-size-fits-all approach to delivering support for poor rural communities. Support must be targeted at specific groups and tailored to the specific conditions they face. Thus, in some regions IFAD works with particular groups – notably indigenous peoples and other ethnic minorities – who have been excluded from mainstream development processes; while in others, where the majority of people in the rural areas are very poor, IFAD's work supports broader programmes for rural poverty reduction. Everywhere, reducing gender inequalities and empowering women is a key element of IFAD's work.
27. In all its programmes IFAD focuses on one or more of six main areas of importance to poor rural people: land and water management, agricultural technologies and production services, market access, rural financial services, off-farm employment, and local planning and programming processes. By varying the mix and tailoring its approaches to the circumstances and needs of each partner community, IFAD is able both to maintain its comparative advantage and mandate and to respond to the needs of very diverse communities. IFAD does not work in the social sectors and does not provide emergency relief.
28. **Partnerships.** In an increasingly systematic way, IFAD is working through partnerships, both to improve its development effectiveness on the ground and to play an effective pro-rural poor policy advocacy role within the international development community. It is a signatory to the Paris Declaration on Aid Effectiveness, committed to country ownership, donor-partner alignment, inter-agency harmonization, managing for results and mutual accountability. It has developed new tools and processes to ensure that its programmes and projects support nationally owned and led approaches to rural poverty reduction, and are fully harmonized with those of other agencies. IFAD is also increasingly active in country-level mechanisms for donor coordination and policy dialogue, and is fully committed to supporting efforts to improve the overall effectiveness of the United Nations in delivering development outcomes, including by participating actively in the One United Nations pilots.
29. As concerns for global food security grow, the need for close partnerships with FAO and the World Food Programme (WFP), IFAD's sister agencies in Rome, has never been greater. The three agencies have mapped their extensive collaboration and are working closely to build on this in a pragmatic way, with a particular focus on the new challenges facing poor rural people.
30. While IFAD collaborates productively with a wide and expanding range of partners on specific topics or in specific regions, it has a limited number of key strategic partners with which it works especially closely. These include the major multilateral financing institutions: the World Bank, Asian Development Bank (AsDB), Inter-American Development Bank (IDB) and African Development Bank (AfDB). AfDB in particular is a partner of growing importance, and AfDB and IFAD are collaborating on a joint evaluation of their work in agriculture in Africa in order to learn lessons and lay the basis for a deeper partnership.
31. IFAD is a sponsor of the Consultative Group on International Agricultural Research (CGIAR), and finances CGIAR institutions to develop and promote new agricultural technologies for poor rural producers. CGIAR's International Food Policy Research Institute (IFPRI) is a particularly important partner on issues such as innovation and climate change. Where possible, IFAD-supported projects are cofinanced with other members of the international development community: in addition to the banks listed above, key partners include the Fund for International Development (OFID) of the Organization of the Petroleum Exporting Countries (OPEC), IFAD's

largest cofinancing partner; and the Belgian Survival Fund, an important partner in parts of sub-Saharan Africa.

32. IFAD is also participating more actively in partnerships established by the international development community – recent examples include the Global Donor Platform for Rural Development, the Tokyo International Conference on African Development (TICAD) and the Africa Enterprise Challenge Fund – bringing to these partnerships its experience and rural poverty focus. More recently, it has been actively engaged in multi-stakeholder discussions on how to mobilize increased resources for agriculture, particularly in Africa. IFAD is also reaching out to new partners. It has already started to collaborate with the Bill and Melinda Gates Foundation and the Alliance for a Green Revolution in Africa (AGRA), focused on both joint implementation and joint financing. It is also helping the Brazilian Agricultural Research Corporation (EMBRAPA) establish its own partnerships in Africa.

Part Two: A changing IFAD in a changing world

A. Thirty years of evolution

33. In 2008, IFAD is 30 years old. Thanks to the support and engagement of its members, it has consistently expanded its investment in agricultural and rural development, even at times when most other donors were reducing their support. Over these three decades, IFAD's approach to rural poverty reduction has evolved substantially.
34. The first World Food Conference was held in Rome in 1974, in the wake of devastating famines in Bangladesh and the Sahel. The Conference recognized the need for a substantial increase in investment in agricultural production in developing countries, and one of its resolutions, initiated and sponsored by the OPEC countries, called for the International Fund for Agricultural Development (IFAD) to be established immediately to finance agricultural development projects in developing countries. IFAD began operations in 1978. Its objective was: "...to mobilize additional resources... for projects and programmes specifically designed to introduce, expand or improve food production systems and to strengthen related policies and institutions within the framework of national priorities and strategies."¹¹ IFAD was established as a partnership of developed countries, OPEC and other developing countries: its governance structure reflects this partnership.
35. In its early years, IFAD lent to governments for projects designed by, and often cofinanced with, other multilateral institutions. Over time, IFAD sought to define a more country-specific and targeted approach, and started to initiate projects; by 1989, over 90 per cent of the projects approved by the Executive Board were IFAD-initiated. IFAD-supported agricultural projects were increasingly characterized by a participatory approach, a focus on the specific problems of rural women, and a concern with strengthening community organizations.
36. Today, IFAD's approach continues to be defined by its evolving understanding of the challenges of rural poverty reduction, and of the need to proactively support national poverty reduction strategies, strengthen national capacities and fulfill its commitment to enhanced aid effectiveness. This provides the context for IFAD's current Strategic Framework 2007-2010 and for a range of completed and ongoing organizational reforms that have enabled IFAD to implement all of the actions specified in the conclusions and recommendations of the Seventh Replenishment (see annex I).
37. In 2007, IFAD's loan and grants programme reached US\$600 million. Programme resources were allocated across all its active member countries in a transparent

¹¹ Agreement Establishing the International Fund for Agricultural Development, 1976.

and uniform manner through the performance-based allocation system (PBAS). Grant, rather than loan, funding was provided to those countries eligible for highly concessional resources and with high debt levels, based on the Debt Sustainability Framework (DSF) established by the International Development Association (IDA). This, together with the Heavily Indebted Poor Countries (HIPC) Initiative, in which IFAD also participates, enables IFAD to contribute to the international effort to reduce the impact of unsustainable debt on poverty reduction efforts on the part of its members.

B. Managing for development results

38. In line with its commitment to the aid effectiveness agenda, IFAD has adopted a management for development results (MfDR) approach as a way of focusing the organization on achieving development results and measuring them. Effective mainstreaming of MfDR is central to all of IFAD's efforts to increase its development effectiveness.
39. IFAD's MfDR agenda focuses above all on establishing coherent, linked systems and tools to plan, monitor and assess development results. The approach is underpinned by four simple principles:
 - IFAD's strategic objectives are clearly defined and stated.
 - All systems, processes and resources (human and financial) are focused on achieving those strategic objectives.
 - All systems, processes and resource uses are consistent and aligned with each other.
 - Progress in achieving the strategic objectives is closely monitored, and this information is used in decision-making and learning.
40. **IFAD's Action Plan for Improving its Development Effectiveness.** This MfDR approach has underpinned the implementation of IFAD's Action Plan for Improving its Development Effectiveness. The Action Plan was prepared in response to the 2005 Independent External Evaluation of IFAD and established a framework for reforms to improve IFAD's development effectiveness and impact. It was endorsed by the Governing Council in February 2006 as "the principal vehicle for internal change in IFAD".¹²
41. The goal of the Action Plan is to improve IFAD's development effectiveness by addressing three critical dimensions of its performance: relevance, effectiveness and efficiency. The Action Plan document defined more than 40 deliverables in the three broad areas of strategic planning and guidance, project quality and impact, and knowledge management and innovation.
42. By the end of 2007, all 14 of the deliverables to be presented to the Executive Board had been approved, most of the other deliverables had been completed, and the outputs of the Action Plan were already starting to transform the way IFAD goes about its business. Preliminary data suggests that the quality of IFAD-supported projects is steadily improving (paragraph 57). The focus is now shifting to mainstreaming the systems and tools established and sustaining the momentum of change.
43. **Strategic Framework 2007-2010.** The Strategic Framework represents a key Action Plan deliverable and, as a statement of IFAD's objectives, has been the starting point for all subsequent reforms. It was approved by the Executive Board in December 2006, and articulates how IFAD can best discharge its mandate and use the instruments at its disposal to maximize its contribution to reducing rural poverty. It identifies IFAD's comparative advantage and defines its hierarchy of development objectives, its key principles of engagement and the thematic areas

¹² GC29/L.4.

of its work. It also explains how IFAD is to be managed and organized in order to deliver on the development objectives defined. A Results Measurement Framework (RMF) serves to monitor progress in achieving the objectives defined there (see annex II), and reporting has already started (paragraphs 54 and 55).

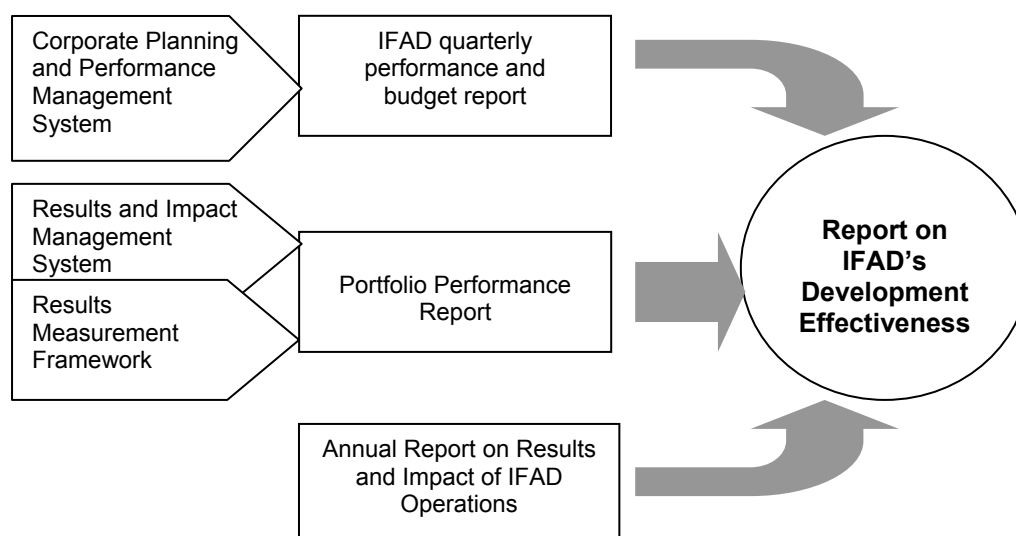
44. **Improving development effectiveness.** A series of reforms have focused on building a mutually-supportive set of tools and organizational processes to improve IFAD's country- and project-level operations. More detailed information on these is provided in annex III(a).
45. The starting point is the new results-based country strategic opportunities programme (COSOP), which defines a coherent country programme aimed at achieving a limited number of objectives derived from the Strategic Framework while supporting the national policy framework for rural poverty reduction. The COSOP provides the context within which new IFAD-supported projects are designed. The quality of project design (quality-at-entry) has been strengthened through improvements in three main areas: (a) new guidelines for project design; (b) a new quality enhancement system; and (c) a new arms-length quality assurance system.
46. With a view to both improving project implementation performance and enhancing IFAD's ability to learn from its projects and disseminate this knowledge, IFAD is increasingly taking responsibility for supervising the projects it finances, rather than outsourcing this function to a cooperating institution. By end-2007, over half of the project portfolio had been taken on for direct supervision and staff had been trained in supervision functions and responsibilities.
47. IFAD's Field Presence Pilot Programme enabled it to improve implementation support, in-country partnerships, engagement in policy dialogue and knowledge management. IFAD has now mainstreamed country presence within its budget, and is improving its management and support of country presence staff. In 2008 the focus will be on effectively managing the current 15 country presence initiatives and developing a medium-term approach for country presence.
48. A key challenge has been to ensure that all IFAD activities are aligned with, and supportive of, the objectives defined in the Strategic Framework. To achieve this, IFAD has developed a new series of Executive Board-approved policies and strategies, including a targeting policy, an innovation strategy and a knowledge management strategy; defined a new process for developing and applying IFAD policies; and ensured that all of its new tools and processes for development effectiveness¹³ require all IFAD programmes and projects to comply with the provisions of the policies and strategies, at design and during implementation.
49. **Strengthening organizational effectiveness and efficiency.** Improvements in development effectiveness require corporate systems that align IFAD's human and financial resources with the organization's objectives and ensure they are well managed. A range of reforms have been undertaken to do this (see annex III[b]). All have been underpinned by IFAD's improved in-house knowledge management systems and are supported by a comprehensive approach to planning and performance management, and assessing and managing risks and opportunities.
50. The Corporate Planning and Performance Management System (CPPMS) comprises eight corporate management results (CMRs), which are derived from the objectives set out in the Strategic Framework. Each CMR has its own key performance indicators, which are used by IFAD Management to track progress. The CPPMS enables management to focus IFAD's human and financial resources on the objectives defined in the Strategic Framework, and provides the basis: (a) for planning and budgeting, through the annual results-based programme of work and

¹³ Particularly the results-based COSOP, the new project design process, the quality enhancement system, the quality assurance system, the supervision guidelines, and the Results Measurement Framework.

budget; (b) for measuring and reporting results (see paragraphs 54 and 55); and (c) for linking all priorities and results at all levels to those of the organization, through CMR-focused management plans at departmental, divisional and staff levels.

51. Each year, IFAD is reducing its budget on administration and its project development support to its member governments (Programme Development Financing Facility [PDFF]), as a proportion of its programme of work. In particular, it is: (a) measuring and reducing the ratio of its administrative budget plus PDFF to its programme of work year on year (the ratio was reduced from 17.1 per cent in 2006 to 16.8 per cent in 2007 and will fall to 16.3 per cent in 2008); and (b) measuring and increasing the proportion of expenditures on operational costs as compared to non-operational costs.
52. To strengthen the management of its human resources, IFAD has recently developed and started implementing a human resources framework for action to: (a) strengthen human resources management; (b) build the capacity of the human resources function; (c) support the implementation of IFAD's core values; (d) build, train and provide incentives to a high-performing workforce; (e) align human resources measurement and incentives with institutional priorities; and (f) reduce costs. It has also established a corporate Human Resources Strategic Management Committee, chaired by the President, to guide these processes and track changes. Promoting further change and reform in the area of human resources management and alignment is a major priority in 2008.
53. A key factor in any change process is an enabling organizational culture, and IFAD has taken steps to create a culture that is results-driven and values-based. In 2007, IFAD staff defined the following core values: focus on results, integrity, professionalism and respect. IFAD Management and staff are now expected to live these values in every aspect of their work, and are held accountable for doing so through IFAD's performance evaluation system. The introduction and publication of 360-degree reporting on senior managers helped to underpin this culture change. Work continues to ensure that IFAD's processes, procedures and individual behaviours are consistent with the values, to train staff in their meaning and application, and to develop a compliance and incentives system
54. **Measuring performance and results.** In order to measure and report on its progress in achieving results, IFAD has developed a set of linked reporting tools. At the apex is the annual Report on IFAD's Development Effectiveness (RIDE), which was prepared for the first time in 2007. This report serves to provide a high-level synthesis of results in three areas: the relevance of IFAD's mandate and operations; the development effectiveness of IFAD-supported operations; and IFAD's organizational effectiveness and efficiency in delivering those results.

Figure 2
IFAD's results measurement and reporting system

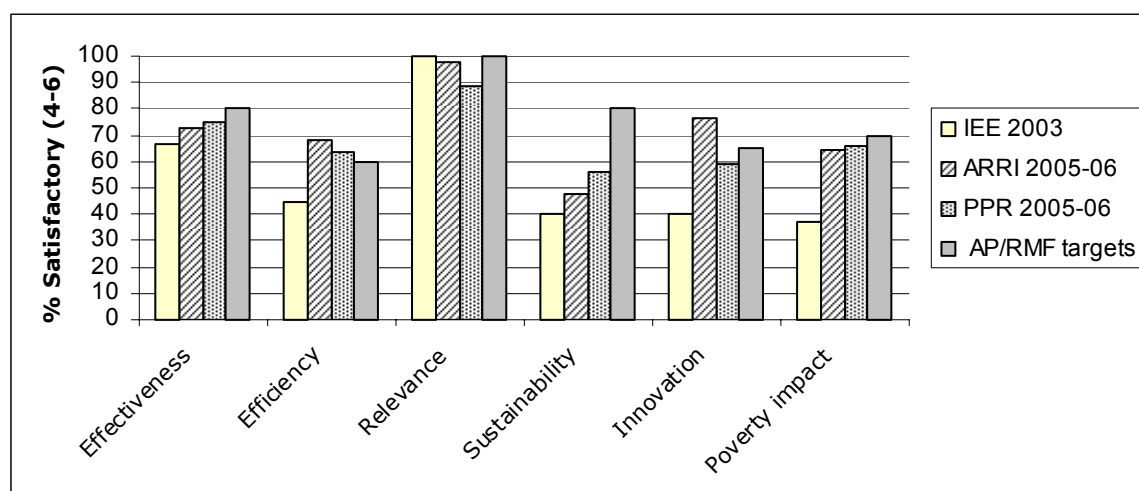


55. The report draws upon a wider range of data sources than similar reports in other organizations, which often rely solely on evaluation data. First, it uses information from the Portfolio Performance Report (PPR), prepared annually to provide information to the Executive Board on the performance and impact of all IFAD loans and grants. The PPR in turn presents programme and project achievements against the RMF, and quantified data collected under its Results and Impact Management System (RIMS). Data from both are used in the RIDE report. Second, the RIDE report uses information from the CPPMS, which provides results on organizational performance; and third, it draws on the Annual Report on Results and Impact of IFAD Operations (ARRI), prepared by the independent Office of Evaluation. The relationship between the different measurement and reporting tools is shown above in figure 2.

C. Improved performance and results

56. The 2007 RIDE reports concludes that IFAD's mandate of reducing rural poverty and food insecurity remains highly relevant. IFAD is an important contributor to the agriculture and rural development sector in the context of continuing low aid flows to rural productive activities. It is participating actively in harmonization and alignment initiatives at the country, regional and international levels; and according to the 2006 Survey on Monitoring the Paris Declaration, undertaken by the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC), IFAD's performance in discharging its commitments under the Declaration compares well with that of other multilateral financial institutions and United Nations agencies (see annex IV).
57. **Development effectiveness.** The RIDE report compared the performance of IFAD-funded projects in 2005-2006 relative to the 2003 baseline of the Independent External Evaluation of IFAD. On the basis of the available data, the RIDE concluded that project performance was improving, and that – provided this is maintained – IFAD is broadly on track to meet all its 2009 Action Plan targets, though particular attention will need to be given to sustainability. The conclusion is one that is consistent with the ARRI report, which found that 80 per cent of projects evaluated in 2006 were satisfactory for overall performance. The results are shown graphically in figure 3 below.

Figure 3

Performance against IEE baseline, and Action Plan and RMF targets

Source: Report on IFAD's Development Effectiveness, 2007

Note: AP = Action Plan

58. The RIDE report also reported evaluation results that suggested past weaknesses in terms of engagement in policy dialogue, the development of strategic partnerships, and investment in broader lesson-learning and knowledge management. These issues are now more systematically addressed under the new results-based COSOPs and they will be explicitly monitored in the COSOP progress reports. In those countries in which IFAD has country presence, this will facilitate improved performance in these areas. Implementation of the knowledge management strategy will also contribute.
59. The RIDE report data are complemented by those of RIMS, which is used by projects to report on performance. In 2006, 104 projects – a little over half of all ongoing projects – provided data on results achieved during that year. Among the highlights: 476,000 hectares of common property resources were brought under improved management practices and over 50,000 hectares of land were improved through conservation measures or rehabilitation of irrigation facilities; 82 projects supported 21,000 producer or community groups, 5,000 of them with women in leadership positions, in which more than 300,000 poor rural people participated; 23 projects enabled 183,000 household farms to adopt improved farming technologies; and 108 IFAD-assisted microfinance institutions reported 8.4 million borrowers, 82 per cent of whom were women.
60. **Organizational effectiveness and efficiency.** The RIDE report also reviewed organizational level performance against CMRs. It found that performance was either on track, or partially on track, against the three operational CMRs (better country programme management, better project design and better implementation support); while performance was partially on track for all of the four institutional support CMRs (improved resource mobilization and management, improved human resources management, improved risk management and improved administrative efficiency).¹⁴ Performance reflected both the successful introduction and initial mainstreaming across the organization of numerous Action Plan-related initiatives, and the explicit focus placed on achieving results in these areas and the gradual establishment of a results culture within and across the organization.

¹⁴ There were only seven CMRs in 2007; the eighth was introduced in 2008.

Part Three: Moving forward

A. Facing the future

61. IFAD has grown substantially in the past few years, and today it is one of the largest sources of development financing for agricultural development in many developing countries. As described in part 2 above, IFAD has combined growth with improved performance. IFAD has also developed the capacity to continue changing. IFAD is now ready to deliver much more in the global fight against rural poverty, scaling up its investments in agricultural development and enhancing its capacity as a partner to meet the continuing challenges of rural poverty, increasing its impact on national, regional and global policymaking, and innovating to take account of the new development context.
62. Over the Eighth Replenishment period, IFAD will mobilize its resources, experience and knowledge to contribute to achieving MDG 1 and eradicating extreme hunger and poverty. Sub-Saharan Africa is the region where least progress is being made towards the MDGs and where poverty is deepest and most entrenched. Under the PBAS, IFAD will spend between 40 and 50 per cent of its resources in that region during the Eighth Replenishment period. IFAD will be a major partner in agricultural development for many national governments in the region, and will play an important role not only as financier but also in assisting the countries to develop enabling policies and institutions for rural poverty reduction. Throughout the developing world IFAD will be working to enable poor rural people to take advantage of new economic opportunities. The needs of middle-income countries, particularly in Latin America, Asia and the Near East and North Africa, are changing rapidly. In order to respond better to their new requirements for funding to support rural poverty reduction, IFAD will develop a more differentiated approach, and explore the scope for developing new financial products (see paragraphs 73 and 78).
63. IFAD will also respond to the special needs of fragile states, guided by its 2006 Policy on Crisis Prevention and Recovery. The approach will be to promote grass-roots economic development that can provide a stable foundation for strengthening fragile countries. IFAD will help rural poor people to develop or recover agricultural production, achieve or regain food security, and gradually build their asset base, social capital and livelihoods; it will help to remove deep-rooted causes of crises, such as conflicts over natural resources; and it will help rural communities to engage more effectively with their governments, donors and private-sector actors. Financing for post-conflict countries will be provided through the regular programme of work and budget, in accordance with the 2006 policy.
64. IFAD will draw upon and strengthen its current comparative advantage, rooted in innovative projects, empowerment of poor rural people and experience-based policy dialogue (paragraph 24). It will maintain its selective approach, limiting its work to six broad thematic areas: land and water management, improved agricultural technologies and production services, market access, rural financial services, off-farm employment, and local planning and programming processes. In each area, the key objective will be to ensure that poor rural women and men have enhanced access to these assets, services and processes, and that they are able effectively to use them. While maintaining its selectivity and focus, IFAD will take into account the emerging and new challenges facing poor rural people, and will ensure that its country programmes and projects address them.
65. IFAD's experience with developing and implementing successful approaches to rural poverty reduction means that it is well placed to promote the innovations needed to accelerate progress and address the new challenges. Under the new IFAD Innovation Strategy, the Fund will also actively scout for, and promote, innovative approaches, technologies, partnerships and institutional arrangements that can

make a contribution to reducing rural poverty. Innovation is now integral to all new COSOPs; it is a key success factor against which all project designs are judged; it is one of the issues supervision missions are required to focus on; and it is reported on as one of the indicators of the RMF. Pro-poor research, commodity exchanges and market information systems, weather risk insurance and rural-based public-private partnerships are all examples of the sort of innovations it will be looking to exploit with its partners. IFAD's particular value-added will be to help develop agriculture-related innovations that work for poor rural people, and to scale them up and replicate them, by feeding the lessons learnt to national and policy levels and back into IFAD's knowledge management systems.

66. In an era of global challenges, the sharing of know-how and experience will be of ever greater importance, and the implementation of IFAD's knowledge management strategy will be key to IFAD's contribution. In 2009, IFAD will publish its Rural Poverty Report, which will capture and make widely available the knowledge and understanding on rural poverty and development gained by IFAD and its partners over the past 30 years. IFAD will use this report not only for international policy advocacy, but also to shape its own understanding and approaches as it enters the Eighth Replenishment period.
67. By continuing to expand its programme of work, IFAD can make a greater direct contribution to agricultural development and rural poverty reduction, and become a more effective advocate for policy change and development at the national and international levels. Yet the challenge of rural poverty eradication is too large and too complex for any single organization to work on in isolation. IFAD will look outwards to identify and develop new partnerships and to build on its existing partnerships, both to increase its own development effectiveness and to leverage its contribution to global efforts to reduce rural poverty. Further growth will also enable IFAD to become a more effective partner for other large development financiers. In pursuing its policy advocacy role, IFAD will use its project and country experience to advocate for poor rural people at the international level; it will continue to support farmers' organizations to enable poor rural people to advocate for themselves and – working in partnership with other major research and development agencies and private foundations – will play a key role in leading the global response to the challenges of agricultural development and rural poverty reduction.
68. Future growth will call for careful management and a strategic approach to the development of IFAD's systems and processes. IFAD will maintain its focus on results: it will use its new tools and procedures to improve the quality of its country- and project-level work, and to monitor performance and impact, in order to continually improve its development effectiveness at project and country levels. It will use its financial and human resources ever more efficiently; it will ensure that they are used in a manner that is focused on, and aligned with, the organization's strategic objectives; and it will measure the results of the resources used. It will continue to implement organizational reforms as necessary, and will consolidate and firmly embed those made in the last two years to prevent any backsliding. In recent years, IFAD Management has frequently engaged Executive Board members in informal discussions of draft policy and strategy and has valued the guidance given; this working relationship will be maintained during the Eighth Replenishment period.

B. Key issues

Development effectiveness

69. **Achieving and measuring results.** IFAD's MfDR agenda is centred on enhancing the development results of IFAD-supported projects and country programmes. Future work will mainstream the new tools and processes that have been introduced, and improve projects' quality-at-entry, performance during

implementation and impact at completion. Success will also depend on better alignment, management and monitoring of IFAD's financial and human resources. IFAD's set of measurement and reporting systems (paragraphs 54 and 55), and particularly the RMF, will be key. It will be used both for reporting to the Executive Board and as a basis for making adjustments to the tools and processes that underpin IFAD's efforts to achieve development results.

70. **Aid effectiveness.** IFAD will actively pursue the aid effectiveness agenda in all its country-level activities. It has a good track record of living up to the partnership commitments under the Paris Declaration (annex IV), and will build on this and continue to monitor achievements in these areas. At the regional and global levels, immediate priorities will include: (a) participating in the 2008 expanded monitoring study of the Paris partnership commitments; (b) participating in the Accra High-level Forum on Aid Effectiveness in September 2008; (c) continuing to participate in the OECD-DAC Joint Venture on Managing for Development Results and participating in both the Joint Venture on Public Financial Management and the legal harmonization initiative being initiated by the World Bank; (d) supporting and participating in communities of practice on results management in Africa and Asia; and (e) supporting the initiative to involve civil society, including farmers' organizations, in the Accra High-level Forum and discussions on aid effectiveness.
71. IFAD will also continue to support efforts to improve the overall effectiveness of the United Nations in delivering development outcomes. It will continue to participate in One-United Nations initiatives in the eight pilot countries and beyond; and it will further strengthen its collaboration with the Rome-based agencies, both to enhance its development effectiveness and to promote organizational reforms. IFAD will also continue to play an active role in the United Nations Chief Executives Board for Coordination and its key committees (the High Level Committee on Programmes, the United Nations Development Group and the High Level Committee on Management) to improve the effectiveness of the United Nations system as a whole, including further harmonization of approaches to policy, programmes, country-level operations and business practices.
72. **Ensuring sustainability.** Further improving the sustainability of project benefits is a key priority for IFAD. It will be achieved by enhancing the quality of project design, better supporting project implementation, and defining a project exit strategy early on. Key design features for promoting sustainability (technological, financial and economic, institutional and environmental) are currently being defined, and these will guide IFAD's work in the area. Sustainability will be explicitly addressed at every stage of the project cycle. It has been included as one of the six key success factors (KSFs) guiding the project design and quality enhancement and assurance systems; and with sustainability the focus of one of the six indicators under the RMF, continued attention to the issue throughout the project cycle will be assured. Results will be monitored closely with a view to achieving the ambitious Action Plan target of an 80 per cent sustainability rate by end-2009.
73. **A differentiated country approach.** IFAD's member countries have highly diverse agricultural sectors and profoundly different patterns of rural poverty. In some countries the resources provided through IFAD's country programmes may represent a significant share of the funding to the sector; while in the growing number of middle-income countries (in Latin America, Asia and the Near East and North Africa), the governments look to IFAD-supported projects to serve instead as laboratories for testing new approaches to rural poverty reduction. IFAD will tailor its tools, strategy and approaches to make them more responsive to the very different needs and demands of its member countries. In all cases, innovation, learning and the sharing of knowledge as to what works and what does not, will be rigorously pursued, to enable IFAD to inform understanding and influence policies at the national level.

74. **Climate change.** Within the scope of its mandate, IFAD will make particular efforts to assist the rural poor both to better adapt to climate change and even to be part of global efforts to mitigate it. IFAD has substantial experience in working with rural communities in marginal areas to enhance their food security and reduce their vulnerability to external – principally climate-related – shocks. It will build on the knowledge gained to help them to adapt to climate change. Typical activities will include: (a) improving agricultural techniques such as water management, soil and water conservation measures, and developing and adopting drought-resistant crop varieties; (b) promoting collective approaches for sustainable management of natural resources, such as forests, rangelands, watersheds, water and fisheries resources; (c) coping with the impact of disasters and risk-preparedness, including early warning systems and weather-based insurance; and (d) promoting diversified income sources beyond agricultural production.
75. Globally, there is a growing array of funding mechanisms for both adaptation and mitigation.¹⁵ Mitigation projects in particular should be able to generate income flows for rural communities based on their stewardship of the global environment, which can then help the communities to reduce their vulnerability to climate change. Here, IFAD's role will be to advocate for these mechanisms to be made more accessible to the rural poor; and to assist developing countries both to design projects that bring real benefits to poor rural people and to access funding for them.¹⁶
76. Building and strengthening partnerships with agencies that have expertise and experience in climate change issues will be critical. IFAD's support to the CGIAR system for pro-poor research will continue to be an important driver of agricultural technologies adapted for marginal areas. Its deepening partnerships with FAO and IFPRI – in both cases focused in part on climate change – as well as its involvement in collective partnerships such as the Nairobi work programme on impacts, vulnerability and adaptation to climate change under the UNFCCC, the United Nations Environment Management Group, the Multilateral Financial Institutions Working Group on Environment and the Global Environment Facility (GEF), will help IFAD to learn from global expertise. Above all, IFAD will mainstream ad hoc best practice into systemic approaches. It will fully incorporate climate change issues into the country programme and project cycle in order to apply financial resources directly to the climate change agenda, and will then monitor the results. To this end, IFAD will recruit specialist staff, strengthen its environmental assessment guidelines, draw up technical notes and train its operational staff.
77. **Gender.** In 2003, IFAD adopted a Gender Plan of Action to bring greater consistency to its efforts to integrate gender in its business processes and operations. With supplementary funding from Germany, Italy, Japan and Norway, this integration process has largely taken place. A framework for gender mainstreaming and women's empowerment in IFAD's operations, to be issued shortly, will build on the Plan of Action and contextualize IFAD's approach within the Strategic Framework and the targeting policy. Efforts will be made both to improve the quality of design and to promote gender mainstreaming and gender equality throughout project implementation. Capacity-building, knowledge management and strengthened partnerships will all contribute to this agenda. The framework principles have been mainstreamed through the new COSOP and project design process, incorporated into the KSFs that guide the quality enhancement and assurance systems, and are reflected in IFAD's results measurement systems.

¹⁵ These include the Kyoto Clean Development Mechanism (CDM), the World Bank's BioCarbon Fund, and many public and private carbon funds.

¹⁶ The thirteenth session of the Conference of the Parties to the UNFCCC in Bali, held in December 2007, defined a roadmap to launch a comprehensive negotiation process to enable the full implementation of the UNFCCC by 2009: of particular relevance to IFAD are the proposals for enhanced action on adaptation and mitigation.

Financial and human resource management

78. **Financial products.** IFAD's financial products have changed little since its establishment in 1978. They are loans (and in some countries, grants under the DSF) provided to governments on one of three sets of terms and conditions, and (to a limited degree) grants made available to international organizations and NGOs. In order to be more responsive to the changing demand for rural poverty reduction funding from its members – particularly the middle-income countries – IFAD will review its financial products with a view to expanding the range it is able to offer.
79. **Future human resources reforms.** IFAD's development and organizational results depend on having the right staff, in terms of numbers, skills, quality and distribution around core priority areas, to deliver a high-quality and relevant work programme. In 2007, a start was made on the human resource alignment and management agenda, and the framework for future action in these areas was established. But IFAD's human resources practices are not yet fully in line with best practice, and in 2008 human resources reform will remain the single most important challenge in IFAD's ongoing programme of organizational change and reform. A specific initiative for human resources alignment – currently being developed – will represent a key element of it. A newly-appointed Director of the Human Resources Division will have specific responsibility for leading the human resources reform agenda. By 2009, human resources management will have been significantly strengthened: at the strategic level, through the functioning of the Human Resources Strategic Management Committee, the implementation of the human resources frameworks and a new learning and development framework; through the modernization of the Human Resources Division, which will have extended new services across the organization such as 360-degree evaluation, improved recruitment processes and enhanced performance management; and through the prioritization of human resources management as one of the core functions of all managers, reflected in their job descriptions, performance assessment and training.

C. Programme priorities by region

80. In all developing countries, IFAD will maintain its selectivity and focus, working exclusively in support of the objectives defined in its Strategic Framework. But the circumstances faced by poor rural people vary enormously, region by region and country by country. Everywhere, IFAD will tailor its approach to respond to local needs and opportunities. Results-based COSOPs will continue to be the basis for ensuring that this happens. The larger regions within which IFAD operates are profoundly heterogeneous, yet each of them has many region-specific features and challenges. Accordingly, in each region IFAD will have a number of common programme priorities. These are described in the following paragraphs.
81. **Western and Central Africa** is the poorest region in the world. Only two countries in the region are likely to achieve MDG1; and the numbers of poor rural people continue to rise. While the region has become increasingly stable and democratic, six countries currently suffer from conflict and three are only just emerging from it. Governance challenges continue to affect development interventions, and management capacity and financial transparency are often weak. Gender equality remains a serious concern. The region is also faced with climatic variability, with 10 countries containing semi-arid or arid areas suffering from periodic and chronic drought and food insecurity; climate change is exacerbating these problems. Chronic food insecurity and extreme poverty are already at high levels, and – especially in countries that depend on imports to feed themselves – rising food prices are hitting the poor hard.
82. But the region is achieving higher rates of growth, including in the agricultural sector; and with greater stability in the region, future prospects appear to be

improving. Rapid population growth is a major challenge, but does also bring opportunities for farmers as urban markets for agricultural products expand. Farmers' organizations are playing an increasing role in policy dialogue and in providing services to farmers. Some 50 per cent of the population are under the age of 25, and assisting them to find jobs or start businesses is a priority. Agriculture remains central to the livelihoods of most poor rural people and to most national economies in the region. Substantial increases in the amount of public and private resources invested in agricultural and rural development is essential if significant progress is to be made towards meeting the MDGs.

83. IFAD's loan and grant programme will focus on the broad thematic areas outlined in the Strategic Framework, while giving particular attention to managing the resource base for agriculture in the context of climate change, and increasing the resilience of poor rural people to vulnerability, natural disasters and pandemics, and food insecurity, particularly in the Sahel. Institutional development and capacity-building – particularly for farmers' organizations and microenterprises – will remain a cross-cutting priority. Other key concerns will include targeting of the productive poor and landless; and gender equity and women's access to resources, services and benefits from interventions. IFAD-supported activities will take account of, and be adapted to, the governance context; and increasingly they will contribute to policy development processes at the national, regional and pan-African levels. AfDB will be one of IFAD's key partners in the region. A consistent focus on innovation, and on knowledge-sharing and management across all projects, programmes and rural development actors, will provide the basis for informed policy dialogue and the scaling-up of positive experiences.
84. **Eastern and Southern Africa.** Only three countries in the region are on track to achieve MDG1; and it is in this, the most rural of all regions, that poverty reduction is most clearly dependent upon agricultural and rural development. Most economies in the region are growing at an increasing rate, and there are new opportunities emerging for investing in smallholder agriculture to enable poor rural men and women to increase their incomes and improve their livelihoods.
85. During the Eighth Replenishment period, IFAD will place particular emphasis on increasing agricultural productivity. It has a solid foundation of investments in agricultural market development, linking small-scale farmers to other private-sector actors along supply chains; with rising food prices, more attention will be given to balancing benefits to small-scale farmers as both producers and consumers. IFAD also has substantial experience in the development of rural financial systems, and greater emphasis will be placed on making financial markets work better for poor rural people. Management of land and water resources – including maintenance of soil fertility – is core to many investments and will become more prominent, especially as the average land cultivated per agricultural person continues to decrease, and as environment shocks caused by climate change increase. The main vehicle for sharing knowledge has been through support given to thematic networks; and these will be consolidated and linked to other networks in sub-Saharan Africa, in line with the drive to make IFAD a more effective knowledge organization.
86. Many donors work in the region, and the Paris Declaration is critical for guiding IFAD's in-country work. Promoting national ownership over policies, programmes and projects; and aligning the projects it supports with government systems and harmonizing them with those of other donor agencies, are all priorities. IFAD's country presence is fundamental for achieving these objectives. Joint assistance strategies and sector-wide approaches are both important features of the development landscape in the region, and IFAD is an active participant in both. Private foundations and programmes will provide new opportunities for innovative partnerships: Alliance for a Green Revolution in Africa (AGRA) in particular is

becoming an increasingly important partner, as IFAD strives to reach out and engage the private sector, linking to and beyond small-scale farmers.

87. **Asia and the Pacific.** The Asia and Pacific region will have surpassed MDG1 by 2015. However, this success is not evenly shared across all countries in the region. It is highly concentrated in countries with sustained high levels of aggregate growth, accompanied by strong poverty reduction programmes. Also, in spite of its success, the region will continue to house more rural poor than any other region. Furthermore, despite the success in poverty reduction, an increased number of people are exposed to a growing intensity and frequency of risks, economic and natural, superimposed on increased food prices, climate change, public health, and conflicts. And finally, the corollary of growth performance is rising inequality.
88. By 2015 the remaining rural poverty in the region will be largely located in remote, upland, marginal and less-favoured areas that lag behind the rest of the national economies, where agricultural productivity is low, rural livelihoods poorly diversified and institutions weak. Many of the poor will be indigenous people or ethnic minorities; most will be women, elderly people and youth. IFAD's work will focus on these groups. IFAD will strengthen their capacity, as citizens with a voice and as producers with choice, as well as their institutions. IFAD's support will go towards enhancing agricultural productivity and competitiveness, broadening rural livelihood opportunities, mitigating risk and building capacity to respond to external shocks.
89. For the strategy to be effective, IFAD will be concerned with country ownership and will work in partnership with other development partners as well as the private sector. IFAD will focus on innovative region-grown solutions, and will actively support replication and scaling-up by others and mainstreaming through policy dialogue. IFAD will work closely and differently with countries that have successful models for poverty reduction, and will facilitate the exchange of know-how among countries in the region, focusing on knowledge-sharing needs. A strong results orientation and pursuit of sustainability, especially in the context of implementation support and direct supervision, will be key success factors. Increased country presence will be a strong enabler.
90. **Latin America and the Caribbean.** Despite recent rapid economic growth, the middle-income status achieved by most of the region's countries and rapidly urbanizing economies, stark inequalities remain. More than half the rural population live below the poverty line, often in vulnerable environments. This is particularly the case for indigenous peoples, who in many countries are the most disadvantaged; and with skyrocketing food prices, a new group of nutritionally and food-insecure people is emerging in the rural areas of the region. The countries in the region have very specific requirements from IFAD: new financing and knowledge-sharing instruments which meet their development agendas and take advantage more of their advanced intra-regional collaborative arrangements, including South-South cooperation. IFAD will seek to respond to their needs. Its strategy will be to focus on those areas which promise to most effectively reduce rural poverty, paying particular attention to innovating, monitoring results, scaling-up and sharing knowledge. Working with strategically selected partners will be critical to pursuing this agenda effectively.
91. Food markets in the region are changing rapidly, and demand for high-value agricultural products is growing fast. IFAD will increasingly focus its attention on these markets, and will assist small farmers in accessing them. To address the particular needs of poor rural women, IFAD will promote the creation of off-farm employment opportunities. Remittances provide a potentially large source of investment in the rural economies, which IFAD, with its track record in rural finance, can put to work for rural poverty reduction. Health shocks are a factor in more than half the cases of previously non-poor households falling into chronic

poverty, and group-based micro-insurance schemes will play an important role in addressing these and similar risks such as crop disaster.

92. Climate change at the global level is critically dependent on what happens in Latin America. Building on regional experiences both with community-based natural resource and forestry management and with market-based approaches to conservation of forests and agricultural areas, IFAD will establish more explicit linkages between its portfolio and the climate change agenda. Decentralization has made moderate progress in the region, with increasing resources and power shifting to local governments. Local/municipal authorities can play important roles in rural poverty reduction, and IFAD will support processes for rural decentralization, while promoting the involvement of local authorities and civil society and beneficiary representative leaders in country programme management.
93. **Near East and North Africa.** This is an extensive region, straddling agriculture-based least-developed countries such as Somalia, the Sudan and Yemen, where poverty is widespread; transforming economies such as Egypt, Morocco and Azerbaijan, which have lower levels of overall poverty but a wide gap between urban and rural poverty; and urbanizing countries such as Armenia and Turkey, where scattered pockets of rural poverty still exist. Each of these groups requires different types of agricultural and rural development policies, strategies and investments.
94. Poverty in the region is typically associated with gender inequality, high fertility rates leading to high dependency ratios, low education rates (especially among women) and very high rates of unemployment (especially among young people). In general, progress on reducing poverty has been slow in recent years. Rural poverty is driven by a combination of factors. The region is one of the driest regions in the world, with limited arable land and severe water scarcity. There are also inadequate rural microfinance services, weak rural marketing institutions, and insufficient public investment in physical and social infrastructure. There is typically limited representation of the rural poor through grass-roots organizations; a weak civil society and private sector in the rural areas; poor governance of public institutions at the national and local level; lack of effective decentralization; distorted agricultural pricing and trade policies; and poor management of common-pool resources such as water and rangelands.
95. IFAD's thematic priorities focus on four main themes: (a) expanding microfinance for the rural poor, by moving away from traditional bank credit lines towards exploring alternative models and instruments to bring financial services to the rural poor; (b) addressing unemployment among rural youth, by integrating employment generation within rural poverty reduction programmes; (c) linking small growers of non-traditional commodities with domestic and international markets, focusing particularly on pro-poor supply chains in niche subsectors where the region has a comparative advantage; and (d) managing land and water resources more effectively and reducing vulnerability to rising food prices and climate change, especially by improving the adaptive capacity of IFAD's target groups to face increasingly frequent droughts, lower and/or changing rainfall patterns, and encroaching desertification. Gender mainstreaming, rural empowerment and decentralization, and support to dryland agricultural research and extension, are all important cross-cutting issues, requiring innovative approaches wherever possible.

D. Financing requirements for the Eighth Replenishment

96. It is widely understood that to bring about a significant reduction by 2015 in the number of rural people living on less than a dollar a day and suffering from hunger, substantially higher levels of investment in agricultural and rural development are desperately needed. IFAD's comparative advantage lies in working with poor communities to help them increase agricultural production and raise their incomes. It is therefore ideally placed to play a significant role in delivering this investment.

IFAD has established a track record of combining improved delivery of results with a 10 per cent per year expansion in its programme of work since 2003, and is ready to scale up faster in order to reach more poor rural people and accelerate progress to achieving MDG1.

97. IFAD has the capacity to deliver a US\$3.0 billion programme of work between 2010 and 2012, the period of the Replenishment, while continuing to improve results and impact. On the basis of IFAD's past experience, a US\$3.0 billion programme of work would catalyse a similar amount of cofinancing, resulting in an overall investment in support of rural poverty reduction of around US\$6.0 billion over the three-year replenishment period.
98. Through the proactive, but prudent use of its internal resources, IFAD could deliver a US\$3.0 billion programme of work with a total replenishment of US\$1.2 billion. This would be a significant increase compared with the last replenishment target of US\$720 million, yet it represents only 0.4 per cent of global ODA. Details of this replenishment scenario are shown in annex V.
99. Quantifying the contribution of any single organization to the achievement of development results is of course very difficult, but based on past experience and reasonable assumptions, it can be stated that this level of financing would enable IFAD to provide financing for projects to help, and create economic opportunities for, over 50 million poor rural women and men. Of these, 20 to 25 million would be in sub-Saharan Africa. In addition to the many people reached directly, many millions more would benefit from the results of IFAD's work in strengthening institutional capacities and pro-poor policies in its member countries and internationally. This would enable IFAD to make a substantial contribution to helping poor rural people across the world meet the challenges they face: the triple scourge of poverty, rising food prices and climate change.

Index of key words and terms

| | Paragraphs (in main report; main references in bold) |
|---|--|
| IFAD's Action Plan for Improving its Development Effectiveness | 40-42 , 43, 57, 60, 72, annexes I, III(a) |
| African Development Bank (AfDB) | 30 |
| Alliance for a Green Revolution in Africa (AGRA) | 32, 86 |
| agricultural productivity | 7, 85, 88 |
| Belgian Survival Fund | 31 |
| CGIAR / agricultural research | 31, 76 |
| climate change | 8-12 , 15, 19, 21, 31, 74-76 , 81, 83, 85, 87, 92, 95, 99 |
| comparative advantage | 23-25 , 27, 43, 64, 95-96 |
| Corporate Planning and Performance Management System (CPPMS) | 50 , 55, annex III(b) |
| Brazilian Agricultural Research Corporation (EMBRAPA) | 32 |
| FAO / Rome-based agencies | 11, 29 , 76 |
| financial products | 62, 78 |
| fragile states | 63 |
| gender / women | 6, 7, 14, 23-24, 26, 59, 64, 77 , 81, 83, 88, 91, 94, 95, annexes II, III |
| Global Environment Facility (GEF) | 76 |
| Heavily Indebted Poor Countries (HIPC) Debt Initiative | 37, annex III(b) |
| human resources reform | 52 , 79 |
| indigenous peoples | 6, 26, 90, annex III |
| innovation | 41, 48, 65 , 73, 83, annex III(a) |
| International Food Policy Research Institute (IFPRI) | 11, 31 , 76 |
| knowledge management | 41, 48, 49, 58, 66, 73, 77, 83, 85, annex III(a) |
| management for development results (MfDR) | 38-39 , 40, 69, 70 |
| middle-income countries | 62, 73 , 78, 90 |
| Organization of the Petroleum Exporting Countries (OPEC) | 34 |
| OPEC Fund for International Development (OFID) | 31 |
| Paris Declaration on Aid Effectiveness | 28 , 56 , 70, annex IV |
| partnerships | 28-32 , 67, 76, 86, annexes III, IV |
| performance-based allocation system (PBAS) | 37, 62, annexes I, III(b) |
| quality assurance | 45, 72, 77, annex III(a) |
| quality enhancement | 45, 72, 77, annex III(a) |
| results-based country strategic opportunities programme (COSOP) | 45, 58, 77, 80, annexes I, III(a) |
| results measurement | 22, 38-39, 54-55 , 69, 72 |
| Rural Poverty Report | 66 |
| Strategic Framework 2007-2010 | 24, 36, 43 , 45, 48, 50, 77, 83, annexes I, III(a) |
| sustainability | 57, 72 |
| targeting | 26 , 48, 77, 95, annex III(a) |
| Tokyo International Conference on African Development (TICAD) | 32 |
| United Nations effectiveness | 28, 71 |
| United Nations Framework Convention on Climate Change (UNFCCC) | 19, 76 |

Performance against the conclusions and recommendations of the Seventh Replenishment

| <i>Issue^a</i> | <i>Conclusions and recommendations</i> | <i>Next steps</i> | <i>Completed</i> |
|--------------------------|--|---|--|
| Action Plan | IFAD will implement the Action Plan for Improving its Development Effectiveness as approved by the Executive Board at its eighty-sixth session in December 2005. | <p>Action Plan deliverables for the Executive Board – 2006-2007:^b</p> <ol style="list-style-type: none"> 1. Revised results-based COSOP framework, September 2006 2. Revised project approval format, September 2006 3. Revised Strategic Framework for 2007-2010, December 2006 4. Supervision policy, December 2006 5. Loans and grants presented in revised format, December 2006 6. Progress report on Action Plan implementation, December 2006 7. Medium-term plan, April 2007 8. Evaluation of field presence pilot presented, September 2007 9. Results-based programme of work and budget, December 2007 | <p>Considered and/or approved via the following EB documents:</p> <p>EB 2006/88/R.4: Results-based country strategic opportunities programme</p> <p>EB 2006/88/R.5: Proposal for a revised approval format for projects</p> <p>EB 2006/89/R.2/Rev.1: IFAD Strategic Framework 2007-2010</p> <p>EB 2006/89/R.4/Rev.1: IFAD Policy on Supervision and Implementation Support</p> <p>EB 2006/88/R.5: Proposal for a revised approval format for projects</p> <p>EB 2006/89/R.47: Progress report on implementation of IFAD's Action Plan for Improving its Development Effectiveness</p> <p>Cancelled – EB-2006-88-Minutes: Executive Board minutes of the eighty-eighth session</p> <p>EB 2007/91/R.6 + CRP2: Corporate-level evaluation of the Field Presence Pilot Programme and IFAD's country presence</p> <p>EB 2007/92/R.2/Rev.1: Programme of work, Programme Development Financing Facility and administrative and capital budgets of IFAD and its Office of Evaluation for 2008</p> |

| <i>Issue^a</i> | <i>Conclusions and recommendations</i> | <i>Next steps</i> | <i>Completed</i> |
|--|--|--|---|
| | | <p>10. Report on IFAD's development effectiveness, December 2007</p> <p>11. Progress report on Action Plan implementation, December 2007</p> | <p>EB 2007/92/R.9/Rev.1: Report on IFAD's development effectiveness</p> <p>EB 2007/92/R.10/Rev.1 Final progress report on implementation of IFAD's Action Plan for Improving its Development Effectiveness</p> |
| <p>Performance-based allocation system (PBAS)</p> | <p>The Consultation reiterated that the PBAS will be extended as a uniform system of comparison and allocation across the lending programme as a whole, taking into account the need both for reflecting priorities in terms of the regional distribution of development assistance (in particular regarding Africa and other similar highly concessional borrowers) and to maintain at least a two-thirds share for them. In this regard, IFAD will continue to direct at least the current percentage share of resources to sub-Saharan Africa, provided that the performance of individual countries warrants, to support the efforts of these countries to use these resources effectively in helping the rural poor overcome poverty and achieve food security.</p> <p>Prior to the April 2006 Executive Board meeting, IFAD will convene an informal seminar for the membership to consider modifications to the formula.</p> <p>The April 2006 Executive Board will decide how to operationalize the revisions for the uniform system of comparison and allocation across the lending programme as a whole. To this end, the Executive Board may establish a working group to review the relevant issues of the existing system, including modifications based on elements of the formula itself, including performance assessments, and the weights of population and income, while maintaining the overall weight of performance. This is to become effective with the 2007 programme of work, the first year of IFAD VII, to be presented at the September 2006 Board.</p> | <p>Prior to the April 2006 Executive Board – Informal seminar on the PBAS</p> <p>April 2006 – Relevant issues of the existing PBAS reviewed by the Executive Board and decision on working group</p> | <p>Held on 31 March 2006</p> <p>At the April 2006 Executive Board, modifications proposed in EB 2006/87/R.8: Proposed modifications to the IFAD Performance-based allocation system and as agreed in EB-2006-87-Minutes Executive Board minutes of the eighty-seventh session</p> <p>Working group established – EB-2006-87-Minutes: Executive Board minutes of the eighty-seventh session and reported on in EB 2007/92/R.46: Progress report on implementation of the performance-based allocation system</p> |

| <i>Issue^a</i> | <i>Conclusions and recommendations</i> | <i>Next steps</i> | <i>Completed</i> |
|--|--|---|---|
| | | September 2006 – Strategic priorities and programme of work and budget for 2007 presented to the Executive Board with the uniform system of comparison and allocation applied across the lending programme as a whole | Reflected in EB 2006/88/R.3/Rev.1 : Strategic priorities and programme of work and budget of IFAD and its Office of Evaluation for 2007 |
| Debt Sustainability Framework (DSF) | <p>IFAD Management should submit to the Executive Board in September 2006 proposals for the operation of the Debt Sustainability Framework, including provisions for: reporting on progress; the share and implications for IFAD's finances; the implications for IFAD's disbursements to developing countries; the implementation of the appropriate modified volume approach for the generation of compensation for service charges forgone; and methodologies used under the DSF, as well as calibration of IFAD's approach with the approaches of other MFIs.</p> <p>IFAD Member States, and particularly those who are major contributors of ODA, agree to compensate IFAD fully for principal repayments forgone as a result of the application of the debt sustainability framework within a pay-as-you-go mechanism as adopted in IDA 14.</p> <p>IFAD will secure full compensation for service charges foregone through (in the case of IDA) retention and management of part of the resources governed by its Modified Volume Approach (MVA).</p> <p>The relevant Articles of the Agreement Establishing IFAD should be amended to allow the operation of the DSF.</p> <p>Commencing in 2007, IFAD should adopt the IDA model of a DSF to govern the allocation of assistance to countries eligible for highly concessional assistance and with high to moderate debt-distress risk.</p> | <p>September 2006 – Proposals for the operation of the DSF presented to the Executive Board</p> <p>2007 – Governing Council approval and implementation of the DSF</p> | <p>Considered at the September 2006 Executive Board and deferred (EB-2006-89-Minutes) to April 2007 when it was approved (EB 2007/90/R.2): Proposed arrangements for implementation of a Debt Sustainability Framework at IFAD as per EB-2007-90-Rev.1-Minutes: Executive Board minutes of the ninetieth session</p> <p>Approved at the twenty-ninth session of the Governing Council (2006) under section VI of Resolution 141/XXIX on the Seventh Replenishment of IFAD's resources</p> |
| IFAD Policy for Grant Financing | The Executive Board will review, in September 2006, the IFAD Policy for Grant Financing in the light of the adoption of the DSF, taking into account the impact of the Multilateral Debt Relief Initiative on the level of IFAD assistance projected to be provided on DSF terms. | September 2006 – Executive Board review of the Policy for Grant Financing in the light of the adoption of the DSF | Deferred to the April 2007 Executive Board and approved under EB 2007/90/R.3 : IFAD Policy for Grant Financing in relation to the Debt Sustainability Framework as per EB-2007-90-Rev.1-Minutes : Executive Board minutes of the ninetieth session |

| <i>Issue^a</i> | <i>Conclusions and recommendations</i> | <i>Next steps</i> | <i>Completed</i> |
|---|---|--|---|
| Advance commitment Authority (ACA) | <p>During the Seventh Replenishment period, IFAD will maintain the ACA with a maximum use of five years of future reflows.</p> <p>The review carried out under the Asset Liability Management (ALM) highlighted that, compared with other MFIs, IFAD's level of liquid assets was high in relation to the lending programme and the level of annual loan disbursements. In this context, IFAD will submit to the Executive Board in December 2006, for its review and approval, a liquidity policy that will provide means of monitoring and ensuring that the Fund has adequate liquidity available at all times.</p> | December 2006 – liquidity policy presented to the Executive Board | <p>Ongoing</p> <p>Approved by the December 2006 Executive Board EB 2006/89/R.40: Liquidity Policy</p> |
| Associate Professional Officer (APO) Programme | <p>The Consultation, recognizing both that the APO Programme is important for IFAD's operation and that equitable distribution of staff posts and opportunity is an important principle for the functioning of the Fund, expressed support for the concept of an enhanced APO Programme offering broader and equal opportunities for candidates from all Member States following the existing recruitment procedure and principles of IFAD. At the same time, it recognized that a proposal along these lines would have significant financial implications, and in this context it requested the Executive Board to review in September 2006 the scale and financial implications of an enhanced APO Programme and explore ways that would enable it to be implemented during the Seventh Replenishment period, including through voluntary contributions.</p> | September 2006 – Executive Board review of the implications of an Enhanced APO Programme | Approved by the September 2006 Executive Board EB 2006/88/R.6 + C.R.P.1/Rev.2 : Enhanced Associate Professional Officer Programme |
| Disclosure Policy | <p>The Executive Board will review the IFAD Policy on the Disclosure of Documents in 2006, taking into consideration the Consultation's deliberations on the current policy, in particular the recommendation to disclose policy, strategy and loan documents when they are presented to the Executive Board, and a comparison with the disclosure policies and procedures of selected MFIs and United Nations agencies.</p> | 2006 – Executive Board review of the IFAD Policy on the Disclosure of Documents | Approved by the December 2006 Executive Board EB 2006/89/R.5/Rev.1 IFAD Policy on the Disclosure of Documents |

| <i>Issue^a</i> | <i>Conclusions and recommendations</i> | <i>Next steps</i> | <i>Completed</i> |
|--|--|--|--|
| IFAD's governance structure and the role of the Executive Board | <p>The Consultation having been presented with the proposals by Lists B and C on voting rights of Member States and Executive Board membership established, at its Fourth Session, a working group to review these two issues as well as the role and effectiveness of the Executive Board. At the Consultation's Fifth Session the working group presented a report recommending that the breadth and importance of these issues would benefit from further and more extensive discussions. The Consultation agreed that discussions should continue outside the Replenishment Consultation within the Executive Board. Accordingly, it recommended that the Executive Board set up an ad hoc committee to review the issues mandated to the working group, with the same List composition as other Executive Board committees (four members from List A, two members from List B and three members from List C). It further recommended that this ad hoc committee meet with the objective of concluding its discussions and recommendations by the end of 2006.</p> | <p>The Executive Board should set up an ad hoc committee to review the issues related to the voting rights of Member States and membership of the Executive Board, as well as the role and effectiveness of the Executive Board, concluding its discussions and recommendations by the end of 2006</p> | <p>The ad hoc committee's report was submitted and considered by the December 2006 Executive Board, EB 2006/89/R.46: Report of the ad hoc committee of the Executive Board to review Member States' voting rights and the role, effectiveness and membership of the Executive Board</p> <p>At the request of Members, the Executive Board reconsidered the ad hoc committee's report EB-2007-90-Rev.1-Minutes: Executive Board minutes of the ninetieth session. Note: "The Convenor of List C, on behalf of that list, and two List B countries informed the Board that they could not consider the discussion of IFAD governance issues at the informal forum of Convenors and Friends and expressed their disappointment that, in their view, a commitment made under the Seventh Replenishment on these governance issues had not been fulfilled."</p> |

^a Annex II, page 52-54, IFAD's Contribution to Reaching the Millennium Development Goals: Report of the Consultation on the Seventh Replenishment of IFAD's Resources (2007-2009) [GC 29/L.4](#).

^b Annex IV, page 73, *ibid.* [GC 29/L.4](#).

Results Measurement Framework for reporting on progress achieved against the Strategic Framework¹⁷

| Strategic result indicator | Targets, 2010 | | | Data source |
|---|---------------|-----------------------|---------------|--|
| | At entry | During implementation | At completion | |
| 1. Percentage of country programmes rated 4 or better for (projected) contribution to: <ul style="list-style-type: none"> • increasing the incomes • improving the food security • empowerment of poor rural women and men | 90 per cent | 80 per cent | 70 per cent | <ul style="list-style-type: none"> • At entry: Quality Assurance System • During implementation: Country programme information sheet, client/partner survey • At completion: Office of Evaluation (OE) country evaluations (and from 2011, COSOP completion reports) |
| 2. Percentage of country programmes rated 4 or better for adherence to aid effectiveness agenda: <ul style="list-style-type: none"> • country ownership • alignment • harmonization | 90 per cent | 80 per cent | 70 per cent | <ul style="list-style-type: none"> • At entry: Quality Assurance System • During implementation: Country programme information sheet, client/partner survey • At completion: OE country evaluations (and from 2011, COSOP completion reports) |
| 3. Percentage of projects rated 4 or better for (projected) effectiveness in one or more thematic areas of engagement | 90 per cent | 85 per cent | 80 per cent | <ul style="list-style-type: none"> • At entry: Quality Assurance System • During implementation: Project status report (PSR) (and from 2009, mid-term review [MTR]) • At completion: Project completion report (PCR), OE project evaluations/ARRI report |
| 4. Percentage of projects rated 4 or better for (projected) impact on measurements of poverty among the target group, such as: <ul style="list-style-type: none"> • physical and financial assets • food security • empowerment • gender equality | 90 per cent | 80 per cent | 70 per cent | <ul style="list-style-type: none"> • At entry: Quality Assurance System • During implementation: PSR (and from 2009, MTR) • At completion: PCR, OE project evaluations/ARRI report |
| 5. Percentage of projects rated 4 or better for innovation, learning and/or scaling up | 90 per cent | 80 per cent | 65 per cent | <ul style="list-style-type: none"> • At entry: Quality Assurance System • During implementation: PSR (and from 2009, MTR) • At completion: PCR, OE project evaluations/ARRI report |
| 6. Percentage of projects rated 4 or better for sustainability of benefits | 90 per cent | 80 per cent | 80 per cent | <ul style="list-style-type: none"> • At entry: Quality Assurance System • During implementation: PSR (and from 2009, MTR) • At completion: PCR, OE project evaluations/ARRI report |

¹⁷ Source: Results Measurement Framework for reporting on progress achieved against the Strategic Framework 2007-2010 (EB 2007/91/R.2)

New processes and tools for improving IFAD's development and organizational effectiveness and measuring results and performance

(a) DEVELOPMENT EFFECTIVENESS

| | |
|---|---|
| <p>Improved framework for results-based country programming</p> | <p>The new results-based COSOP, which was approved in September 2006, is used to define IFAD's programme within a country. The programme represents a coherent engagement, made up of not only planned and ongoing projects, but also areas for policy dialogue, potential partnerships and knowledge management activities. The programme is expected to be jointly owned by IFAD and the member country, and it is aimed at achieving a limited number of objectives derived from the Strategic Framework, while supporting the national policy framework for rural poverty reduction. It includes a country-level results measurement framework, with monitorable indicators; and it requires regular reporting on progress achieved. Guidelines to assist staff in operationalizing it were issued in December 2006. By end-2007, 17 results-based COSOPs had been prepared.</p> |
| <p>Improved project quality-at-entry</p> | <p>New guidelines for project design – focused on both the process for developing projects and the expected content of the relevant documents – were issued in early 2008. These enable IFAD to respond effectively to its commitments under the Paris Declaration on Aid Effectiveness; they ensure that the projects IFAD supports are aligned with its strategic priorities and development objectives; and above all, they represent a cost-effective way of enhancing project quality-at-entry. Through their content, they promote a focus on clear and explicit quality standards KSFs, which provide up-front guidance to project design.</p> <p>The new quality enhancement system is based on strengthened internal review. The main feature is a new Technical Review Committee (TRC), which draws upon external expertise and provides for a discussion focused on critical design and country context issues – as defined through the six KSFs. The TRC thus provides advice and concrete suggestions for improvement through the next design stages. After pilot testing on 21 new project designs during 2007, the system was made fully operational by the beginning of 2008.</p> <p>The new quality assurance (QA) system draws upon best practice from other development institutions. It will review all projects before Executive Board presentation, to confirm the quality and readiness of the design. It will rate the projects, based on the six KSFs; if necessary, it will turn back those that do not meet its quality standards. The QA system is located in the Office of the Vice President, where it will operate at arms length from the Programme Management Department, which is responsible for project design. The QA system was tested in October 2007, and was piloted in February 2008 on projects scheduled for Executive Board submission in April 2008.</p> |
| <p>Improved project implementation through direct supervision and implementation support</p> | <p>Historically, supervision of all IFAD-supported projects has been outsourced to cooperating institutions. But this has proven increasingly costly, and has limited IFAD's ability both to support improved project implementation performance and development impact, and to enhance its own capacity to systematically learn from the field. In February 2006, as a first step in giving IFAD this responsibility, the Governing Council approved an amendment to the Agreement Establishing IFAD and to the Lending Policies and Criteria. In December 2006, a new policy on supervision and implementation support was approved, and in October 2007 operational guidelines were issued to all involved staff. A major training programme started in September 2007 and, by January 2008, around 130 staff had been trained. New staff will also contribute to ensuring that the policy is effectively implemented. At end-2007, the Executive Board had approved direct supervision by IFAD Management of 130 projects, or 52 per cent of the entire project portfolio.</p> |

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| <p>Enhanced country-level engagement</p> | <p>The 2007 evaluation of IFAD's Field Presence Pilot Programme confirmed that "...the overall effectiveness of IFAD measured along the four dimensions of implementation support, policy dialogue, partnership development and knowledge management has been greater in countries with field presence...". Yet the evaluation also pointed to shortcomings in the design and implementation of the initiative. As a result, IFAD is moving forward slowly and carefully on country presence. Its 2008 activity plan for country presence is modest, and is focused particularly on more effectively managing and administering the initiative. It involves maintaining the 15 existing, nationally-recruited country presence officers and integrating their financing into IFAD's normal budgetary process; and outposting two country programme managers (CPMs) to the United Republic of Tanzania and Viet Nam, both within the 15 countries. It will also develop a plan to guide future expansion of the country presence initiative and, depending on the results achieved in 2008, Management may propose a limited expansion in 2009. This is likely to involve outposting two additional CPMs and taking on locally hired country programme officers in six countries. In 2010 Management will undertake a self-assessment of the initiative, and in 2011 it will present a country presence policy to the Executive Board.</p> |
| <p>Policy and strategic guidance</p> | <p>Targeting is one of IFAD's principles of engagement defined in the Strategic Framework. The IFAD Policy on Targeting, approved in September 2006, makes clear that IFAD "...proactively strives to reach extremely poor people ... who have the potential to take advantage of improved access to assets and opportunities for agricultural production and rural income-generating activities". This varied group includes those whose livelihoods are dependent on crop production, livestock, fishing, harvesting of forest products, agro-processing and small-scale commerce. Everywhere, there is a particular focus on women; and in some regions, indigenous peoples and ethnic minorities are important parts of IFAD's target group. Guidelines on poverty and livelihoods analysis, and on gender mainstreaming and women's empowerment, serve to assist staff in effectively implementing the policy.</p> <p>Innovation, learning and scaling-up constitute a principle of engagement in the Strategic Framework. The IFAD Innovation Strategy, approved in September 2007, aims to ensure that innovation is systematically and effectively mainstreamed in existing structures and processes, and thus in country programmes and IFAD-supported projects. A series of activities will support innovation through the project and programme cycle, and in other IFAD initiatives. A small Innovation Services Group acts as a broker to help country programme teams access innovation services. While the Innovation Strategy is financed principally through existing funding sources, these are supplemented by the Initiative for Mainstreaming Innovation, financed through a complementary contribution by the United Kingdom of Great Britain and Northern Ireland to the Consultation on the Sixth Replenishment of IFAD's Resources.</p> <p>The closely linked Knowledge Management Strategy, approved in April 2007, aims to strengthen IFAD's capacity to learn from its own, and its partners' experience, and to share and use this knowledge in project and policy advocacy work. Implementation of the strategy is proceeding under the oversight and guidance of the Vice-President, supported by a core group. Focus on innovation and knowledge management is maintained throughout the project cycle through their inclusion both as one of the KSFs for project design and review, and as one of the six performance indicators under IFAD's Results Measurement Framework.</p> <p>Policy process. In recognition of the fact that IFAD had few operational or sectoral policies, and that policy development had not kept pace with its evolving strategic agenda, in 2007 a new process for developing, applying and monitoring compliance with IFAD policies was introduced. It focuses particularly on policies in sectoral areas of investment and thematic issues of importance to IFAD. The process is currently being used for the development of a policy on land access and tenure security. Monitoring compliance with, and assessing the impact of, IFAD policies is also a major consideration, and these functions have been mainstreamed throughout the project cycle.</p> |

(b) ORGANIZATIONAL EFFECTIVENESS

| | |
|---|---|
| Corporate Planning and Performance Management System (CPPMS) | The CPPMS was developed and used for the first time in 2007. At its core is a set of corporate management results (CMRs), which serve to focus IFAD's human and financial resources on the objectives defined in its Strategic Framework. Each of the CMRs uses a number of key performance indicators (KPIs) to track progress. Through the CMRs and KPIs, the CPPMS provides the basis for allocating resources across the organization (work planning and budgeting), ensuring their alignment with organizational priorities, and regularly tracking and assessing results. At the same time, it provides the framework for linking priorities and results at the organizational level to those at the department, divisional and individual levels. |
| Results-based planning and budgeting | The first results-based programme of work and budget was presented to the Executive Board in December 2007. In this, proposed use of the administrative budget and IFAD's project development support to its member governments (the PDFF) is defined in terms of eight CMRs (increased from seven in 2007). The programme of work and budget provides the basis for strategic departmental plans, which translate the CMRs into concrete results and performance targets for the three departments, and set the stage for the development of divisional management plans, which in turn serve as the basis for the preparation of individual performance plans. In this way, the work of the individual staff member, and the allocation of resources at all levels, is driven by the organization's objectives. |
| Financial efficiency | IFAD has been measuring and improving its financial efficiency as an organization since 2006. It has pursued a consistent policy of improving its efficiency by reducing its budget on administration and its project development support to its member governments (PDFF) as a proportion of its programme of work. From a ratio of 17.1 per cent in 2006, it is projected to decline to 16.3 per cent in 2008. Within the administrative budget, a separate objective has been to raise the proportion of expenditures on operational costs, and this has increased from 57 per cent in 2007 to a projected 61 per cent in 2008. |
| Allocation of programme resources | In 2005, drawing upon the experience of other multilateral financing institutions, IFAD introduced a performance-based allocation system (PBAS) . This determines ex ante allocations of loan (and, since 2007, DSF grant) resources for all active countries, according to a formula tailored to the specific requirements of an organization with a unique focus on rural poverty reduction. Its formula takes into account on one hand, country need, defined in terms of GDP per capita and rural population; and on the other, country performance, measured through IDA's country policy and institutional assessment, IFAD's assessment of the rural sector policy and institutional framework, and the country's performance in implementing IFAD-supported projects. The formula has been subject to minor modifications since 2005, including the use of rural rather than total population from 2008. |
| IFAD participation in multilateral debt initiatives | <p>The Heavily Indebted Poor Countries (HIPC) Debt Initiative. To date IFAD has committed the required debt relief on its loans to all 30 Heavily Indebted Poor Countries that have reached the decision point, thereby bringing the debt levels of those countries to manageable levels. Its commitments amount to SDR 214 million in terms of net present value, and it has provided debt relief worth US\$163 million to the 22 countries at completion point. IFAD is now ranked seventh of the 23 multilateral creditors in terms of debt relief under the Initiative. In 2007 IFAD gained access to the World Bank-administered HIPC Trust Fund for provision of two thirds of IFAD's debt relief, with the remainder coming from internal resources and some external contributions paid directly to IFAD.</p> <p>Debt Sustainability Framework (DSF). In 2007 IFAD introduced the DSF, which is designed for allocating grant resources to countries eligible for highly concessional assistance and with high debt levels. In line with the debt sustainability analyses carried out by the World Bank and International Monetary Fund, in 2007 IFAD provided financing on grant terms to six countries, and on 50:50 loan/grant terms to a further five, in Africa, Asia and Latin America. The use of grants in debt-distressed countries has additionally introduced a new flexibility to IFAD project design in these countries.</p> |

Human resources management and alignment

Focused **human resources management** is essential, not only to manage staff and consultant costs, but also to ensure quality and alignment with IFAD's strategic objectives. In 2006 IFAD renewed its senior management team. In early 2007, when that team reviewed the progress achieved under the Action Plan, human resource issues were recognized as lagging behind the progress being made in other areas. During 2007, a human resources framework was developed for strengthening the management of human resources and aligning them with corporate priorities; a Human Resources Strategic Management Committee was established under the President; and a new human resources director was being recruited. Other initiatives included strengthening the performance evaluation system for all managers and staff; carrying out a staff attitude survey; and conducting 360-degree assessments of all managers. IFAD also defined its core values (focus on results, integrity, professionalism and respect) and corresponding behaviours, to which Management and staff are now expected to consistently conform, and against which they will be held accountable. Work continues to ensure that IFAD's processes and procedures are consistent with the values, train staff in their meaning and application, and develop a compliance and incentives system.

Implementation of the human resources framework has started, but much remains to be done, and human resources management and alignment will be one of the key areas for further reform during 2008. The tripling of the training budget (from a low level) will contribute to this programme.

(c) PERFORMANCE AND RESULTS MEASUREMENT

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|---|--|
| Report on IFAD's Development Effectiveness | In order to measure and report on its progress in achieving results, IFAD has developed a complex of linked reporting tools. The annual Report on IFAD's Development Effectiveness (RIDE), which was prepared for the first time in 2007, is at the apex. This report serves to provide a high-level synthesis of results in three areas: the relevance of IFAD's mandate and operations, the development effectiveness of IFAD-supported operations; and IFAD's organizational effectiveness and efficiency in delivering those results. The report is thus broader in scope than similar reports of other organizations, and it draws upon a wider range of data sources. It uses three in particular: the Portfolio Performance Report (PPR), with the associated Results Measurement Framework (RMF) and Results and Impact Management System (RIMS); the CPPMS, with its corporate management results; and the Annual Report on Results and Impact of IFAD Operations (ARRI), prepared by the independent Office of Evaluation. |
| Portfolio Performance Report | Introduced in 2003, the PPR provides information to the Executive Board on the performance and impact of IFAD loans and grants – those entering the portfolio, the ongoing portfolio and the completed portfolio – over the previous year, and proposes actions to further improve the performance of the portfolio. It is built from the project level upwards and draws upon a series of already-existing data sources, including, amongst others, the RMF and RIMS. |
| | Results Measurement Framework. Approved separately in September 2007, the RMF enables Management to report on progress in achieving the goals and objectives, and in applying the principles of engagement, defined in the Strategic Framework. Drawing upon best practice in comparable institutions, the RMF uses six indicators to assess the quality of IFAD country programmes and projects at entry, during implementation and at completion. A six-point scale is used to assess the results achieved under each indicator. The RMF, to be fully implemented in 2008, will use existing data sources wherever possible; however, one new reporting tool is a partner/client survey which will be sent annually to a subset of IFAD's key partners in all countries in which IFAD has an ongoing country programme. In addition to generating data for the RMF, the partner/client survey will also contribute to IFAD's commitment to mutual accountability, as a partnership commitment under the Paris Declaration. |
| | Results and Impact Management System. RIMS is the framework IFAD has adopted to quantify the results achieved through its projects. It contains information on results, provided by the projects themselves, in terms of activities and outputs, changes in beneficiaries' behaviour, improved performance of organizations and infrastructure, and impact on child nutrition and household living standards. While there are conceptual and practical difficulties in measuring and attributing project impact, RIMS does provide a useful indication of the scale of the results of IFAD-supported projects. |

| | |
|--|--|
| <p>Corporate Planning and Performance Management System</p> | <p>The CPPMS provides the platform for assessing organizational performance. Reporting on the Divisional Management Plans that feed into the CPPMS takes place quarterly, using 'performance conversations' at divisional, departmental and senior management levels to review performance against the KPIs associated with the CMRs. Learning and problem solving are promoted in the process, combined with a mechanism for identifying and managing risks. Introduced in 2007, the performance conversations are building the institutional culture of business planning, performance management and accountability. At the organizational level, progress against the CMRs is measured annually: the resulting information feeds into the RIDE report.</p> |
| <p>Annual Report on Results and Impact of IFAD's Operations</p> | <p>IFAD is the only United Nations report agency with an independent Office of Evaluation (OE) that reports directly to its Executive Board, and the third source of data for the RIDE report is OE's ARRI report. This provides a synthesis of the main results and impacts from the 10-15 IFAD-funded projects evaluated by OE during the year. While, because of the small size and non-random nature of the sample, a year-on-year comparison of its ratings is unreliable, it provides a useful source of data against which to triangulate the other sources.</p> |

IFAD's performance against the Partnership Commitments of the Paris Declaration on Aid Effectiveness¹

In 2005-2006, the OECD-DAC Working Party on Aid Effectiveness carried out a baseline survey to monitor progress in implementation of the Partnership Commitments of the Paris Declaration (including a review of 8 of the 12 monitoring indicators) in 34 countries. Data are available for IFAD in 23 of these.² The table below provides information for the indicators that apply to donors and compares IFAD's situation with that of the World Bank, the United Nations group and the total of multilateral and bilateral donors. Because of the small numbers involved for IFAD, caution should be exercised in interpreting these data. However, the results show that IFAD is performing well on most of the Declaration's Partnership Commitments. IFAD's performance is similar to, and in some cases better than, that of the World Bank and the United Nations as a whole.

IFAD results from the 2006 OECD-DAC Survey on Monitoring the Paris Declaration on Aid Effectiveness^a

| <i>Paris indicator</i> | <i>IFAD</i> | <i>World Bank</i> | <i>United Nations</i> | <i>All donors</i> |
|---|-------------|-------------------|-----------------------|-------------------|
| 3. Alignment of aid flows to national priorities | | | | |
| Percentage of disbursed aid that goes to the government sector | 85 | 94 | 36 | 88 |
| 4. Strengthening capacity through coordinated support | | | | |
| Percentage of technical cooperation provided through coordinated country programmes | 56 | 57 | 44 | 48 |
| 5a. Use of country public financial systems (PFM) | | | | |
| Percentage of aid to government that goes through 3 national PFM systems | 53 | 42 | 18 | 40 |
| 5b. Use of country procurement systems | | | | |
| Percentage of aid to government that uses government procurement systems | 70 | 40 | 8 | 39 |
| 6. Avoiding parallel implementation structures | | | | |
| Number of parallel PIUs | 32 | 223 | 315 | 1 832 |
| 7. Aid is more predictable | | | | |
| Percentage of aid that is disbursed on schedule | 68 | 68 | 32 | 70 |
| 9. Use of common arrangements or procedures | | | | |
| Percentage of aid that is programme-based (direct budget support, SWAs, etc.) | 24 | 57 | 28 | 43 |
| 10a. Joint missions | | | | |
| Percentage of donor missions that are coordinated | 62 | 21 | 30 | n/s |
| 10b. Joint country analytic work | | | | |
| Percentage of country analytic work that is coordinated | - | 49 | 63 | n/s |

^a Based on data available from OECD-DAC and IFAD.

¹ Source: RIDE 2007 report.

² Note that information is not available for all indicators because of non-response or non-applicability.

Scenario for the Eighth Replenishment

Assumptions

- Programme of work US\$715 million in 2009 and growing 18 per cent annually during the Eighth Replenishment period;
- Debt Sustainability Framework as approved by the Executive Board at its ninetieth session in April 2007;
- United States dollars/special drawing rights at 1.5759 as at 31 December 2007 assumed constant in the future;
- Advance commitment authority (ACA), currently with five years of future loan reflows, to be extended to seven years of future loan reflows from 2010; and
- Eighth Replenishment of US\$1.2 billion.

Scenario results

Table 1 below shows the annual level and growth of the programme of work over the Eighth Replenishment period (2010-2012). The total programme of work would rise to US\$3.0 billion. With the programme of work increasing at 18 per cent per year, as compared to the current 10 per cent per year, it would reach US\$1.2 billion in 2012. This would correspond to an overall increase of 54 per cent for the programme of work relative to the Seventh Replenishment.

Table 1

| Year | Seventh Replenishment | | | Eighth Replenishment | | | | |
|----------------------------------|-----------------------|------|------------------|----------------------|------|------|------|-------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Programme of work (US\$ million) | 500 | 550 | 590 ^a | 650 | 715 | 844 | 996 | 1 175 |
| Programme of work annual growth | 10% | 10% | 10% | 10% | 10% | 18% | 18% | 18% |

^a US\$590 million represents a programme of work net of the PDFF. Annual growth of 10 per cent is based on a programme of work that includes the PDFF (i.e. US\$605 million). After 2007, all programmes of work are net of the PDFF.

Table 2 below provides an overview of liquidity and resource requirement levels. Long-term projections depend on a number of assumptions, such as investment policy, disbursements and replenishment profiles. IFAD has a very prudent investment policy; all funds are invested in fixed-income securities and the rate of return on investment is a projected 3.0 per cent per annum.

Table 2
(US\$ million)

| Year | Seventh Replenishment | | | Eighth Replenishment | | | | |
|-----------------------|-----------------------|-------|-------|----------------------|-------|-------|-------|-------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Investment portfolio | 2 348 | 2 359 | 2 501 | 2 394 | 2 314 | 2 315 | 2 248 | 2 146 |
| Resource requirements | 296 | 453 | 585 | 817 | 1 134 | 1 162 | 1 596 | 2 290 |

As shown in table 2, the liquidity level would reach US\$2.1 billion in 2012. By the end of the Eighth Replenishment period, resource requirements would be approximately US\$2.3 billion. This would require an extension of the ACA ceiling to seven years of future loan reflows.