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Enabling poor rural people  
to overcome poverty

## **Draft Report of the Consultation on the Eighth Replenishment of IFAD's Resources**

Consultation on the Eighth Replenishment of IFAD's  
Resources — Fourth Session  
Rome, 21-22 October 2008

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For: **Review**

## **Note to Consultation members**

The Consultation on the Eighth Replenishment of IFAD's Resources will present its final report to the thirty-second session of the Governing Council. Accordingly, the Consultation is invited to review the attached draft of the report.

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:

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# **Draft Report of the Consultation on the Eighth Replenishment of IFAD's Resources**

**Executive summary**

**(to be included following October Consultation session)**



# Draft Report of the Consultation on the Eighth Replenishment of IFAD's Resources<sup>1</sup>

## PART ONE – THE GLOBAL CONTEXT

*“For years, falling food prices and rising production lulled the world into complacency. Governments put off hard decisions and overlooked the need to invest in agriculture. Today, we are literally paying the price”.* Ban Ki-moon, Secretary-General of the United Nations.

The magnitude of the challenges indicated in the above statement by the Secretary-General will require long-term commitments by the international community. As outlined in this document, IFAD's transformation during the Seventh Replenishment period has equipped it as never before to help address and resolve these problems.

### I. Trends in global and regional poverty and food security

1. ***Insufficient progress in reducing poverty and food security.*** At the Millennium Summit, the international community committed to halving the proportion of people living in extreme poverty and hunger by 2015. Considerable progress has been made in reducing income poverty since then: between 1990 and 2004 the proportion of extremely poor people (those in the developing world living on less than a dollar a day) dropped from 28 to 19 per cent. The global figures, however, mask enormous regional differences. Most of the gains are concentrated in East Asia – particularly China – and South Asia. In sub-Saharan Africa, the proportion of people living on less than a dollar a day is unlikely to be halved by 2015 without urgent additional actions,<sup>2</sup> and the World Bank estimates that 1.4 billion people continue to live in absolute poverty.
2. Global poverty is overwhelmingly rural, and will remain so in the foreseeable future. Three quarters of the extremely poor people in developing countries – over one billion people – live in rural areas. 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 fishers. Indigenous peoples (principally in Asia and Latin America) 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.
3. Less progress has been made towards reducing food insecurity and child hunger than in reducing income poverty. Between 1990 and 2004 the proportion of undernourished people declined only marginally, from 20 to 17 per cent; and although there was a greater decline in the proportion of underweight children under five - from 32 to 22 per cent between 1995 and 2004 – the problem remains acute in South Asia and sub-Saharan Africa.
4. ***New challenges.*** Even the fragile gains made are under threat. In 2007 and 2008, food prices on world markets soared, and by mid-2008 they were over 50 per cent higher than a year earlier. By early 2008, prices for all major food staples – maize, rice, wheat and edible oils – were at, or close to, all-time highs. All observers agree that high prices for basic food staples place at serious risk the progress made in reducing poverty and hunger since the Millennium Summit. According to the Food

<sup>1</sup> This draft report has been prepared with a view to its eventual submission to the 32<sup>nd</sup> session of IFAD's Governing Council, as per paragraph 3 of Governing Council Resolution 147/XXXI (February 2008).

<sup>2</sup> According to the Millennium Development Goals (MDG) Report 2008,

and Agriculture Organization of the United Nations, in 2007-2008 the number of malnourished people in the world rose by 75 million.

5. Prices have fallen back slightly from their peak earlier this year, but it is clear that the era of cheap food is over. This is because the rapid increase in food prices has multiple causes, several of which are of a structural nature. The immediate causes include the increased price of fuel, feeding into both agricultural production costs and increased demand for biofuels; drought-induced crop failure in countries such as Australia; and low levels of global food stocks, which declined by over 40 per cent between 2002 and 2007. Market speculation and decisions by many countries to restrict trade exacerbated this situation.
6. In addition to these are a range of deeper, structural causes. These will continue to exert upward pressures on food prices, which are expected to remain significantly higher than their 2004 levels. These include:
  - Since the mid-1980s, population growth has been outstripping food productivity growth. Growth in yields of cereals has declined from 2-5 per cent in the 1970s and 1980s to only 1-2 per cent in the mid-1990s; while population growth combined with rapid economic growth, particularly in Asia, has resulted in a rapid increase in per-capita cereal consumption. Demand for food is projected to increase by a further 50 per cent by 2030.
  - The conditions for expanded production have become increasingly difficult. There has been a significant slowing of technical change in food production. The easy gains that can be achieved by adopting green revolution technologies may have already been realized, except in Africa; and – in large part because of the slowdown in spending on agricultural research - it is not evident that the world has the new technologies required for further productivity gains. In the past, increased production could also come from expanding the land under cultivation, but today this is an increasingly limited option in much of the world. Meanwhile, water needed for irrigated agriculture is becoming increasingly scarce in many developing countries because of unsustainable rates of groundwater extraction and heightened competition from other users. Indeed, globally, the amount of water available for agriculture may have already peaked.
  - Climate change will increasingly affect food prices and food security. The combined impact of higher average temperatures, greater variability of temperature and rainfall, more frequent and intense droughts and floods, and reduced availability of water for irrigation is already affecting the predictability of food production in all countries. According to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change, one third of the population at risk is in Africa, one quarter in Western Asia, and about one sixth in Latin America. By 2020, almost 50 million additional people could be at greater risk of hunger as a result of climate change. Among these, the rural poor are at greatest risk.
7. The global commercial farming sector is already responding to the new price signals for food commodities. Important as this is, it is the role of the 450 million smallholder farmers worldwide that will determine success or failure in achieving the twin goals of poverty reduction and food security. They have the potential to produce more, providing food for their families and their communities and supplying wider national and international markets; to increase their agricultural incomes; and to manage their land sustainably. Equipping these poor rural people to be part of the solution to achieving global food security must be a priority for the international development community; it is what IFAD exists to do.

## II. Turning full circle: The return of agriculture and rural development to the center stage of international development

8. For most of the past quarter-century, agriculture declined steadily as a focus of development efforts. Many developing countries themselves assigned their national priorities to other sectors. Indeed, in 2004 agriculture-based developing countries – typically the poorest of all developing countries – spent an average of only 4 per cent of total budgetary resources on supporting agriculture. Yet this sector represented the single largest economic activity for close to 70 per cent of the population and contributed 29 per cent of GDP.
9. This underinvestment by national governments is mirrored in the pattern of official development assistance (ODA). The amount of ODA to agriculture fell in nominal terms from US\$8 billion in 1984 to around US\$3 billion in 2006, while the proportion of total ODA to agriculture declined from a high of about 18 per cent in 1979 to less than 3 per cent in 2006. The decline was across the international development community: multilateral aid to the sector declined in both relative and absolute terms;<sup>3</sup> while some bilateral donors withdrew entirely from the sector. Agriculture had become a minor topic in mainstream international development discourse.
10. This changed dramatically over the past two years, but especially in 2008. Agriculture has returned to the top of the international political agenda. As a result of the rapid rise in food prices, food security is viewed increasingly as a global issue of socio-political security. The UN Secretary General launched a system-wide Comprehensive Framework for Action<sup>4</sup> (CFA) to address the immediate needs of vulnerable populations and to build longer term resilience and contribute to global food and nutrition security. In June 2008 representatives from 181 countries participated in a High-Level Conference on World Food Security in Rome, and the following month, G8 members meeting in Hokkaido, Japan, expressed their deep concern over global food insecurity and announced a commitment to address the crisis and reverse the overall decline of aid and investment in the agricultural sector.
11. The World Bank's 2008 World Development Report: Agriculture for Development reinforced 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 a dollar a day, and as a provider of environmental services. It pointed 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.
12. New funding sources for agricultural development are also emerging. Private investment, both domestic and foreign, in agricultural value chains is increasing rapidly in many countries. Remittances from migrants not only help rural family members meet their basic needs, but also enable them to invest in agricultural assets.<sup>5</sup> Foundations such as the Rockefeller Foundation and the Bill and Melinda Gates Foundation, both supporters of the Alliance for a Green Revolution in Africa (AGRA), are becoming important sources of agricultural development financing, and new official donors with growing aid programmes, such as China, India and Brazil, are also supporting the agricultural sector.

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<sup>3</sup> IFAD has bucked this trend and has been an increasingly significant source of funding, now providing on average 10 per cent of total multilateral aid to the sector. It has remained one of the few organizations supporting productive activities in the countryside.

<sup>4</sup> Prepared by a High-level Task Force of the United Nation's Chief Executive Board, in which staff from IFAD, as well as FAO and WFP, actively participated.

<sup>5</sup> In 2006, total remittances to developing countries amounted to US\$300 billion (IFAD, 2007).

13. Overall, the paradigm that is emerging has features in common with the dominant view of the 1960s and 1970s, which assigned priority to investment in agricultural and rural development in order to feed the world and reduce poverty. The paradigm for the 2000s adds to this the centrality of agriculture to challenges of climate change.
14. Despite the new commitment to increasing levels of development assistance, the needs remain enormous, and largely unfulfilled. A number of estimates have been made of the level of overall public investment and foreign assistance needed for agricultural and rural development in developing countries. Among them, a task force organized by the United Nations MDG Africa Steering Group estimated annual development assistance needs for African agriculture and rural development to be between US\$7 billion and US\$8 billion per annum; while the Secretary-General's High-Level Task Force on the Global Food Security Crisis has suggested that resource requirements for agriculture and rural development in all developing countries could be as much as US\$20 billion per annum.
15. But it is not merely a matter of increased financing. Developing countries and international development agencies will need to confront and resolve major institutional capacity constraints to effective management of large increases in resource flows. As a consequence of the declining importance given to agricultural development and rural poverty reduction over a period of more than 20 years, governments and international development agencies have allowed capacity in this area to dwindle.

## **PART TWO – IFAD'S ROLE AND PROGRAMME PRIORITIES**

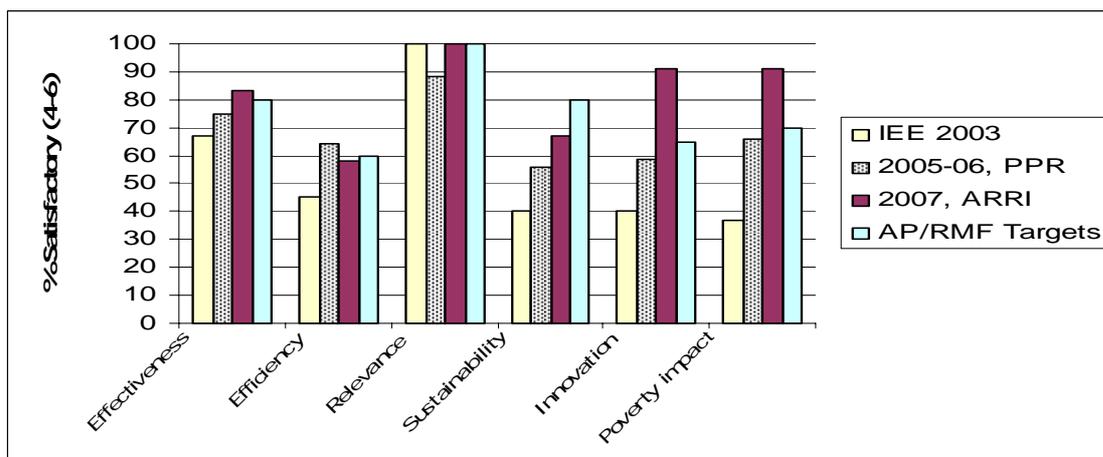
### **III. IFAD's transformation for greater capacity and effectiveness**

16. During the course of the Consultation on the Sixth Replenishment of IFAD's Resources in 2002, members requested that an Independent External Evaluation (IEE) of IFAD be conducted. The report of the IEE was issued in 2005; and to address its findings, IFAD prepared the Action Plan for Improving its Development Effectiveness. Approved by the Executive Board in December 2005, the Action Plan represented "the principal vehicle for internal change in IFAD over the Seventh Replenishment period". Its overarching goal was to improve IFAD's development effectiveness by addressing three critical dimensions of its performance: relevance, effectiveness and efficiency. In 2006 and 2007, work was conducted in three broad areas: strengthening IFAD's strategic planning and guidance; enhancing project quality and impact; and improving knowledge management and innovation capacity. A fourth area – strengthened human resources management – was also identified as essential to progress and targeted for action.
17. The Action Plan has been implemented vigorously, and it has been assessed by independent reviewers as "a meaningful, serious and multi-dimensional effort at organizational reform"<sup>6</sup>. While key challenges remain - particularly to consolidate the reforms carried out and to complete those outstanding, including in the area of human resources - its outputs have transformed the way IFAD does business. Preliminary results show significant improvement in the quality, effectiveness and impact of IFAD operations. The 2007 Report on IFAD's Development Effectiveness (RIDE) concluded that the performance of IFAD-funded projects in 2005-2006 had improved relative to the 2003 baseline of the IEE, in the key areas of effectiveness, efficiency, sustainability, innovation and poverty impact. More recently, the draft version of the 2008 Annual Report on Results and Impact of IFAD Operations (ARRI) reports "an encouragingly positive picture of the Fund's operations". For the

<sup>6</sup> "Assessment of IFAD's Action Plan", Ted Freeman and Stein Bie, on behalf of the Canadian International Development Agency (CIDA), and the Foreign Ministries of the Netherlands and Norway (July 2008).

first time, 100 per cent of projects evaluated in 2007 showed satisfactory results in terms of project performance and overall project achievement (a composite for relevance, effectiveness and efficiency), while 91 per cent of the projects demonstrated satisfactory results in rural poverty impact, with strong performance in promoting physical assets and agricultural productivity. There were also marked improvements with regard to sustainability, which was satisfactory in 67 per cent of projects evaluated in 2007, up from 40 per cent in 2002. IFAD is thus broadly on track to meet all its 2009 Action Plan targets, though particular attention will still need to be given to sustainability. The results are shown graphically in Figure 1 below.

**Figure 1. Performance against IEE baseline and Action Plan and results measurement framework targets**



Source: Report on IFAD's Development Effectiveness, 2007; Annual Report on Results and Impact of IFAD Operations evaluated in 2007 (draft).

18. The outputs of all ongoing IFAD-supported projects are estimated using IFAD's Results and Impact Measurement System (RIMS). Amongst the results achieved in 2006: 3.2 million hectares of common property resources were brought under improved management practices and over 142,000 hectares of land were improved through rehabilitation or development of irrigation facilities; 540,000 farmers reported production or yield increases; IFAD-assisted microfinance institutions reported 5.5 million savers and 1.3 million borrowers, the vast majority of whom were women; 11,000 marketing groups were formed or strengthened; 75,000 micro-enterprises were established or strengthened; and 12,000 village action plans were prepared.
19. The RIDE 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. It found these issues are now more systematically addressed under the new results-based COSOPs. 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.
20. In terms of aid effectiveness, according to the 2008 Survey on Monitoring the Paris Declaration, undertaken by the Organization for Economic Cooperation and Development's Development Assistance Committee (OECD-DAC), IFAD's performance was better than the United Nations as a whole for all nine indicators or sub-indicators measured, and better than other multilateral financial institutions (MFIs) for a majority of them. It posted high scores for strengthening capacity with coordinated support, for using countries' public financial management and procurement systems, and for joint missions and country analysis; though it scored

less well on aligning its support with national procedures, aid predictability and use of common procedures.

21. The RIDE also reviewed IFAD's organizational performance. It found that performance was either on track, or partially on track, against its three operational corporate management results (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. 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.

#### **IV. The role of IFAD in the global development architecture**

22. IFAD was created in 1978 as a direct response by the international community to the food insecurity problems of an earlier era, marked by famines in Bangladesh and the Sahel. The objectives stated for IFAD were: "...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."<sup>7</sup> These are as valid today as they were 30 years ago. IFAD was created as a partnership – of developed countries, Organization of the Petroleum Exporting Countries and other developing countries: its governance structure reflects this partnership.
23. IFAD is both an international financial institution and a specialized agency of the United Nations. It is the only such organization dedicated exclusively to agriculture, food security and rural poverty reduction in developing countries. The support and engagement of its members has enabled IFAD to consistently expand its investment in agricultural and rural development, even at times when almost all other development agencies were cutting their support. IFAD has a track record as a trusted partner of governments and other national stakeholders: one which combines 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. These attributes of persistent commitment over time, trust and legitimacy accord IFAD a strong comparative advantage among the family of international development organizations.
24. IFAD aims 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 and programmes that its member governments develop jointly with IFAD and other stakeholders, and manage and implement in collaboration with other national partners and with IFAD support. They range from discrete, IFAD-supported, area-based projects to multi-stakeholder sectoral programmes to which IFAD contributes. All support national policy priorities and build national capacities, and a majority are cofinanced with other multilateral or bilateral development agencies.<sup>8</sup>
25. IFAD's Strategic Framework 2007-2010, approved by the Executive Board in December 2006, defines the organization's comparative advantage as a combination of three elements:

<sup>7</sup> Agreement Establishing the International Fund for Agricultural Development, 1976.

<sup>8</sup> Throughout this report, the term "project" is used to encompass all projects and programmes.

- Working with its partners – governments, civil society, non-governmental organizations (NGOs), private-sector players and the international development community – to develop and implement innovative projects 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 to bring tangible benefits to their members and 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 on their agricultural and rural development policies and strategies.
26. IFAD is the only international financial institution that works directly and consistently with the most marginalized of rural populations, grass-roots community institutions and farmers' organizations. Its long experience of working in this area provides a solid foundation from which to contribute to and help lead broader partnerships aimed at reducing rural poverty.
27. All IFAD country programmes and projects are specifically targeted at poor rural communities and tailored to the specific conditions that poor rural women and men face, as smallholder farmers, farm workers, small-scale rural entrepreneurs, pastoralists, fishers and landless labourers. In some regions IFAD works with indigenous peoples and ethnic minorities who have been excluded from mainstream development processes; 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. All IFAD-supported projects focus on one or more of six themes 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. IFAD does not work in the social sectors and does not provide emergency relief.

## V. Operational priorities

28. IFAD has combined improved performance with steady growth; the total loan and grants programme has increased on average by 10 per cent per year over the past six years. Today it is one of the largest sources of agricultural development financing in many developing countries, and in 2008 its programme is expected to be close to US\$650 million. The ongoing programme consists of almost 240 active projects and programmes worth a total of over US\$8.2 billion, with a total loan and grant value of US\$4.0 billion.
29. Following its reforms, IFAD is ready to do much more to respond to the enormous unmet demand for investment and knowledge in its partner countries. Over the Eighth Replenishment period, IFAD's role will continue to evolve to respond to the rapidly changing and highly uncertain conditions facing poor rural people in developing countries. The key challenges will be to assist poor rural populations to increase their agricultural productivity for improved food security, and to adapt their livelihoods to increasingly uncertain climatic conditions. IFAD will innovate and scale up its investments in agricultural development; it will share its knowledge and experience and assist other development agencies to re-engage, or scale up their engagement, in the agricultural sector; it will enhance its capacity to partner others to meet the continuing challenges of rural poverty; and it will use its expertise and experience to increase its impact on national, regional and global policymaking. To

do so, it will develop a more flexible workforce with improved skills and knowledge, within an empowering organizational culture.

30. To achieve its objectives, IFAD will work more closely with its country-level partners. It will be more closely involved in supporting project implementation – during the Eighth Replenishment period it expects to directly supervise most of the projects it supports (the only exceptions being projects cofinanced with other MFIs willing and able to effectively take on the supervision function); and it will draw the lessons and manage the knowledge that it gains from the experience. It is clear that, where it has country presence, IFAD is able to more effectively engage in a range of country-level processes, including support to project implementation, innovation and learning, engagement in policy dialogue, and partnership-building. IFAD will seek to expand its country level presence in a cost-effective way, while ensuring that effective management arrangements are in place.
31. IFAD's US\$3.3 billion programme of work for the period 2010-2012 will position it as a leading actor and partner. This will strengthen IFAD's ability to mobilize cofinancing for increased development impact, help other partners to engage – or re-engage – in agriculture, and develop its partnerships and networks. Cofinancing at a rate of 1:1.5 (IFAD to total cofinancing) is expected to result in a total programme of support worth US\$8.0-8.5 billion over the 2010-2012 period; in the light of the G8 commitment to reverse the decline in spending on agriculture, and thus the likely availability of more cofinancing, the total could rise higher. As an illustration, cofinancing at the rate of 1:2 would yield a total of US\$10 billion or US\$3.3 billion per year. This would be equivalent to total global ODA for agriculture in 2006. It would, however, amount to only one sixth of the US\$20 billion per year deemed necessary by the Secretary-General's High-Level Task Force on the Global Food Security Crisis.
32. To realize the expanded programme of work, IFAD will support larger projects with greater outreach, and increasingly programmatic approaches aimed at supporting national efforts to transform the agricultural sector in response to the new priorities. Increased project size will not come at the expense of innovation, however. Guided by the 2007 Innovation Strategy, projects will maintain a strong focus on promoting innovative approaches, technologies and institutional arrangements; increased scale will allow for greater direct impact in terms of poverty reduction; greater capacity to incubate innovations and share the knowledge gained with as wide an audience as possible; and more compelling lessons to be drawn about what works and what doesn't. The grants programme will be more selective, with fewer, larger and more strategic grants more closely linked to the needs of country programmes and more easily and effectively supervised. A revised policy on grants will be presented to the Executive Board in December 2009.
33. As IFAD's programme of support grows, through both larger projects and expanded partnerships, further efficiencies will be introduced. Partners with other agencies such as FAO, the World Bank and the African Development Bank will cover some of the project design and supervision costs; while financing fewer, larger projects will make it possible for IFAD to provide more intensive design and implementation support to its partner governments, and to invest more in, and closely monitor, innovative approaches.
34. IFAD's Strategic Framework 2007-2010 will continue to guide IFAD's work into the Eighth Replenishment period, while a new strategic framework will be delivered to the Executive Board in December 2010 to guide IFAD's activities in the period 2011 and thereafter. A number of new priorities are already evident however, and these will be given immediate emphasis. These include the following.

35. ***Increasing agricultural productivity for improved food security.*** High food prices and uncertain prospects for global food security demand that IFAD give high priority to promoting increased agricultural productivity and food security for poor rural people. In doing so, it will build on the recommended actions of the CFA; it will promote new approaches for technology development and dissemination, such as private-public and public-farmer organization partnerships; and it will further strengthen its collaboration with the Consultative Group on International Agricultural Research (CGIAR), with a view to ensuring effective linkages between the production of essential new technologies, their dissemination, adaptation and effective application.
36. ***Combating natural resource degradation and the effects of climate change.*** In many parts of the developing world, natural resource degradation – deforestation, erosion, declining soil fertility, water shortages and salinization of irrigated land - leads directly to lower crop yields and, ultimately, the loss of arable land. Developing countries are also in the front line confronting the extreme weather, drought, water stress and rising temperatures caused by climate change, which in many cases exacerbate these environmental trends. It is the rural poor, and in some regions indigenous peoples, who suffer most from the consequences. IFAD will therefore expand its work in natural resource management and will give particular emphasis to assisting poor rural people to adapt to the effects of climate change. In addition, and without compromising food crop production, IFAD will explore the potential role of biofuels to offer rural communities local energy sources and alternative income-generation options.
37. ***Using projects as a platform for other donors to increase financing to agriculture and rural development.*** Some well-established international development agencies which have reduced their involvement in agriculture, or withdrawn from it completely, are now indicating their interest in re-engaging and expanding their support, but also indicate that they have little technical expertise in the sector. Other, newer players – both development agencies and foundations – lack experience in the sector or in the region in which they are interested to expand. IFAD intends to engage with them, to offer every facilitative service it can and, as appropriate, to partner with them in cofinancing projects and programmes. IFAD aims to mobilize at least US\$1.50 of cofinancing for every dollar it lends or provides in grant assistance to achieve a total programme of support of over US\$8.0 billion for the replenishment period.
38. ***Sharing knowledge and experience.*** As assistance to agriculture and rural development expands, it is critical that the international development community learns from experience. IFAD will share the lessons it has learned from its recent experiences in, for example, successfully introducing private-public partnerships to agricultural services, connecting private and public agricultural research efforts, strengthening women's groups to participate more effectively in agricultural and financial services delivery and management, and supporting farmers' organizations so as to bring their voice to agriculture policy. It will continue to promote new approaches in these and other areas and share its knowledge and experience widely with its partners, in line with the knowledge management strategy.
39. ***Stronger focus on land issues.*** Secure access to productive land is critical to the millions of poor people living in rural areas and depending on agriculture, livestock or forests for their livelihoods. In some countries, there is a large rural landless population. In others, the distribution of land is highly unequal, contributing to an extremely skewed distribution of rural income and opportunity. In some, the lack of stable land tenure and ownership systems discourages investment and encourages "land grabbing". In many, conflict over land is widespread. Weak land rights of indigenous peoples, women and other vulnerable groups facilitate the acquisition of farm and forest land by more powerful or large-scale interests – whose interest in that land is growing with higher agriculture prices. In line with its recently

approved policy on improving access to land and tenure security, IFAD will ensure that the projects it supports meet the principles of “do no harm” and of free prior and informed consent. It will also expand its support to governments that request it, and will share the knowledge it acquires.

40. ***Leveraging international remittances.*** The large scale of migrants’ remittances being sent back to families in home countries has the potential to positively affect rural development. A recent IFAD study estimated such remittances at US\$300 billion worldwide in 2006 - three times the level of all development assistance. While one third of this is estimated to have gone to rural areas, very little is thought to have been channelled to agricultural investment. Several pilot projects are now under way in Latin America, supported by IFAD and the Inter-American Development Bank, to develop innovative ways of mobilizing these resources for private agricultural investment by the families of the migrants. Such initiatives could become an important product line for IFAD.
41. ***Working with organizations of rural producers.*** Today, organizations of rural producers are significant actors in the rural economy of many developing countries. They provide services to their members and, increasingly, engage with governments on their behalf. IFAD has already established numerous partnerships with such organizations, and it will build on these partnerships. Selectively, it will provide support to them, and wherever possible it will ensure their active involvement in the development and implementation of country programmes and projects.

## **PART THREE – DELIVERING RESULTS IN THE EIGHTH REPLENISHMENT PERIOD**

### **VI. Differentiated country approaches**

#### **A. Overview**

42. IFAD’s member countries have highly diverse agricultural sectors and profoundly different patterns of rural poverty. IFAD will tailor its tools, strategy and approaches to respond to the very different needs and demands of its members. In all cases, innovation, learning and the sharing of the knowledge IFAD has accumulated about what works and what does not, will be rigorously pursued, to enable IFAD to influence policies at the national level, and to feed into IFAD’s advocacy work at the international level.
43. Most of IFAD’s work during the Eighth Replenishment period will be in low-income countries. Sub-Saharan Africa is the region where least progress has been made towards the MDGs, and in increasing agricultural productivity (many countries are net food importers). It is also where climate change is likely to have the most adverse effects on agricultural production. During the Eighth Replenishment period, and in accordance with the performance-based allocation system (PBAS), IFAD expects to spend 40-50 per cent of its resources in this region. IFAD will be a major partner in agricultural development for many national governments, and will play an important role not only as financier but also in assisting countries to develop policies and institutions that effectively support rural poverty reduction.
44. Notwithstanding high rates of poverty reduction, more poor rural people live in Asia than any other region, and hundreds of millions of them are vulnerable to economic and natural shocks and conflict. Rural poverty in Asia is increasingly located in remote upland areas where agricultural productivity is low, rural livelihoods poorly diversified and institutions weak. As overall poverty levels continue to fall, a growing percentage of those left behind will be indigenous people or ethnic minorities; most will be women, elderly people and youth. IFAD’s work will focus particularly on these groups, and seek to assist the Asian governments

develop innovative, effective approaches to reducing rural poverty in these poorer areas.

## **B. IFAD's role in middle-income countries**

45. Most of IFAD's operations are designed to benefit poor rural people in low-income countries. However, about one third of all people living in absolute poverty live in middle-income countries (MICs) – most of them in rural areas, so ensuring they receive the support they need to overcome poverty is crucial to meeting the MDGs. IFAD's Articles of Agreement, Lending Policy, and Strategic Framework all require IFAD to address rural poverty in all developing countries, including MICs.
46. IFAD lends to MICs on non-concessional terms, and they account for 20 per cent of IFAD loans committed. In Latin America most of IFAD's lending is to MICs, and with rising incomes in Asia and the Near East and North Africa, the same is likely to be true for these regions within the space of 5-10 years. IFAD's portfolio in MICs performs substantially better than the average of the portfolio as a whole: the 2006 ARRI reported that project performance in MICs was satisfactory in more than 80 per cent of projects. IFAD's programmes and projects in MICs also generate valuable knowledge that IFAD captures and transfers to other countries.
47. However, the needs of MICs are changing, and to remain effective IFAD needs to respond by changing and improving the service that it offers them. IFAD has already brought its interest rates into line with other IFIs, by adopting the London Interbank Offered Rate (LIBOR) as its reference rate for loans on ordinary and intermediate terms. Further actions that IFAD proposes to explore (some of which may also be relevant to low-income countries) include:
  - Effectively implementing IFAD's knowledge management strategy in MICs, and more active promotion of South-South cooperation, including by supporting MICs in their efforts to promote knowledge-sharing and innovation in low-income countries;
  - Offering a wider choice of IFAD financing terms for MICs, e.g. with regard to lending periods and grace periods;
  - Offering a wider variety of IFAD instruments than just sovereign lending and grants (see Section VII(d));
  - Streamlining IFAD procedures for developing new country strategies and projects in MICs with a strong track record of success in implementing IFAD-supported projects and programmes; and
  - Establishing modalities to enable those countries that may decide to cease borrowing from IFAD to continue to access IFAD's technical expertise.
48. At the International Bank for Reconstruction and Development (IBRD), once a MIC reaches a certain level of GNI per capita (currently US\$6,465) a dialogue is opened with the country concerned on the continuing need for that country to borrow from IBRD. (It should be noted that no countries which have ceased to borrow from IBRD following such dialogue are currently borrowing from IFAD.) IFAD will consider developing transparent criteria to open a dialogue between IFAD and the Member State about its continuing need to borrow from IFAD.
49. IFAD will prepare a paper for consideration by the Executive Board by December 2009 on the issues raised in paragraphs 48 and 49 above.

### C. IFAD activities in fragile states

50. Almost one third of the world's poor live in states defined as fragile by the World Bank or the regional development banks; these states are generally more rural and highly dependent on agriculture than are non-fragile states. They are also the states in which the challenge of reducing poverty and meeting the MDGs (and hence, for development agencies, the challenge of spending resources effectively) is most difficult. Poor rural people in fragile states are especially vulnerable, lacking the resources to cope with man-made or natural disasters and, in many cases, the social coping mechanisms that provide a safety net.
51. Approximately one quarter of IFAD resources are spent in fragile states. Operations in fragile states are guided by its 2006 Policy on Crisis Prevention and Recovery, and tailored to the diverse needs of each individual country; following approval of the policy, the performance-based allocation system (PBAS) was revised to permit IFAD to make available to eligible countries between 30 and 100 per cent more than their normal PBAS allocation.
52. During the Eighth Replenishment period, IFAD's approach in fragile states will be characterized by the following:
- A flexible approach to programme and project design, with a strong focus on building the capacity of community and government institutions;
  - More focus on the key issues of vulnerability and resilience, economic empowerment, gender, indigenous people, food security, land rights and natural resource management;
  - Greater simplicity in project objectives and activities, to take account of the limited capacity of many fragile states to manage and implement development projects;
  - Better analysis to underpin programme and project design and implementation, through expanded IFAD country presence and direct supervision;
  - Attention to mitigating, and responding to, risks of natural disaster and conflict – particularly local conflicts, e.g. over access to natural resources;
  - Expanded knowledge-sharing, including with partners able to address a broader range of the causes of fragility than IFAD alone is able to do; and
  - Cofinancing, wherever possible through harmonized procedures, in order to avoid increasing transaction costs to governments.
53. The above will be incorporated into relevant IFAD operational guidelines<sup>9</sup> during 2009.

## VII. Operational effectiveness

### A. Aid effectiveness

54. In both its activities at country level and its reforms at the organizational level IFAD is guided by the Paris Declaration on Aid Effectiveness. IFAD's Action Plan for Improving its Development Effectiveness has provided a vehicle for the adoption of a management for development results (MfDR) approach, while its (new) operating model ensures that the Paris principles are consistently adopted in all COSOPs and project work – both design and implementation support. IFAD has monitored and reported on its performance in living up to the commitments under the Declaration, including the 2008 expanded monitoring study of the Paris partnership commitments (see paragraph 21 above).

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<sup>9</sup> Including the COSOP guidelines, project design and supervisions guidelines and QA and QE guidelines.

55. IFAD participated in the Accra High-level Forum on Aid Effectiveness in September 2008, and through the partnership with the Global Donor Platform for Rural Development, supported the initiative to include the agriculture sector in the round table discussions and rural civil society organizations (CSOs) both in the parallel CSO meeting and in the Forum itself. IFAD also contributed to the drawing up of, and has endorsed, the Accra Agenda for Action and its call for accelerated progress in the three areas of country ownership, building more effective and inclusive partnerships, and achieving and accounting for development results.
56. During the Eighth Replenishment period IFAD will:
- Ensure that the partnership commitments of the Paris Declaration, and the three areas of the Accra Agenda for Action, are reflected in all its country-level activities and its organizational systems and processes. It will continue to monitor achievements in all these areas.
  - Continue to add to collective efforts to improve the effectiveness of the United Nations in delivering development outcomes. IFAD will continue to participate actively in Delivering as One initiatives in the eight pilot countries and beyond. It will further strengthen its collaboration with the other Rome-based United Nations agencies, FAO and the World Food Programme (WFP). IFAD will also continue to play an active role in the United Nations Chief Executives Board and its key committees, to improve the effectiveness of the system as a whole, including further harmonization of approaches to policy, programmes, country-level operations and business practices. It will also build on the initiatives already taken to share the experience and lessons learned in implementing IFAD's own reform programme with other United Nations agencies (and IFIs) undertaking reform.
  - Continue to report to the Executive Board on progress against the evolving aid effectiveness agenda through the RIDE.

## **B. Country ownership**

57. Country ownership has been a defining feature of IFAD's approach to rural poverty reduction since it was founded. IFAD has never designed and implemented its own projects as do many international development agencies; instead it finances and supports projects and programmes owned and implemented by its developing country Member States themselves. The importance of country ownership is today widely recognized as a precondition for achieving development effectiveness, and is enshrined as such in the Paris Declaration on Aid Effectiveness and the Accra Agenda of Action. IFAD's Strategic Framework states that IFAD: "...will foster national leadership over the projects it supports by governments and other local actors, and by fitting its engagements squarely within existing national policy and strategic frameworks and ensuring that they contribute to their further development". Country ownership is also an explicit objective of the new operational processes and systems established under the Action Plan.
58. During the Eighth Replenishment period IFAD will strengthen and intensify its efforts to promote country ownership. It will:
- Strengthen national capacities and skills for project design and implementation and policy dialogue, and build the capacity of its own staff to promote country ownership in IFAD operations;
  - Ensure that government priorities drive its COSOPs and that these are developed with the involvement of a range of in-country stakeholders. Wherever feasible, it will support integrated and programmatic approaches. In all its design and implementation processes IFAD will: (a) implement the Paris Declaration and the Accra Agenda for Action; (b) actively seek the participation of the targeted rural communities, and assist them to build their organizations; (c) progressively conduct implementation support missions

jointly with governments; and (d) use the country presence to facilitate IFAD's engagement with in-country stakeholders and strengthen national capacities.

- Hold itself to account by measuring its performance against its commitments under the Paris Declaration, and reporting on it to its Executive Board annually through the RIDE. The ARRI will also provide an independent measurement of the results achieved.

### **C. Collaboration and partnerships**

59. Partnerships are central to aid effectiveness, and to IFAD's organizational model, mission and core business. A well-defined approach and creative, strategic and effective management of partnerships is essential if IFAD is to be effective in: (a) strengthening the capacity of organizations of poor rural people and fostering sustainable collaboration among farmers, government officials and private-sector representatives; (b) improving the quality, scope and impact of IFAD's operations and its organizational effectiveness and efficiency; (c) drawing on the knowledge of others and sharing its own for replication and scaling up and (d) mobilizing resources, generating global public goods, and creating the enabling environment needed to achieve the MDGs.
60. During the Eighth Replenishment period, IFAD will adopt a more systematic and strategic overall approach to partnerships. Priorities will be to:
- Increase the overall volume, and enhance the strategic value, of cofinancing partnerships;
  - Further develop its current strategic partnerships with FAO and WFP, farmers' organizations, the African Development Bank and the International Food Policy Research Institute (IFPRI);
  - Establish new partnerships with foundations, new official donors and private sector actors, and strengthen existing partnerships, such as those with the CGIAR and its member research centres, all with a view to better targeting its support, sharing knowledge and experience, and promoting replication and scaling up for greater results; and
  - Collaborate with others to influence policy and strengthen harmonization and improved standards, norms and measures of development effectiveness.
61. IFAD fully recognizes the risk of partnerships that involve high transaction costs and add little value. With a view to addressing this, IFAD will develop guiding principles and a framework to provide conceptual coherence for IFAD partnerships, and to guide staff in working in partnership with others. It will review existing partnerships, including all cooperation agreements and memoranda of understanding, with a view to strengthening those that contribute to IFAD's strategic objectives, and ending those that do not. It will enhance staff skills in identifying, establishing and maintaining effective collaboration and partnerships; and it will strengthen its systems to support partnership management, monitoring and evaluation. Results will be measured and reported on in the RIDE.

### **D. Strengthening IFAD's engagement with the private sector**

62. Small rural producers, as and when they interact with markets, are the smallest entities in the private sector. To flourish they need to be linked to markets through their relationships with other private-sector actors, and to be able to negotiate effectively with these other actors. A strong and diverse private sector, providing agricultural inputs, production services and markets that poor rural producers are able to access and use, is critical for increasing their agricultural production and incomes. IFAD's 2005 Private-sector Development and Partnership Strategy (PSPD) provides basic strategic direction for IFAD's approach to the private sector; and while, under the strategy, there is much that IFAD can do – and is doing – to

engage with a growing number of private sector actors and develop partnerships with them, IFAD is not currently able to provide financing directly to the private sector from its core resources.

63. Widening the range of financial sources and instruments at IFAD's disposal, to enable it to engage directly with the rural private sector, would complement and build on its existing strategy. While there are risks associated with such an approach, which will need to be carefully managed, direct support to the private sector could also bring substantial benefits to IFAD's target group of poor rural producers in terms of broadened economic opportunities. During the Eighth Replenishment period, IFAD will therefore:

- Continue to work through its regular operations and within the framework of the PSPD, to build the conditions for successful private-sector partnerships between smallholder farmers and other economic agents. IFAD will also seek to leverage external private-sector resources and mechanisms. The grants programme will also be increasingly used to support innovative institutional arrangements to promote partnerships with the private sector; this will be reflected in the revised grants policy to be presented to the Executive Board in December 2009.
- Explore with potential partners, taking into account the institutions and facilities that already exist, the need for a new facility to promote private sector investment that can stimulate pro-poor economic growth in rural areas. If such a need is identified, a proposal would be prepared and presented for approval to IFAD's Executive Board by December 2009.
- Assess the need, added value and feasibility of IFAD developing new instruments to engage directly with the private sector, including through non-sovereign lending and equity investments. To this end, and taking account of the experience in exploring the above facility, IFAD will present to the Executive Board by December 2011 a review analysing the experience of those international development agencies that have adopted such an approach. It is recognized however that the development of such new instruments would have significant implications for IFAD's current structure, the management of financial risk and the development of institutional and staff capacity. Approval of the relevant governing bodies would also be required.

## **E. Gender equality and women's empowerment<sup>10</sup>**

64. Across the developing world, rural women are generally poorer than men; they have less access to assets, services and decision-making, and are less likely to escape poverty. For all these reasons, targeting and empowering women is a key aspect of IFAD's poverty targeting strategy. In 2003, IFAD adopted a Gender Plan of Action to bring greater consistency to its efforts to integrate gender into its business processes and operations. With supplementary funding from Germany, Italy, Japan and Norway, this integration process has largely taken place. A follow-up Framework for Gender Mainstreaming in IFAD's operations was issued in July 2008. IFAD has also collaborated with FAO and the World Bank to develop the "Gender in Agriculture Sourcebook" launched in October 2008. This is an authoritative compilation of good practices and innovative activities to integrate gender into project and programme design.

65. Two thirds of projects reviewed at completion in 2007 were rated as satisfactory or highly satisfactory on women's empowerment and participation. Yet the mid-term assessment of the Gender Plan of Action found that there are a number of important areas in which IFAD needs to further improve its performance. Action is

<sup>10</sup> Issues related to gender balance in IFAD's workforce are addressed under Section VIII(c) on human resources reform.

already under way to address these through the new Gender Framework. In addition, into and during the Eighth Replenishment period, IFAD will take the following measures:

- Seek a peer review by key partners of its gender approach, to provide external feedback and benchmarking;
- Develop a corporate policy on gender to be submitted to the Executive Board by December 2010, drawing on the findings of the peer review.
- Report annually on its performance on gender in its operations through the RIDE, in the context of both IFAD's contribution to development outcomes and its operational effectiveness.

## **F. Climate change**

66. Over the past 30 years, IFAD has worked to assist poor rural people living in marginal or unfavourable agro-ecological conditions to manage their natural resources more sustainably, increase their agricultural productivity, and reduce their vulnerability to climatic shocks. In recent years the need for a more explicit climate change focus has become increasingly apparent. Supporting poor rural communities to adapt to climate change is now a feature of many projects; IFAD also has some limited experience of helping such communities benefit from mitigation activities. IFAD's (new) operating model provides for a range of new instruments and processes which are increasingly being used to ensure that in country strategies, and project design and implementation, attention is given to issues of climate change.
67. IFAD's policy engagement so far has been mainly through the mechanisms of the United Nations Framework Convention on Climate Change (UNFCCC), and it has focused particularly on drawing attention to the needs of poor rural communities in adapting to climate change and the opportunities they offer for contributing to mitigating its effects. IFAD is working with a range of partners, including the Global Environment Facility (GEF); the UNFCCC's Nairobi work programme on impact, vulnerability and adaptation to climate change; the Global Mechanism of the United Nations Convention to Combat Desertification (UNCCD), which is hosted in IFAD; the other Rome-based agencies, FAO and WFP; and the CGIAR and its research centres.
68. To further strengthen its engagement in climate change issues, IFAD will now:
- Build on the achievements realized so far, and ensure that all IFAD activities at the country level are consistently built upon an awareness of the potential effects of climate change and take these into account as necessary.
  - Develop a corporate strategy on climate change, to be presented to the Executive Board for approval by December 2009. The strategy will draw on IFAD's current and past experience and on the practices and strategies of other development organizations, and it will serve to ensure a common understanding on key climate change issues and guide their full integration into both IFAD operations and its advocacy work.
  - Complement its core resources by being open to and actively seeking additional funding, including from new sources that are becoming available. This would enable IFAD more rapidly and effectively to scale up its engagement in climate change issues, and to meet the additional costs that climate-related challenges impose on investments in development.
  - Work with partners to (a) support the development of a post-Kyoto regime that takes account of the concerns of poor rural communities, including indigenous peoples, and enables their organizations to have a voice in its design; and (b) work with these communities to benefit from the new regime once it is in place.

## **G. Sustainability**

69. Sustainability is defined as the continuation of benefits after major development assistance has been completed. The IEE rated IFAD's performance on sustainability as satisfactory in only 40 per cent of its projects between 1994 and 2003. More recent data show significant improvement; 67 per cent of projects achieved a satisfactory rating for sustainability according to the current draft ARRI. Members noted the very ambitious target of 80 per cent by 2010 and the ARRI conclusion that it is over-ambitious.
70. IFAD's approach to improving its performance on sustainability is built on the following measures:
- Focusing on the achievement of sustainability throughout the project cycle;
  - Ensuring full country ownership;
  - Using direct supervision and country presence to empower project managers to manage for results, absorb lessons learned and respond to new challenges and risks;
  - Working with target groups to identify and design project activities that respond to their priorities and the opportunities open to them;
  - Building the skills and organizations of target groups so that they can engage in financially viable activities and maintain profitable commercial relations with market intermediaries;
  - Analysing risks during project design and assisting implementing partners in identifying and addressing them as they arise;
  - Engaging in policy dialogue at country level to enhance the sustainability of project results; and
  - Ensuring that projects take into account the climate-related threats faced by the target group, and assist them to reduce their vulnerability to climatic shocks.
71. During the Eighth Replenishment period, IFAD will continue working to improve its performance on sustainability. It will review the target for sustainability in finalizing the results measurement framework for IFAD VIII, and will continue to measure its performance against the targets to be established in that framework. It will report on its performance annually to the Executive Board through the RIDE.

## **VIII. Organizational effectiveness and efficiency**

### **A. Management for development results**

72. IFAD has adopted a management for development results (MfDR) approach to focus the organization on achieving and measuring development results.<sup>11</sup> It is underpinned by: (a) the clear definition and statement of IFAD's strategic objectives in the Strategic Framework; (b) focusing all systems, processes and resources (human and financial) on achieving those strategic objectives; (c) ensuring that all systems, processes and resource uses, are consistent and aligned with each other; and (d) closely monitoring progress in achieving the strategic objectives, and using this information in decision-making and learning. The

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<sup>11</sup> IFAD is also building capacity for MfDR in its member countries. For example, through the introduction of results-oriented annual work plans and budgets within the projects it supports, it is tightening the links between project planning and monitoring and evaluation, and in a number of countries it is also strengthening country-level monitoring and evaluation and statistical capacities. IFAD also supports an initiative of the Joint Venture for MfDR to establish communities of practice in Asia-Pacific, Africa and Latin America, as model cases for South-South cooperation and peer-to-peer learning in MfDR approaches.

approach is used to bring operational and organizational performance together into an integrated and coherent system of planning, monitoring and accountability.

73. **Operational effectiveness.** At the country level, IFAD's main planning and monitoring instrument is the results-based country strategic opportunities programme (RB-COSOP). It serves to align all in-country activities with both countries' national development strategies and IFAD's strategic objectives, and to promote learning and accountability. It also builds stronger synergies among individual projects, and with other relevant development activities in the country. To gauge perceptions of IFAD's in-country performance, the organization conducts client/partner surveys each year. The surveys are concrete expressions of IFAD's support for the Paris Declaration principle of accountability and provide information that IFAD uses to better serve its clients.
74. At the project level, the quality enhancement (QE) and quality assurance (QA) processes strengthen project design and ensure alignment with corporate priorities. Project status reports and supervision reports provide data for monitoring project performance during implementation, while project completion reports assess performance at completion. These are complemented by project evaluations conducted by the independent Office of Evaluation (OE). IFAD's results and impact management system (RIMS) is used for reporting on project outputs and impact. The RIDE and the ARRI examine IFAD's overall programme performance each year. They are IFAD's principal tools for accountability to its governing bodies.
75. **Organizational effectiveness.** IFAD is also using MfDR to improve its management of resources, internal processes and policies – a precondition for enhancing its operational effectiveness. It has set up and operates a corporate planning and performance management system (CPPMS), which provides an organization-wide framework to focus and manage IFAD's work and align it with its strategic objectives, and to ensure coherence between IFAD's country-level activities and the management of its budget, human resources, internal processes and policies. At its core are eight corporate management results (CMRs) that reflect what IFAD intends to improve within the organization to achieve its strategic objectives. The CPPMS also includes: key performance indicators for tracking progress towards the CMRs; management plans to track departmental and divisional CMR contributions and results; and processes for identifying and managing risks to achievement of the CMRs. IFAD reports the results achieved under the CPPMS to the Executive Board through the annual RIDE. The system is linked to the budget through the results-based programme of work and budget, as well as to the corporate risk register. Within the staff performance evaluation system the CMRs also provide the basis for linking individual staff members' objectives and evaluations to corporate priorities.
76. IFAD has been invited by the multilateral development bank members of the Common Performance Assessment System (COMPAS) to participate in the 2008 survey for the self-assessment of both procedures and processes for delivering results and implementation of the results agenda. This will enable IFAD to compare its practices and performance with those of other members. The COMPAS group has also developed close communication with the Multilateral Organization Performance Assessment Network (MOPAN).
77. During the Eighth Replenishment period, the MfDR approach will be central to IFAD's efforts to improve its development effectiveness. IFAD will continue to:
- Focus on and measure results at COSOP and project levels, at entry, during implementation and at completion;
  - Refine the CPPMS, to reflect both emerging experience with the indicators used and evolving operational and organizational priorities; and
  - Report to the Executive Board on results achieved through the RIDE.

## **B. Consolidating the Action Plan reforms**

78. An assessment of the Action Plan, commissioned in early 2008 by three IFAD Executive Board member countries<sup>12</sup> “provided evidence that the Action Plan is leading to improvements in IFAD’s development effectiveness”. However, while its overall assessment of the implementation of the Action Plan was positive, it also identified a number of areas where continuing diligence would be essential, including: (a) maintaining the commitment to organizational reform demonstrated at IFAD since early 2007; (b) accelerating progress in effectively dealing with human resource management; (c) maintaining and improving staff morale while effectively realigning human resources; (d) strengthening its focus on innovation and strengthening partnerships for innovation; and (e) solidifying and mainstreaming the knowledge management strategy.
79. Into and during the Eighth Replenishment period, IFAD will respond to these and other challenges. It will:
- Carefully manage the transition from the first phase of reform under the Action Plan into a second phase of continuous change and deepened reforms;
  - Broaden the coalition of change agents within and across the organization;
  - Pay particular attention to human resources management reform (see Section VIII(c));
  - Rigorously respond to staff feedback. While in the 2008 staff survey over 75 per cent of the questions showed improvement, it also revealed areas of ongoing concern that will need to be addressed, including through staff and management training;
  - Review its business processes, and modify them where appropriate in order to improve cost-efficiencies, reduce risk and enhance the quality of its operations;
  - Ensure that new business processes are grounded in IFAD’s strategic priorities (including innovation and knowledge management) and in its core values; and
  - Continue to report to the Executive Board on its operational and organizational reforms, principally through the RIDE.
80. IFAD will also continue to actively engage with other, similar organizations both to share the lessons it has learned and the knowledge it has gained in implementing the Action Plan, and to learn from their experience of reform. It will build on experiences such as those in June 2008, when IFAD senior managers hosted a meeting to share experience with FAO’s senior management team – which is developing that organization’s response to its own independent external evaluation, and IFAD hosted a workshop which brought together nine MFIs and United Nations agencies to discuss and share experiences of organizational reform.

## **C. Human resources reform**

81. In order to achieve the ambitious agenda of strengthening IFAD’s development effectiveness while expanding its programme of work, the organization needs the right workforce, focusing on the right work at the right time.
82. Human resources reform represents the major unfinished business of the Action Plan, and much remains to be done in this area. Yet work is already under way, and a number of advances have already been made. These include: the establishment of the Human Resources Strategic Management Committee, chaired by the President to ensure continued senior management attention to human resources issues; the development of IFAD’s core values; the transparent assessment of the

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<sup>12</sup> Canada, Netherlands and Norway.

leadership of IFAD managers using 360 degree feedback; the strengthening of the performance evaluation system, which links pay to performance and is a basis for promotions; the establishment of the "SpringBoard" training programme for professional staff who have been recognized as high performers, to enhance their management and leadership skills; the re-launch of IFAD's induction process; the conducting of the 2008 staff survey and following through on the issues; and investment in e-enabled processes including on-line pay slips.

83. Priorities for human resources reform during the Eighth Replenishment period are as follows:
- **A more flexible workforce:** to be achieved by rightsizing the organization to better achieve its strategic objectives (including both hiring talented professionals to sustain its competitive advantage and releasing through a voluntary departure programme those who longer have the skills or motivation to maximize their contribution); aligning people to corporate priorities; deploying staff in developing member countries; internal movement; and strategically prioritizing the functions to be performed by IFAD staff, consultants and contracted service providers.
  - **A workforce with different and enhanced skills and knowledge:** to be achieved through sustained investment in capacity-building, technical and specialist skills to meet the development challenges facing IFAD; ensuring accountability for performance and compliance with values; and promoting diversity in terms of gender and geographical diversity.
  - **A workforce with high levels of engagement and motivation:** to be achieved by ensuring that, wherever possible, staff performance is assessed relative to IFAD's operational outcomes; that good performance is rewarded and poor performance is challenged; that feedback from staff is acted on; and that career opportunities for staff are promoted.
84. IFAD's People Strategy, to be launched in December 2008, will provide the framework for future achievements. Achievements against the medium-term goals for 2012 will be measured, and the most important indicators have been included in the results measurement framework for the Eighth Replenishment (annex 1). These will be reported on through the RIDE, which will be presented to the Executive Board each December.

#### **D. Financial management, fiduciary and transparency issues**

85. **IFAD budgets.** In order to achieve greater transparency, clarity and consistency in the organization and presentation of IFAD budgets, and to facilitate greater comparability with the practices of other IFIs, the relationship between the Project Development and Facilitation Fund (PDFF) and the administrative budgets as currently constituted must change. IFAD management will therefore engage with the Audit Committee of the Executive Board in the development and implementation of a clearer presentation of the expenditures currently budgeted for under the combination of the administrative budget and the PDFF. This will inform the preparation of an administrative budget for 2010 and subsequent years that incorporates relevant parts of the PDFF.
86. **Internal audit.** In October 2007, an external quality assessment (EQA) of IFAD's internal audit function concluded that it generally conforms with the internal audit standards set out by the Institute of Internal Auditors. Members of the Audit Committee welcomed the EQA, and Management is taking steps to continue improving the quality and independence of internal audit functions, in line with evolving best practice. Audit Committee members should have access to all internal audit reports as is the practice at other IFIs, and IFAD management will work with the Committee to set up appropriate procedures, including with regard to confidentiality, with a view to facilitating such access.

87. **Procurement.** In order to take account of experience gained and ensure that procurement under IFAD-supported projects conforms to international best practice, IFAD management will present the Executive Board by September 2010 with a review of its project procurement guidelines, including a comparison to those of the World Bank. IFAD will also ensure that its procurement guidelines are fully compliant with its anti-corruption policy.
88. **Disclosure.** IFAD is at the forefront of the IFIs in terms of disclosure. The Consultation invited the Executive Board to review the IFAD Policy on the Disclosure of Documents to facilitate the disclosure of project appraisal documents prior to the Executive Board meeting during which the project will be considered. For the sake of efficiency and cost neutrality, disclosure takes place through IFAD's public Website and documents are provided in their original language. Previously undisclosed documents that are eligible for disclosure are made available upon request, in accordance with the 2006 disclosure policy. Information on documents not disclosed will also be provided upon the request of a governing body.
89. **Risk management.** IFAD will continue to mainstream enterprise risk management (ERM) in all its operations and activities. In 2008, IFAD established its Enterprise Risk Management Committee and formulated its risk management policy. It will develop a corporate risk profile and will continue to integrate and embed risk management culture into IFAD's corporate governance initiatives and existing management processes such as results-based strategic planning and the internal control systems. The President will submit an annual report on its risk management activities to the Executive Board through the Audit Committee.
90. **Accountability and transparency.** IFAD has strengthened its accountability mechanisms, including through the establishment of the Sanctions Committee and the Harassment Investigation Panel. In line with best international practice, in 2009 IFAD will adopt an internal control framework, an accountability framework and a financial disclosure policy for relevant senior officers and staff.
91. **Administrative efficiency.** IFAD will continue to do more with less. While the programme of work will expand during the Eighth Replenishment period, the administrative budget will not increase proportionately. All business processes will be reviewed and streamlined, investments will be made in information technology, and alternative forms of service delivery will be explored to achieve efficiency gains and reduce transaction costs.

## **IX. Improving the implementation of the performance-based allocation system**

92. IFAD's performance-based allocation system (PBAS) provides a mechanism to allocate IFAD's resources among borrowing member countries, taking into account needs and performance. While responding to IFAD's specific mandate and operational priorities, the system shares many of the features of similar systems used by other IFIs and will be maintained during the Eighth Replenishment period. Members agreed that evolving best practices in other IFIs would be considered with a view to improving PBAS implementation in IFAD.
93. Recognizing that country opportunities and conditions change, members agreed that the Executive Board should consider enabling countries not initially included in the three-year allocation period to be brought into the third year. This would need to be done on the condition that a country or countries with a similar country scores are removed from the list, in order to maintain the balance of allocations between the borrowing countries.
94. Members highlighted that adjustments and improvements to the system are integral to its evolution. They requested that the Executive Board mandate the PBAS working group to continue its functions and, as well, review the best

practices of other IFIs and identify improvements to the system. Possible areas for examination include: the current level of minimum and maximum allocations and the need for the establishment of a set-aside facility, for example for fragile states, in addition to the current support for post-conflict countries. The reallocation approaches of other IFIs to reallocate funds from low to better performing countries would also be examined. The PBAS working group will review and assess all such proposals, which would subsequently be presented to the Executive Board for its consideration and approval.

## **X. Achieving and measuring results**

95. IFAD achieves, or contributes to, results at four levels: country progress in key development outcomes; IFAD's contributions to those outcomes; the operational effectiveness of its country and project activities; and its organizational effectiveness, i.e. its internal planning, management and monitoring systems, tools and processes. Better measurement and reporting of the results achieved is a key element of IFAD's efforts to improve its development effectiveness.
96. Over the past two years IFAD has established systems to measure, and manage for, results, particularly in terms of its operational and organizational effectiveness. It has also improved and consolidated its reporting; the first RIDE was presented to the Executive Board in December 2007. Some of the key findings of that report are summarized in Section IV above.
97. IFAD's results measurement framework for the Eighth Replenishment will enable IFAD to further improve and measure its development effectiveness; and its adoption will contribute to further embedding MfDR across the organization. The framework will measure and report on results at all four levels. It will be based firmly on what IFAD already has in place, while including new indicators where necessary to make it comprehensive. The basic elements of the framework are closely harmonized with those of other IFIs, thereby facilitating sharing of experience and comparability.
98. The Consultation endorsed the approach proposed for the results measurement framework for the Eighth Replenishment. The draft framework itself (shown in annex 1) will be revisited to reflect further results achieved and the emerging experience of using the current indicators for management purposes. The final framework will be submitted to the Executive Board in September 2009, prior to the start of the Eighth Replenishment period. Members stressed the need for simple, measurable and aggregable indicators that can be used by IFAD management and are accessible to outside stakeholders, to facilitate their understanding of IFAD's impact. Members endorsed the use of the RIDE as the reporting vehicle for the results measurement framework.

## **PART FOUR – FINANCING REQUIREMENTS FOR THE EIGHTH REPLENISHMENT PERIOD**

### **A. Resource requirements for the Eighth Replenishment period**

99. Members agreed on a total programme of work of US\$.... million for the Eighth Replenishment period. Total resource requirement amounts to US\$... million for the three year period, taking into account the HIPC Debt Initiative payments and administrative budget and Programme Development Financing Facility (PDFF), which together add US\$.... million to the programme of work.

### **B. Existing financing sources**

100. Existing internal sources of financing include the following:
  - Loan reflows derived from loan principal repayments, and interest and service charges, will constitute the main internal source of financing. Taking into account the impact of the Debt Sustainability Framework (DSF) in terms of

foregone reflows (US\$2.5 million) over the Eighth Replenishment period, total reflows are estimated at about US\$800 million.

- Other reflows, including cancellations or reductions on original loan and grant amounts, are estimated at about US\$250 million.
- Investment income, based on a targeted 3.5 per cent annual net return on IFAD's investment portfolio of approximately US\$2.5 billion, is estimated at US\$.... million.
- The advance commitment authority (ACA), which allows IFAD to use its stable and predictable loan reflows as a basis for commitment authority to make loans and grants. The maximum unused balance available under the current ACA (five years of future loan reflows) for the Eighth Replenishment is US\$.....

On the basis of the above four elements, a total of US\$ .... million will be realized from existing internal financing sources. This will leave a total financing gap for the Eighth Replenishment of US\$ ..... million.

### **C. Proposed financing for the Eighth Replenishment**

101. **Advance commitment authority.** During the Eighth Replenishment period, IFAD will maintain the ACA with a maximum use of seven years of reflows. Such a ceiling is substantially more prudent than the practices of other IFIs and will, in no way, affect IFAD's capacity to fulfil all future financial obligations. It will also be fully consistent with IFAD's liquidity policy.
102. An ACA ceiling of seven years will result in additional commitment authority of US\$ ..... million, so reducing the financing gap to US\$ ..... million.
103. **Member contributions.** Contributions from members will make up the remaining US\$ .....million.

## Results Measurement Framework for IFAD VIII

### Level 1: Country progress in key development outcomes<sup>a</sup>

Development outcomes at country level cannot be attributed to any single actor. However, as IFAD's goal is that poor rural people are empowered to overcome poverty, monitoring progress being achieved at the country, regional and global levels relative to this goal is critical for its work. The development outcome indicators relevant to this goal will focus on: (a) performance against MDG 1, the eradication of extreme poverty and hunger by 2015, particularly in the rural areas; and (b) macro-economic and agricultural sector performance.

<i>Indicator</i>	<i>Baseline year</i>	<i>Baseline value</i>	<i>MDG target 2015</i>
<b>Extreme poverty and hunger</b>			
MDG 1: Population living on less than a dollar a day (percentage)	2004	18.1	16
MDG 1: Prevalence of under-nourishment in population (percentage)	2002-2004	17	10
MDG 1: Children under 5 who are underweight (percentage)	2004	21.7	17
Number of rural poor (millions)	2002	890.0	-
<b>Macro and sector performance</b>			
GNI per capita (Atlas method, current US\$)	2004	1753	
GDP growth (annual percentage)	2004-2005	7.0	
Agricultural value added (annual percentage growth)	2004-2005	4.1	
Crop production index (1999-2001 = 100)	2004	112.4	

<sup>a</sup> Achievements against all indicators will be reported on by region (East Asia and Pacific, Europe and Central Asia, Latin America and Caribbean, Middle East and North Africa, South Asia, Sub-Saharan Africa)

## Level 2: IFAD's contribution to development outcomes.

While success in country-level rural poverty reduction cannot be attributed to IFAD operations alone, IFAD can assess its contribution, by considering the outputs and outcomes of those operations. The Framework will measure outputs and outcomes as a whole and in terms of IFAD's six strategic objectives, in the areas of: land and water management; agricultural technologies and production services; agricultural markets; rural financial services; off-farm employment; and local planning and programming processes.

<i>Indicator</i>	<i>Baseline value 2008</i>	<i>Achievements 2010-2012</i>
People receiving services from IFAD-supported projects	29.2 million	
• M/F ratio	57:43	
<b>Natural resources (land and water)</b>		
Area under constructed / rehabilitated irrigation schemes (ha)	240 000	
CPR land under improved management practices (ha)	3 996 000	
<b>Agricultural technologies and production services</b>		
People trained in crop production practices/technologies	2 795 000	
• M/F ratio	44:56	
People trained in livestock prod. practices/technologies	912 000	
• M/F ratio	38:62	
<b>Rural financial services</b>		
Active borrowers	4 818 000	
• M/F ratio	62:38	
Voluntary savers	9 954 000	
• M/F ratio	60:40	
<b>Agricultural markets</b>		
Roads constructed/rehabilitated (km)	19 400	
Marketing groups formed/strengthened	17 200	
<b>Off-farm employment</b>		
People trained in business and entrepreneurship	342 000	
• M/F ratio	48:52	
Enterprises accessing facilitated non-financial services	9 090	
<b>Planning and programming processes</b>		
People trained in community management topics	318 000	
• M/F ratio	26:74	
Village/community action plans prepared	19 800	

### Level 3: Progress in enhancing IFAD's operational effectiveness

IFAD's ability to contribute to country-level outcomes depends largely on how it manages its operations to ensure relevance, effectiveness and efficiency. Results and indicators at this level are more closely linked to IFAD's own actions; therefore they are not only monitored, but they are also vital elements of IFAD's system for results management. The Framework will assess the quality, performance and impact of IFAD country programmes and projects at entry, during implementation and at completion, as well as IFAD's international engagement and partnerships.

<i>Indicator</i>	<i>Stage in cycle</i>	<i>Baseline year</i>	<i>Baseline value</i>	<i>2012 values</i>
<b>Country programme-related indicators</b>				
Percentage of country programmes rated 4 or better for contribution to (a) increasing the incomes, (b) improving the food security, and c) empowering poor rural women and men.	At entry	2008	--	90
	During implementation	2007	85	80
	At completion	2008	--	70
Percentage of country programmes rated 4 or better for adherence to aid effectiveness agenda	At entry	2008	--	90
	During implementation	2007	79	80
	At completion	2008	--	70
Ratio of national and international cofinancing mobilized to IFAD financing for projects and programmes	At entry		1 : 1.1	t.b.d.
		2007		
<b>Project-related indicators</b>				
Percentage of projects rated 4 or better for effectiveness in one or more thematic areas of engagement	At entry	2007	67	90
	During implementation	2007	88	85
	At completion	2007	78	80
Percentage of projects rated 4 or better for impact on measurements of poverty among the target group, such as (a) physical and financial assets, (b) food security, (c) empowerment, and (d) gender equality	At entry	2007	76	90
	During implementation	2007	67	80
	At completion	2007	70	70
Percentage of projects rated 4 or better for innovation, learning and/or scaling up	At entry	2007	77	90
	During implementation	2007	80	80
	At completion	2007	65	65
Percentage of projects rated 4 or better for sustainability of benefits	At entry	2007	61	90
	During implementation	2007	77	80
	At completion	2007	63	80
Average time from project approval to effectiveness (months)	During implementation		15.17	t.b.d.
		2007		
Percentage of projects at risk	During implementation	2007	18.7	t.b.d.
<b>International Engagement and Partnership related indicators</b>				
(to be developed)				t.b.d.

t.b.d.: to be developed

#### Level 4: Progress in improving IFAD's organizational effectiveness

Improvements in operational performance are dependent on improved organizational effectiveness. The Framework will measure achievements against a range of indicators in the areas of resource mobilization and management, human resource management, risk management and administrative efficiency.

<i>Indicator</i>	<i>Baseline year</i>	<i>Baseline value</i>	<i>2012 target</i>
<b>CMR 4 – Improved resource mobilization and management</b>			
Rate of return on investment (percentage)	2007	5.96	t.b.d.
<b>CMR 5 – Improved human resource management</b>			
Staff engagement index <sup>a</sup>	2009	n.a.	t.b.d.
Proportion of workforce in direct/indirect operations	2008	n.a.	t.b.d.
Proportion of workforce from developed and developing countries	2008	n.a.	t.b.d.
Proportion of women in P5 posts and above	2008	n.a.	t.b.d.
Average time to fill professional vacancies (days)	2007	137	t.b.d.
Cost per payslip (US\$)	2009	n.a.	t.b.d.
<b>CMR 6 – Improved risk management</b>			
Percentage of high-priority internal audit recommendations that are overdue	2008	n.a.	t.b.d.
<b>CMR 7 – Improved administrative efficiency</b>			
Efficiency ratio (percentage)	2007	16.3	t.b.d.

<sup>a</sup> Composite indicator derived from selected responses to staff survey.

## IFAD VIII: Implementation matrix

Issue	Proposed actions	Target date
IFAD's role in middle income countries	Develop a paper outlining its approach for MICs for the consideration of the Executive Board.	December 2009
IFAD activities in fragile states	Introduce key issues relative to fragile states into relevant operational guidelines (including those for COSOPs, project design and supervision, and QA and QE guidelines)	December 2009
Partnerships	Develop guiding principles and a framework to provide conceptual coherence for IFAD partnerships.	December 2010
Strengthening IFAD's engagement with the private sector	Explore with potential partners the need for a new facility to promote private sector investment that can stimulate pro-poor economic growth in the rural areas. If such a need is identified, a proposal would be prepared and presented for approval to IFAD's Executive Board.	December 2009
	Present to the Executive Board a review analysing the experience of those international development agencies that have adopted new instruments to engage directly with the private sector, including through non-sovereign lending and equity investments.	December 2011
Gender equality and women's empowerment	Seek a peer review by key partners of its gender approach, to provide external feedback and benchmarking and help ensure that the corporate policy reflects best practice.	2009
	Develop a corporate policy on gender to be submitted to the Executive Board.	December 2010
Climate change	Develop a strategy on climate change, to be presented to the Executive Board.	December 2009
Financial management, fiduciary and transparency issues	<i>IFAD's administrative budget and Project Development Financing Facility.</i> Engage with the Audit Committee of the Executive Board in the development and implementation of a clearer presentation of the expenditures currently budgeted for under the combination of the administrative budget and the PDFF.	IFAD's administrative budget for 2010
	<i>Internal audit.</i> Work with the Audit Committee to set up appropriate procedures, including with regard to confidentiality, with a view to facilitating the access of committee members to all internal audit reports, as is the practice of other IFIs.	Ongoing

	<p><i>Procurement.</i></p> <p>Present the Executive Board with a review of its project procurement guidelines, with a comparison to those of the World Bank.</p>	September 2010
	<p><i>Disclosure.</i></p> <p>Executive Board to review the IFAD Policy on the Disclosure of Documents to facilitate the disclosure of project appraisal documents prior to the Executive Board meeting during which the project will be considered.</p> <p>Previously undisclosed documents that are eligible for disclosure will be made available upon request, in accordance with the 2006 Disclosure Policy. Information on documents not disclosed will also be provided upon the request of a governing body.</p>	Ongoing
	<p><i>Risk management.</i></p> <p>The President to submit an annual report on its risk management activities to the Executive Board through the Audit Committee.</p>	Ongoing
	<p><i>Accountability and transparency.</i></p> <p>Develop and formulate an accountability framework and adopt a financial disclosure policy for relevant senior officers and staff of the organization.</p>	Early 2009
Improvement of implementation of Performance-based Allocation System	Executive Board to mandate the PBAS working group to continue its functions and, as well, review the best practices of other IFIs and identify improvements to the system.	Ongoing
Achieving and measuring results	<p>The final Results Measurement Framework to be submitted for the approval of the Executive Board, prior to the start of the Eighth Replenishment period.</p> <p>The RIDE to be used as the reporting vehicle for IFAD VIII Results Measurement Framework.</p>	September 2009  Annually, each December
Grants	A revised policy on grants to be presented to the Executive Board.	December 2009
Strategic Framework	A new Strategic Framework to be delivered to the Executive Board to guide IFAD's activities in the period 2011 onwards.	December 2010

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

*(Definitive listing to be compiled once the report is finalized; the following list comprises only that documentation presented to the first three sessions of the Consultation)*

### Consultation documents:

Document No.	Title
REPL.VIII/1/R.2/Rev.1	Sessions and workplan of the Consultation on the Eighth Replenishment of IFAD's Resources
REPL.VIII/1/INF.2	Closing statement of the Chairperson
REPL.VIII/2/R.2	Meeting the challenge by delivering results: IFAD 2010-2012
REPL.VIII/2/C.R.P.1/Rev.1	Sequence of topics to be considered by the Consultation on the Eighth Replenishment of IFAD's Resources
REPL.VIII/2/INF.3	Closing statement of the Chairperson
REPL.VIII/3/R.2	Results and impact
REPL.VIII/3.R.3	IFAD's approach to sustainability
REPL.VIII/3/R.4	IFAD's response to food price increases
REPL.VIII/3/R.5	IFAD's Eighth Replenishment financial requirements
REPL.VIII/3/R.6	Draft outline of the Report of the Consultation on the Eighth Replenishment of IFAD's Resources
REPL.VIII/3/R.7	Programme priorities for the Eighth Replenishment period based on US\$3.3 billion in loan and grant operations
REPL.VIII/3/INF.3	Technical note on advance commitment authority
REPL.VIII/3/INF.4	Closing statement of the Chairperson

## **Draft resolution on the Eighth Replenishment of IFAD's Resources**