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Enabling poor rural people
to overcome poverty

IFAD at the Midterm of the Eighth Replenishment

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Consultation on the Ninth Replenishment of IFAD's Resources — First Session
Rome, 21 February 2011

For: **Review**

Contents

Abbreviations and acronyms	ii
Executive summary	iii
I. INTRODUCTION	1
II. IFAD OPERATIONS AT THE MIDTERM OF IFAD 8	2
A. Increased and accelerated delivery of loans and grants	2
B. Strengthening partnerships	4
C. Strengthening programme development, implementation support and scaling up	6
III. ACHIEVING IMPACT ON THE GROUND	9
A. Results Measurement Framework	9
B. Improving support for programme development and implementation	10
C. Results on the ground	11
D. Future challenges: addressing the sustainability and efficiency dimensions of development effectiveness	14
IV. ORGANIZATIONAL EFFECTIVENESS, EFFICIENCY AND TRANSPARENCY	17
A. Planning and resource allocation for results	17
B. Reforming key administrative services	19
C. Corporate management and increased transparency and efficiency	22
V. CONCLUSIONS	24
Annexes	
I. Implementation matrix for the Eighth Replenishment period	26
II. External reviews of IFAD's performance	30

Abbreviations and acronyms

DAC	Development Assistance Committee
EC	European Commission
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GAFFSP	Global Agriculture and Food Security Programme
IOE	IFAD Office of Evaluation
IEE	Independent External Evaluation of IFAD
IsDB	Islamic Development Bank
MOPAN	Multilateral Organisation Performance Assessment Network
OECD	Organisation for Economic Co-operation and Development
OFID	OPEC Fund for International Development
PBAS	performance-based allocation system
PMD	Programme Management Department
QA	quality assurance
QE	quality enhancement
RB-COSOP	results-based country strategic opportunities programme
RIDE	Report on IFAD's Development Effectiveness
RMF	Results Measurement Framework
SWP	Strategic Workforce Plan
UNCTAD	United Nations Conference on Trade and Development
WFP	World Food Programme

Executive summary

The Eighth Replenishment of IFAD's Resources

1. In February 2009, the thirty-second session of the Governing Council adopted the resolution on the Eighth Replenishment of IFAD's Resources (IFAD 8), covering the period 2010-2012. The target donor contribution level was set at US\$1.2 billion – a 67 per cent increase. The Consultation also agreed on a three-year programme of loans and grants from IFAD's own resources in the amount of US\$3 billion, representing a 50 per cent increase.
2. The decision to significantly increase IFAD's resources reflected the confidence placed by donors in IFAD's capacity to undertake a larger and more effective programme of work. It also reflected their growing concern at the uneven progress being made on improving global food security and achieving the first Millennium Development Goal to halve the number of poor and hungry people in the world by 2015.
3. In response to the demands of its donors, IFAD undertook to enhance its development, operational and institutional effectiveness and efficiency under IFAD 8. This midterm review presents the progress made as of the end of 2010 against the targets and commitments established in the Report of the Consultation on the Eighth Replenishment of IFAD's Resources and in IFAD's Results Measurement Framework (RMF) for 2010-2012.

Increased commitments and accelerated delivery of loans and grants

4. **Commitments and delivery of loans and grants.** In 2010, the first year of IFAD 8, the Fund committed US\$855 million, representing a 19 per cent increase over the programme of work achieved in the last year of IFAD 7. In 2011, the plan is to commit US\$1 billion, and the projection for 2012 is US\$1.1 to US\$1.2 billion. The pace of delivery of the Fund's financial assistance has also accelerated, with actual disbursements rising by 19 per cent in the four quarters to October 2010, and by 26 per cent relative to 2006.
5. The Fund is making encouraging progress in leveraging its resources to raise funds from other sources. In 2010, the Fund succeeded in mobilizing a total of US\$1.6 billion from Member States and donors. In 2011, it expects to raise a further \$1.65 billion in external resources.
6. IFAD Management believes that in the light of the progress made in 2010, it will successfully deliver the planned programme of work for IFAD 8 and mobilize a significant amount of external resources. Management is confident that the Fund will meet not only its quantitative targets but also the qualitative results targets set out in the RMF.
7. **Strengthened partnerships.** To promote a larger and more effective collective effort to develop small-scale agriculture and reduce rural poverty, IFAD has strengthened its partnerships at both the country and global levels. It has also developed a strong relationship with farmers' and community organizations to promote their effective participation in national and international policy dialogue.
8. The Fund is working directly with other development institutions to raise the overall level and effectiveness of official development assistance for agricultural development. It manages resources on behalf of other agencies and has signed important partnership agreements with development financing institutions such as the Islamic Development Bank and the OPEC Fund for

International Development. In addition, the Government of Spain has established a EUR 300 million Food Security Cofinancing Facility Trust Fund within the Fund.

9. **The new operating model.** IFAD's capacity to expand its programme of loans and grants, to mobilize resources from its development partners and to reach a larger target population has in large part been made possible by the changes in its business model. The major elements of the new operating model are: introduction of a strategic country programme approach and management team; results-based country strategic opportunities programmes (RB-COSOPs); direct supervision of country operations; opening and staffing of offices in partner countries; new project design guidelines; and an upgraded quality enhancement (QE) and quality assurance (QA) system.
10. As a result of these changes, over 90 per cent of projects are today supervised directly by IFAD, compared with a handful in 2006. Additionally, 28 of 30 authorized country offices are fully operational, compared with one in 2006. Country programme planning through the RB-COSOPs is a joint process undertaken with country partners. Nearly all countries for which surveys were completed by partner respondents reported satisfactory performance on harmonization.
11. **Scaling up.** One of IFAD's major objectives at the country level is to scale up successful approaches to sustainable smallholder development with national and international partners. With the Brookings Institution as a strategic partner, IFAD launched the first phase of a study on scaling up initiatives and experiences in 2009. This will be followed in 2011 by incorporating the scaling up agenda into key operational activities.
12. **Knowledge management.** IFAD sees knowledge management as critical to its work of extending effectiveness beyond the sphere of its own financing capacity. In 2010, IFAD published the first global report on smallholder opportunities and challenges in the post-crisis environment - the *Rural Poverty Report 2011*. This was followed in 2011 by an IFAD-organized international conference, "New Directions for Smallholder Agriculture". The Rural Poverty Report and conference findings are being taken into new contexts with new partners – including the World Economic Forum.
13. These activities have enabled IFAD to broaden and deepen its image as the advocate for smallholder agriculture, the rural poor and youth. It has also enabled it to take an active role in national, regional and international policy dialogues where it has stressed the important role of agriculture in economic development.

Achieving impact: Corporate and operational results

14. **The Results Measurement Framework.** In September 2009, the Executive Board adopted a revised RMF for the IFAD 8 period. The RMF sets targets for, and measures, IFAD's direct contribution to reaching global development goals through its project results. It also sets targets for and measures the quality of IFAD's internal processes and management to support results on the ground. IFAD's performance against those targets is reported in the annual Report on IFAD's Development Effectiveness (RIDE).
15. The 2010 RIDE shows that at the end of the second quarter of 2010, 230 IFAD projects were in operation, involving 36 million poor rural people as participants, with 7 million people added in the last year alone. In terms of gender distribution, 49 per cent of the people benefiting from IFAD programmes are women, well on track to meeting the 2012 target of 50 per

cent. In other indicators, women are already the clear majority among people trained in entrepreneurship, community management and livestock production.

16. In the first year of the Eighth Replenishment period, performance is also largely on track to reach, or has already reached, targets for 2012 as shown below.
- (a) **Impact on rural poverty:** Against the RMF 2012 target of 90 per cent of projects assessed positively for impact on rural poverty, IFAD reached 84 per cent in 2010, with the IFAD Office of Evaluation (IOE) assessing performance higher, at 86 per cent.
 - (b) **Project relevance:** The positive assessment was 98 per cent compared with the target of 90 per cent.
 - (c) **Innovation, learning and scaling up:** Performance was 79 per cent (with IOE scoring IFAD higher), compared with the target of 75 per cent.
 - (d) **Effectiveness:** The assessment was 86 per cent in 2010, compared with the 2012 target of 90 per cent (IOE's assessment was lower, but still over 75 per cent).
 - (e) **Sustainability and efficiency:** While performance relative to sustainability was much stronger in 2010 than in 2005, (76 per cent and 40 per cent respectively), and efficiency had also improved (66 per cent and 45 per cent respectively), these results lagged relative to other areas. To further improve results in these two key areas, IFAD has sharpened its focus on three major factors: market integration and competitiveness; environmental sustainability and adaptation to climate change; and promoting the engagement of women and youth in smallholder farming.

Organizational effectiveness and efficiency

17. **Renewed and strengthened corporate management.** Since the beginning of the IFAD 8 period in January 2010, the structure and composition of IFAD's Management have been renewed and strengthened. A new Vice-President was brought in and the Office of the President and Vice-President was reorganized and placed under a new Director. The span of control of the head of operations (now an Associate Vice-Presidency) has been broadened, with strengthened technical and environment divisions. A Chief Development Strategist was recruited to guide the Fund's strategy and knowledge management functions. In addition, two new senior management positions have been created -- Chief Financial Officer to head the Financial Operations Department and Head of Corporate Services (covering human resources, administration, IT and security). Recruitment for these positions is under way through an internationally competitive process.
18. **Strengthened planning and resource allocation.** To ensure that IFAD resources are fully aligned with its strategic objectives and that resources are used efficiently, the Fund has strengthened its corporate planning tools, reformed its administrative services and reinforced corporate management. In 2010, IFAD made important progress towards a complete and transparent system of activity management and resource allocation. This involved a proposed Strategic Framework for 2011-2015, a new Medium-term Plan (MTP), a new zero-based budgeting system and a new strategic workforce planning exercise.
19. The proposed Strategic Framework sets out IFAD's strategic objectives, areas of thematic focus and principles of engagement. The new MTP is a rolling three-year planning instrument to anchor activity planning and monitoring in

the results system. Under the zero-based budgeting process, resources were allocated in relation to the contribution they would make to future development results on the ground. And, for the first time, IFAD has a Strategic Workforce Plan (SWP) oriented towards achieving development results on a value-for-money basis (discussed in greater detail below).

20. **Reforming key administrative services.** IFAD has also undertaken important measures to reform two of its key administrative services: financial management and human resources management. These services are key to ensuring that the Fund has the organizational means and resources to achieve the development targets it has set for itself.
21. To ensure that IFAD has the required financial management capacity to meet emerging challenges, a separate financial department has been set up. In addition, the main financial system – the loans and grants system – is being overhauled and placed on a firm IT foundation.
22. The objectives of IFAD's first SWP, presented to the Executive Board in December 2010, are to increase the number of professional staff in development operations, focus on adequate staffing of IFAD country offices, and create a more structured path for capacity development among operational programme staff. In addition, the SWP calls for reducing administrative staff numbers through process streamlining and outsourcing and for better aligning labour costs with local market prices.
23. In line with these objectives, the proportion of the total workforce of staff and consultants employed directly in country programme development and implementation was 63 per cent in the third quarter of 2010 – well on the way to the 65 per cent target set for 2012 in the RMF.
24. In response to the request of the Eighth Replenishment Consultation, an external review of IFAD's compensation and benefits system was undertaken and the results shared with the Executive Board in December 2010. The report identified important alternatives to the system that IFAD has administered since its inception. Further consultations with the Board and staff will be held to agree on the best system for IFAD in the future.
25. Management has pursued other elements of the human resources reform agenda. These include: revision of the staff rules; preparation of an updated human resource procedures manual; reforming and upgrading the staff performance evaluation system; and implementation of a separation programme. In addition, job audits will begin shortly to provide a better picture of the actual deployment of staff.
26. **Transparency and accountability framework.** Management has also taken steps to increase transparency. A new policy on disclosure approved by the Executive Board in 2009 has brought IFAD up to the standards of other international financial institutions, such as the World Bank. In addition, a new accountability framework has been drawn up to provide a clear picture of the duties and responsibilities of Management and staff.
27. **Improving administrative efficiency.** A key challenge is further increasing administrative efficiency, for which the RMF includes a clear target. In 2011, less than a quarter of IFAD's annual operating budget is allocated to administrative services, whereas over 60 per cent is dedicated to development services. There has been no increase in real expenditures on administrative services since 2006, in spite of the large increase in the volume of operations. The available data indicate that overall corporate efficiency has been rising in real terms. Nonetheless, the medium-term objective is not only to raise administrative efficiency, a continuing endeavour, but to manage administrative costs. The approved administrative budget for 2011 is within

0.5 per cent of the 2012 RMF efficiency target. Management is committed to improving the overall efficiency of the Fund through further savings and improved business processes.

IFAD at the Midterm of the Eighth Replenishment

I. INTRODUCTION

1. In February 2009, the thirty-second session of the Governing Council adopted the Resolution on the Eighth Replenishment of IFAD's Resources (IFAD 8), covering the period 2010-2012. The target donor contribution level was set at US\$1.2 billion in order to finance and implement a three-year programme of loans and grants of US\$3 billion. The decision represented an unprecedented increase of 67 per cent in donor contributions to IFAD and a 50 per cent increase in the Fund's programme of work relative to the respective targets set for the previous replenishment.
2. The strong support given to IFAD 8 was a reflection of the confidence of donors in IFAD's capacity to undertake a larger and more effective programme of work, following the series of reforms that the Fund had carried out in line with the recommendations of the 2005 Independent External Evaluation of IFAD (IEE). It also reflected the donor community's increased concern with the state of global food security, manifested dramatically by the global food price crisis of 2008 and the very limited progress being made towards the attainment of global poverty reduction goals, especially Millennium Development Goal 1 (MDG1).
3. Indeed, for more than two decades, development investment in agriculture and rural development had been on the decline, and initiatives for sustainable rural production and income growth had dwindled. The outcome has been the persistence of rural poverty, with the number of hungry people estimated to have passed 1 billion in 2009.
4. In this context, and as set out in the Report of the Consultation on the Eighth Replenishment of IFAD's Resources (document GC32/L.5), donors urged IFAD to raise the quantity and quality of its operations by significantly expanding its new loan and grant commitments and sharply increasing the resources mobilized from domestic and international partners. The aim was to achieve investments in agricultural development, poverty reduction and improved food security totalling US\$7.5 billion over the Eighth Replenishment period. This level of operations would in turn enable IFAD to extend the outreach of the programmes that it supports to 60 million rural men and women.
5. Towards this end, IFAD undertook to enhance its development, operational and institutional effectiveness and efficiency and develop an improved framework for measuring its results. Further, it committed to preparing a set of strategies and policies to guide its work and strengthen its performance in the context of new and evolving realities facing smallholder agriculture and rural development.
6. The Report of the Consultation on the Eighth Replenishment of IFAD's Resources called for a midterm review of IFAD 8 to be presented at an early session of the Consultation on the Ninth Replenishment. This report responds to that commitment. It is the first of its kind for IFAD and aligns the Fund with the practices of other major international financial institutions. Its primary purpose is to report on the progress made by IFAD as at the end of 2010 – the first year of IFAD 8.
7. The midterm review assesses progress made in advancing the Fund's development, operational and institutional effectiveness and efficiency against measures, targets and commitments established in the Consultation Report¹ and in the Results Measurement Framework (RMF) for 2010-2012 (document EB 2009/97/R.2). It

¹ See in particular those listed in annex II of the report under the Implementation Matrix for the Eighth Replenishment Period.

draws on IFAD reports and, in particular, on IFAD's regular annual reporting and accountability mechanism to the Executive Board, namely, the Report on IFAD's Development Effectiveness (RIDE).²

8. This midterm review provides an account of:
 - (a) the delivery of IFAD's programme of work through new and ongoing programmes, expanding development partnerships and improving operational effectiveness;
 - (b) the development effectiveness and impact of IFAD-supported programmes measured against the RMF indicators and the challenges that lie ahead; and
 - (c) the measures that Management has taken to improve results by enhancing financial and human resources management, and corporate management and efficiency.
9. Progress against the relevant Eighth Replenishment deliverables is reported on in each section, and a tabular summary of progress against the specific policy and management deliverables agreed upon in the Eighth Replenishment Consultation, listed in the Implementation Matrix for the Eighth Replenishment Period, is provided in annex I of this report.

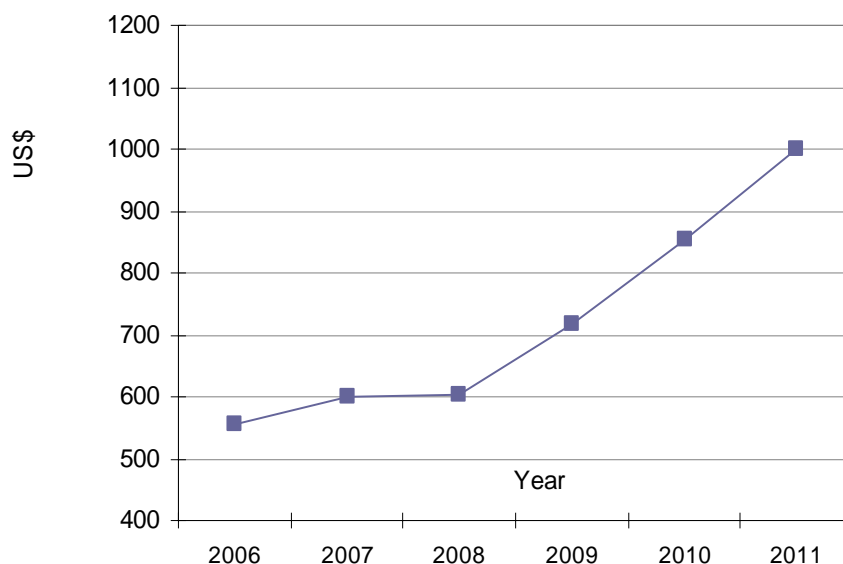
II. IFAD OPERATIONS AT THE MIDTERM OF IFAD 8

A. Increased and accelerated delivery of loans and grants Commitments

10. Under the Eighth Replenishment period, IFAD committed itself to raising its programme of work of loan and grants by 50 per cent. IFAD is delivering on this commitment, reflecting both the operational readiness of its partners and the Fund's own growing capacity to effectively design and support programmes and projects.
11. The programme of work under IFAD 8 represents a significant scaling up compared with that seen for IFAD 7. Under the latter, the Fund committed new loans and grants of US\$600 million in 2007 and US\$602 million in 2008 from its own regular resources. And in 2009, it committed US\$717 million, of which over 70 per cent was in grants or on highly concessional terms. Slightly over 50 per cent was allocated to the least developed countries. The total commitment under IFAD 7 amounted to US\$1.9 billion.
12. The Eighth Replenishment programme of loans and grants financed from the Fund's regular resources is projected at US\$3 billion. In 2010, the first year of IFAD 8, the Fund committed US\$855 million. This is 19 per cent higher than the programme of work achieved in the last year of IFAD 7. In 2011, the plan is to commit US\$1 billion and the projection for 2012 is US\$1.1 billion to US\$1.2 billion (see chart 1).
13. IFAD Management firmly believes that given the considerable demand for resources from its developing Member States and the growth in the Fund's institutional capacity, it will successfully deliver the planned programme of work in the remaining two years of IFAD 8. It is also confident that the Fund will meet not only its quantitative targets but also the qualitative results targets as set out in its RMF.

² Report on IFAD's Development Effectiveness (EB 2010/101/R.11), <http://www.ifad.org/gbdocs/eb/101/e/EB-2010-101-R-11.pdf>

Chart 1
Actual, planned and projected growth of commitments financed by IFAD's regular resources, 2006-2011
 (millions of United States dollars)



Disbursements

14. In addition to the rising level of commitments, the pace of actual delivery of the Fund's financial assistance has seen an acceleration in recent years. The time between approval and first disbursement of resources from IFAD to the recipient has been reduced by 25 per cent in one year. Similarly, the time lapse between receiving a withdrawal application from the recipient and the disbursement of funds is on track to being halved.
15. Actual disbursements are also rising quickly – by 19 per cent in the four quarters to October 2010, and by 26 per cent relative to 2006. They will rise more rapidly in the future as commitments increase and improvements in efficiency in the processing of loans and grants are realized.

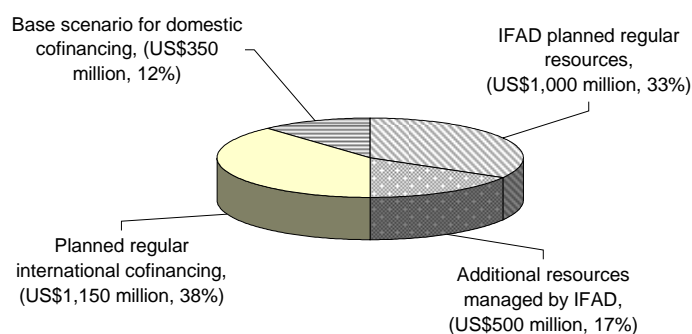
Mobilizing resources from other sources for smallholder development

16. An important role of the Fund, as noted earlier, is to leverage its own resources to mobilize financing from other sources. Progress has been encouraging in this regard during the IFAD 8 period. In 2010, in addition to its own regular resources, the Fund succeeded in mobilizing a total of US\$1.6 billion from Member States and donors to finance IFAD-supported projects.
17. In 2011, in addition to the US\$1 billion in IFAD resources to be committed in loans and grants, the Fund will also directly manage commitments of US\$0.5 billion on behalf of other financiers. Combining this with other conventional cofinancing targeted at US\$1.15 billion, the external resources mobilized for IFAD-supported projects are predicted to reach US\$1.65 billion. Clearly, this amount will constitute a very significant part of the total international assistance to small-scale agricultural production.

18. As its unique expertise and extensive experience in smallholder agriculture are increasingly recognized, the Fund is playing an increasingly important role in investment leadership and in packaging and mobilizing *domestic* financing as well. This is especially true in middle-income countries, which contain a large percentage of the world's rural poor people but have the resources and institutions to provide a platform for a dynamic and broad-based partnership with the Fund for smallholder development. The base scenario for domestic cofinancing for IFAD projects in 2011 is US\$350 million. The actual level achieved in 2010 was considerably higher - over US\$900 million.

Chart 2

Projected value and financing sources of projects to be approved in 2011



B. Strengthening partnerships

19. Under IFAD 8, the Fund's contribution to achieving MDG1 was defined in terms not only of producing better and more IFAD-funded projects, but also of promoting a larger and more effective collective effort to develop small-scale agriculture and reduce rural poverty. IFAD has sought to achieve this objective by strengthening partnerships at both the country and the global level. In addition, it has made a concerted effort to enable farmers' organizations to have a stronger voice in national and global policy dialogue.

Partnership with developing country governments

20. At the country level, the Fund's efforts to strengthen partnerships have involved: getting closer to government and local donor partners; taking the engagement of farmers and their organizations beyond the project level to build their role in key agricultural planning and investment processes; engaging the private sector in public-private partnerships; and promoting a strategic and results-based approach to smallholder sector policy and investment programming.
21. At the time of the IEE, IFAD was an almost entirely centralized institution operating from Rome. This situation has changed radically. By the end of 2010, IFAD had 28 field offices to support better coordination with governments, farmers' organizations, local donor representatives and the private sector. The increase in the staffing of country offices now accounts for most of the increase in IFAD's human resources.
22. In the performance review of the main development agencies undertaken by the Brookings Institution and the Center for Global Development, IFAD was ranked top for minimizing the burden on national development management. And in the 2010 report of the Multilateral Organisation Performance Assessment Network (MOPAN), IFAD was given high marks by developing partner governments for harmonizing its operations with their policies, programmes and procedures.

Partnership with international development institutions

23. At the global level, promoting partnerships for smallholder agriculture has involved the active participation of IFAD in a number of international initiatives. IFAD participates in the governance and implementation of new global mechanisms for investment and policy development for food security and tackling climate change. It is engaged in international policy processes and dialogues. It mobilizes new resources for smallholder development, including through public-private partnerships. And the Fund supports new South-South collaboration processes.
24. IFAD is also working directly with other development institutions to raise the overall level and effectiveness of official development assistance for agricultural development. It is a supervising agency and member of the Steering Committee of the Global Agriculture and Food Security Programme (GAFSP); a participant in the L'Aquila Food Security Initiative Working Group; a member of the United Nations Secretary-General's High-Level Task Force for the Global Food Security Crisis, for which it also hosts the secretariat; a multilateral implementing entity of the Adaptation Fund; an executing agency of the Global Environment Fund; host to the Global Mechanism of the Convention to Combat Desertification; and co-chair of the Global Donor Platform for Rural Development.
25. IFAD is also directly managing resources for smallholder development on behalf of other agencies. It is the key technical and financial intermediary in the flow of resources from the European Union/European Commission (EU/EC) to the institutions of the Consultative Group on International Agricultural Research (CGIAR). It implements a significant part of the European Union/European Commission (EU/EC) Food Security Initiative. It is managing substantial additional resources for project financing through the new cofinancing trust fund with the Government of Spain (EUR 300 million). It has signed programmatic agreements with the OPEC Fund for International Development (OFID) and the Islamic Development Bank (IsDB) (see box 1 below). The Fund is also responsible for two GAFSP-funded projects – for Sierra Leone and Togo – amounting to a total of US\$70 million.

Box 1

IFAD's partnership with IsDB and OFID

Partners since 1979, IFAD and **IsDB** are committed to working together closely through programmatic cofinancing, having signed a framework cofinancing agreement in early 2010. The agreement focuses on financing initiatives in the agriculture and rural development sector. The two organizations have developed a common pipeline of projects for a three-year rolling programme covering the period 2010-2012. The total financing contribution from both institutions towards this common pipeline is approximately US\$1.5 billion. In December 2010, IFAD signed a framework agreement with **OFID** with the overarching goal of assisting developing countries in alleviating poverty and increasing their level of food security. The agreement builds on the long-standing partnership between the two organizations and their shared interest in promoting innovative financing mechanisms to attract private-sector investment in agriculture and developing inclusive business models that bring benefits to both investors and small farmers. Over a three-year period, OFID will contribute at least US\$100 million per year to finance such operations.

Box 2

Spanish Food Security Cofinancing Facility Trust Fund

In 2010, the Government of Spain sought partnership with IFAD to deliver resources committed within the framework of the L'Aquila Food Security Initiative for financing projects and programmes focused on food security and agriculture in developing countries. To receive the Spanish contribution, IFAD's Executive Board approved, in September, the establishment of a EUR 300 million Spanish Food Security Cofinancing Facility Trust Fund. The trust fund consists of a loan from the Government of Spain in the amount of EUR 285.5 million, paid in a lump sum, and a grant of EUR 14.5 million to be committed during the Eighth Replenishment period (ending in 2012). The cofinancing facility proposed by the Government of Spain will not change the country allocations already set under the performance-based allocation system (PBAS) but will make a substantial additional contribution to scaling up IFAD-funded projects, enabling them to have a larger and more meaningful impact

Partnership with farmers' organizations

26. From its inception, IFAD has developed a strong relationship with farmers' and community organizations at the project level. In 2006, it launched the biennial Farmers' Forum, held parallel to the Governing Council. The forum brings together smallholder farmers' organizations from all parts of the world to identify key common issues such as the role of farmers' organizations in value chain development and how to promote food security and smallholder agriculture in a context of growing competition for land and other natural resources. It also provides a forum to discuss and agree on an agenda for collaboration with aid agencies. The deliberations of the Farmers' Forum have been shared with IFAD's Governing Council.
27. IFAD is playing a major role in fostering the engagement of farmers' organizations in agricultural policy and programme development. This is an important dimension of country programmes in all regions – as well as in broader initiatives. IFAD is financing AgriCord to manage a flexible funding mechanism to support the involvement of farmers' organizations in the detailed design of GAFSP projects and programmes. It is managing multi-donor activities such as the Support to Farmers' Organizations in Africa Programme, which is largely financed by the EC and aimed at strengthening the institutional capacity of the four African regional networks of farmers' organizations involving 36 member organizations in 33 countries. It has long-standing programmes supporting the engagement of farmers' organizations in agricultural policy formulation in all its operating regions, for example through the coordinating body for family farmers' organizations (COPROFAM) of the Common Market of the South (MERCOSUR).³ IFAD is also an active member of the Task Team on Empowerment of the Organisation of Economic Co-operation and Development (OECD)/Development Assistance Committee (DAC) Network on Poverty Reduction.

Partnerships with indigenous peoples

28. As part of the implementation of the Policy on Engagement with Indigenous Peoples, IFAD is establishing an indigenous peoples' forum. The first step towards establishing the Indigenous Peoples Forum at IFAD will be a two-day workshop organized by IFAD with the support of the International Work Group for Indigenous Affairs (IWGIA), scheduled to take place on 17 and 18 February 2011. About 30 representatives of indigenous peoples' organizations and IFAD Staff will discuss the possible directions, scope and objectives of the Forum, and how it should be organized and operate.
29. As IFAD's partnerships with a host of government and non-government institutions expand, it is essential that a review is undertaken to ensure that such partnerships are guided by clear strategic objectives. Towards this end, the IFAD Office of Evaluation will undertake a corporate-level evaluation in 2011 to assess IFAD's performance in this respect. The evaluation is an IFAD 8 deliverable and will be submitted to the Executive Board in 2011.

C. Strengthening programme development, implementation support and scaling up

IFAD's new operating model

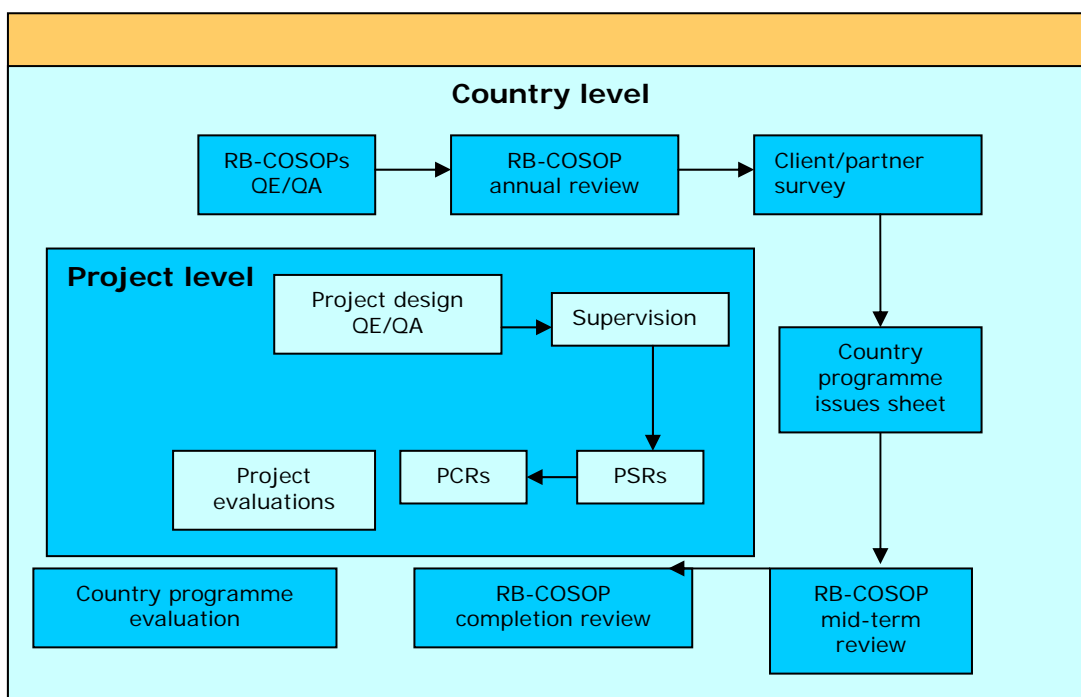
30. IFAD's capacity to expand its programme of loans and grants, to mobilize resources from its development partners and to reach a greater target population is in large part attributable to the changes it has introduced in its business model. In particular, since the Seventh Replenishment, and in response to the findings and

³ A regional network of 12 national organizations, created in 1994, representing approximately 350 second-tier family farmers' organizations in Argentina, Brazil, Chile, Paraguay, Peru, the Plurinational State of Bolivia, and Uruguay.

recommendations of the IEE, IFAD introduced a new operating model to improve its programme design, enhance country ownership and strengthen implementation support.

31. The major elements of the new operating model are:
- introduction of a strategic country programme approach and management team;
 - RB-COSOPs;
 - direct supervision by IFAD of its country operations;
 - opening and staffing of IFAD offices in partner countries;
 - new project design guidelines; and
 - an upgraded quality enhancement (QE) and quality assurance (QA) system.
32. Figure 2 presents the results planning and monitoring processes in country programmes. It shows that in the new operating model results drive operations and management at every level of IFAD's work.

Figure 2
Results measurement at the country and project levels



Note: PSR: project status report

33. As a result of the change in IFAD's operating model, over 90 per cent of projects are today supervised directly by IFAD, compared with a handful in 2006. Additionally, 28 of 30 authorized country offices are fully operational, compared with one in 2006. This is structurally the newest part of IFAD and the one where, according to MOPAN, both human resource management and operational procedures need to be optimized to achieve the maximum potential benefits of country-level presence.
34. An assessment is currently under way to guide the strategy for the next stage of country presence and decentralization. The results of the assessment will be presented to the Executive Board in May 2011. This is expected to lead to fuller decentralization of IFAD's professional staff engaged in development operations and increased delegation of authority to allow for faster decision-making and more efficient loan and grant administration.

35. Country programme planning through the RB-COSOPs is a joint process undertaken with country partners, who are providing direct feedback on IFAD's performance in, inter alia, harmonization. In 2010, nearly all countries for which surveys were completed by partner respondents reported satisfactory performance in harmonization. Project development and implementation are increasingly based on country teams and capabilities. At the headquarters level, final quality assurance for project design is in the hands of an arms-length team of internationally recognized external experts.

Scaling up

36. One of IFAD's major objectives at the country level is to scale up successful approaches to sustainable smallholder development with national and international partners. With Brookings as a strategic partner, IFAD launched the first phase of a study on scaling up initiatives and experiences in 2009. Completed in mid-2010,⁴ this first phase will be followed in 2011 by incorporating the scaling up agenda into the Strategic Framework, country programme and project design, portfolio reviews, supervision and implementation support, and IFAD's broader harmonization and development agenda.
37. Scaling up is not only about mobilizing and focusing international resources. It also, crucially, involves national policy and programming and the investment of national resources. This is particularly the case with middle-income countries which have a growing capacity for domestic resource mobilization.
38. As an IFAD 8 deliverable, a new policy on engagement with middle-income countries is under discussion with the Executive Board. The policy will encompass not only investments in these countries, but also the benefits of learning. In this regard, it will focus on the design and implementation of programmes in the context of dynamic economies, market integration, public-private partnerships and South-South collaboration.

Knowledge management

39. IFAD sees knowledge management as critical to its work of extending effectiveness beyond the sphere of what IFAD alone can finance. For some time, IFAD has been engaged in policy dialogue and knowledge development and dissemination, and its efforts have been positively assessed by MOPAN. Nonetheless, increased efforts are being made under IFAD 8 in this critical area of the Fund's operations.
40. In 2010, IFAD published the first global report on smallholders' opportunities and challenges in the post-crisis environment: the *Rural Poverty Report 2011: New realities, new challenges: new opportunities for tomorrow's generation*. This was followed in 2011 by an IFAD-organized international conference on "New Directions for Smallholder Agriculture", with the participation of internationally renowned experts in the field. The poverty report, the conference's findings and the recommendations of other studies and conferences are informing new contexts with new partners – including the World Economic Forum.
41. External demand for IFAD to play a stronger policy and knowledge management role is growing. This is reflected in the invitation of the G-20 Seoul Summit for IFAD to work with the Food and Agriculture Organization of the United Nations (FAO), the International Monetary Fund, OECD, the United Nations Conference on Trade and Development (UNCTAD), World Food Programme (WFP), the World Bank, the World Trade Organization and other key stakeholders to develop options on how better to mitigate and manage the risks associated with the price volatility of food and other agriculture commodities without distorting market behaviour.

⁴ Global Economy and Development at Brookings. Working Paper 43: Scaling Up the Fight Against Rural Poverty: An Institutional Review of IFAD's Approach.
http://www.brookings.edu/~media/Files/rc/papers/2010_ifad_linn_kharas/10_ifad_linn_kharas.pdf

42. Similarly, IFAD has worked in collaboration with UNCTAD, the World Bank, FAO and other international organizations to develop approaches for promoting responsible investment in agriculture. To ensure the mobilization of effective capacity to play a greater role in the global dialogue on food security issues and smallholder development, a Chief Development Strategist was appointed at Senior Management level in January 2010, charged with forming and heading up what became a new department of strategy and knowledge management at the beginning of 2011.
43. These activities have enabled IFAD to broaden and deepen its role as the advocate for smallholder agriculture, the rural poor and youth. It has also enabled it to take an active role in national, regional, and international policy dialogue where it has stressed the importance of agriculture for economic development.

III. ACHIEVING IMPACT ON THE GROUND

A. Results Measurement Framework

44. In 2005, IFAD became the first United Nations institution to undergo an independent external evaluation. This IEE confirmed IFAD's mandate as being highly relevant. Its capacity to deliver leading-edge results was, however, assessed as needing fundamental change and improvement.
45. In response to these findings, IFAD undertook a series of reforms during the Seventh Replenishment period (2007-2009). As discussed in the next section, Management has continued implementing a "Change and Reform" agenda under IFAD 8 to build on these earlier achievements.
46. During the Seventh Replenishment period, first and foremost, IFAD put in place one of the most comprehensive and effective systems of managing for development results. IFAD's system has been recognized as being leading edge by OECD, MOPAN, the Brookings Institution and the Center for Global Development.⁵ In the IFAD 8 period, this system is being extended to include a new, more ambitious and comprehensive apex framework for defining and measuring development results and institutional performance (the RMF).
47. The Executive Board adopted the RMF in September 2009 to govern the period 2010-2012.⁶ The RMF focuses on the smallholder and rural poverty problematic and tracks global progress against MDG1 targets. The RMF recognizes that IFAD works with other partners to achieve the goals of the international community and also that it is an important element of the international development architecture for making substantial inroads into poverty and hunger by 2015.
48. The RMF sets targets for, and measures, IFAD's direct contribution towards global milestones through project results. It also sets targets and indicators for the quality of IFAD's internal processes and management to support results on the ground. These measures as a whole set IFAD's overall challenge for 2010-2012, namely, achieving more results through increased operations, with higher-quality products underpinned by more efficient use of resources.
49. As reported to the Executive Board in the Report on IFAD's Development Effectiveness,⁷ the rapid increase in IFAD's programme of work (see paragraphs 10-17) and the measures being taken to align resources even more closely with results (see paragraphs 78-86) are producing immediate and tangible

⁵ In 2008, the OECD/DAC compared IFAD's performance favourably with the agriculture and rural development operations of other international financial institutions (IFIs) as well as of all multilateral organizations in terms of the indicators set by the Paris Declaration on Aid Effectiveness (Survey Monitoring Progress Towards the Paris Declaration, 2008). See also Nancy Birdsall and Homi Kharas, *Quality of Official Development Assistance Assessment. Brookings and Center for Global Development*, Washington, D.C. 2010; MOPAN Common Approach: IFAD 2010.

⁶ For details of the framework's structure, see: Results Measurement Framework for the Eighth Replenishment Period (2010-2012) (EB 2009/97/R.2), <http://www.ifad.org/gbdocs/eb/97/e/EB-2009-97-R-2.pdf>

⁷ See: Report on IFAD's Development Effectiveness (EB 2010/101/R.11). <http://www.ifad.org/gbdocs/eb/101/e/EB-2010-101-R-11.pdf>

results in terms of progress against RMF indicators. This is corroborated by the analysis and studies undertaken by the IFAD Office of Evaluation. Indeed, IFAD's performance today is dramatically better than the benchmark provided by the IEE in 2005.

50. The following section discusses progress being made against the targets set for improving programme development and implementation, and provides an analysis of the results achieved on the ground.

B. Improving support for programme development and implementation

51. IFAD's project design and implementation support are among the key services that it provides to developing countries. These have a decisive influence on the results achieved through projects financed by loans and grants. This is evidenced, for example, by the clear positive impact on project performance made by the shift to direct project supervision. The RMF has a very comprehensive set of (level 4) indicators for the quality of country programmes, project designs and implementation support against which performance is reported in detail in the RIDE.
52. Performance with regard to the quality of country programmes for poverty impact and harmonization already exceeds 2012 targets, revealing significant improvements over the baseline year of 2008. The assessment shows particular strength in the area of programme alignment with country objectives. Anticipated poverty impact and effectiveness are strong, exceeding 2012 targets, although progress against sustainability of benefits needs strengthening.
53. Under implementation support, all indicators show improvement on the baseline year. Targets for 2012 have already been exceeded for reducing time overruns of projects and for accelerating processing of withdrawal applications – an area identified as weak in the MOPAN report. IFAD 8 also involves a suite of deliverable policy and guidance tools for operations, which is being developed in full and extended collaboration with the IFAD Executive Board. Box 5 reports on progress.

Box 3

Eighth Replenishment deliverables: Operational guidance

The Revised IFAD Policy on Grant Financing was approved by the Executive Board in December 2009. While the main objective of the revised policy continues to be the promotion of successful and/or innovative approaches and technologies, together with enabling policies and institutions that will support agricultural and rural development, it takes into consideration the range of new issues that now impinge both positively and negatively on the lives of rural people, and the array of new players in the rural development arena today. What emerges is a picture of grant financing that offers some very strong partnership opportunities for IFAD, including a more substantial engagement with the private sector,⁸ and a stronger focus on innovation and learning.

Based on the experience amassed since it introduced the RB-COSOP in 2006, in 2010 IFAD updated its **RB-COSOP guidelines**. As requested by the Eighth Replenishment Consultation, the updated guidelines reflect state fragility issues, following DAC's Principles for Good International Engagement in Fragile States and Situations.

During the Eighth Replenishment Consultation, IFAD's Members reflected on IFAD's ability to differentiate its operations in **middle-income countries** (MICs), recognizing that the needs of MICs are varied and changing. To respond to this concern, IFAD produced a policy paper on its engagement with MICs and discussed it with the Executive Board in an informal seminar in September 2010. It was later reviewed by the Executive Board in December 2010 and will be further discussed in 2011.

IFAD views climate change and sustainable natural resource management as inseparable from its mandate. IFAD is not new to this area of work, where it has consistently sought to improve its effectiveness and impact. It presented new Procedures for Environmental Management and Sustainable

⁸ The revised policy allows – for the first time – grant financing to private-sector entities for specific and agreed grant-financed activities. Private-sector entities will be mostly locally based agri-businesses, processing companies, microfinance institutions or commercial banks that can engage directly with IFAD's target groups.

Development to the Executive Board in April 2009, followed by a Climate Change Strategy in April 2010. Proposals for a new Policy on Environment and Natural Resources – which would incorporate the Climate Change Strategy – were discussed in December 2010, and a planned new policy proposal is scheduled for 2011.

During the Eighth Replenishment Consultation, it was agreed that two major evaluations would be undertaken: one on IFAD's performance with regard to gender equality and women's empowerment and the other on IFAD's Private-Sector Development and Partnership Strategy. The former has been completed, and will be followed by a corporate policy and implementation strategy on gender; the latter is under way, and will be presented to the Executive Board in May 2011, at which point the need to propose a new policy and instruments for engagement with the private sector fully consistent with the Fund's mandate will be discussed. The evaluation will also contribute to Management's report to the Executive Board on the success of IFAD's efforts to develop a more selective **approach to partnerships** (scheduled for September 2011).

In May 2011 Management will present to the Executive Board a **revised format for the presentation of project documents**, in the context of the updated guidelines for RB-COSOPs and the design of projects and grants - including standards for results and logical frameworks.

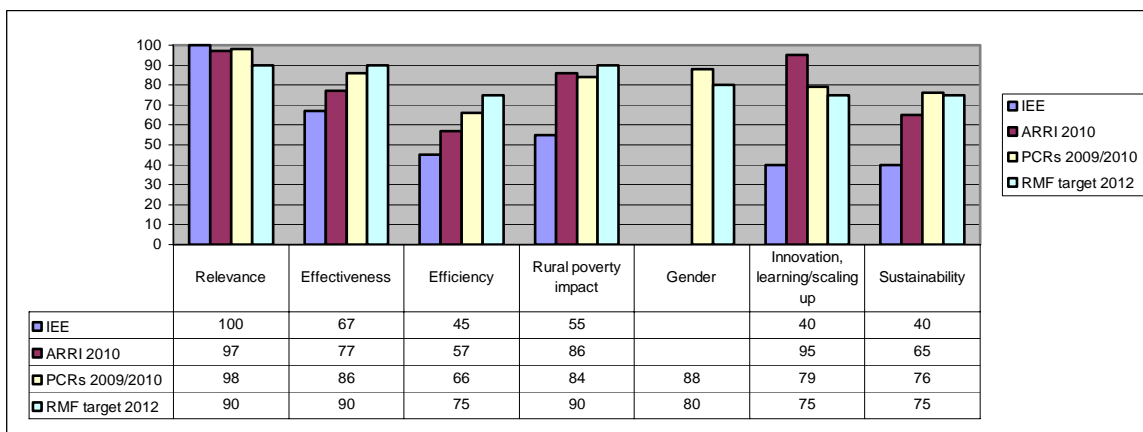
During the Eighth Replenishment Consultation, it was agreed that the **Performance-Based Allocation System Working Group** would continue its functions and would review other IFIs' performance to identify improvements that could be made to the system. The work of the group is ongoing.

C. Results on the ground

54. At the end of the second quarter of 2010, 230 IFAD projects were in operation, involving 36 million poor rural people as participants, with 7 million people added in the last year alone. In terms of gender distribution, 49 per cent of the people benefiting from IFAD programmes are women, well on track to achieve the 2012 target of 50 per cent. For other indicators, women are already the clear majority among people trained in entrepreneurship, community management and livestock production.

Chart 3

Key project performance indicators for IFAD's development results



IEE – Independent External Evaluation of IFAD, 2005

ARRI – Annual Report on Results and Impact (prepared by the Independent Office of Evaluation)

PCRs – Project completion reports

RMF – Results Measurement Framework

55. In 2010 these 36 million people, representing tens of millions of poor rural households, were building enduring and independent bases for income and improving their food security through better management of agricultural production and natural resources. Of these, 4.1 million people were being trained in crop technology and 4.9 million in the management of productive common property resources. In addition, accessible and self-sustaining rural financial institutions were providing services to 8.4 million savers and 4.8 million borrowers. Some 28,000 smallholder marketing groups were being assisted through investments in better

- market organization. Investments in infrastructure enabled the construction or rehabilitation of 21,000 kilometres of roads.
56. Project outputs – training, roads and finance to name a few – are generating proven and concrete improvements in rural lives. Of the 50 IFAD projects that closed in 2009 and 2010, 98 per cent passed the test for relevance to food security needs and 84 per cent for actual impact on rural poverty, including improved physical and financial assets, and increased food security and empowerment (see chart 3).
 57. In addition to providing such services, IFAD projects are also exploring new solutions in an ever-changing agricultural and rural context. Seventy-nine per cent of projects were rated positive for innovation, learning and scaling up, already surpassing the RMF 2012 target of 75 per cent. In the key area of marketing, the legacy of old projects with relatively poor performance is being overcome: 73 per cent of projects performed positively, compared with 63 per cent in 2008-2009. Even better performance in this area is anticipated as IFAD learns from the major expansion of activities in the area of market integration over the last four years.
 58. On every main indicator in common between the IEE and the measurement system of IFAD and its Office of Evaluation today (IOE) results are now much stronger, except for project relevance, where – despite the stricter criteria that have been adopted – actual results already surpass the RMF target for 2012 (see chart 3). The IEE did not measure results in terms of addressing gender issues. The current measurement framework does: the latest data show IFAD exceeding its target for 2012 (see also paragraphs 71-73 below).
 59. In the first year of the Eighth Replenishment period, performance is also largely on track to reach, or has already reached, targets for 2012 as shown below.
 - (a) **Impact on rural poverty:** Against the RMF 2012 target of 90 per cent of projects assessed positively for impact on rural poverty, IFAD reached the level of 84 per cent in 2010, with the IOE assessing the level as even higher, at 86 per cent.
 - (b) **Project relevance:** The positive assessment was 98 per cent compared with the target of 90 per cent);
 - (c) **Innovation, learning and scaling up:** The level was 79 per cent (with IOE scoring IFAD higher), compared with the target of 75 per cent.
 - (d) **Effectiveness:** The assessment was 86 per cent in 2010, compared with the 2012 target of 90 per cent (IOE's assessment was lower, but still over 75 per cent).
 - (e) **Sustainability and efficiency:** While performance relative to sustainability was much stronger in 2010 than in 2005, and efficiency had also improved, these lagged relative to other areas.
 60. According to the IOE Annual Report on Results and Impact of IFAD Operations (ARRI) evaluated in 2008, "Benchmarking against other agencies illustrates that IFAD's project performance is largely similar to that of the World Bank's agriculture and rural development portfolio globally. The relevance and efficiency of IFAD-funded projects are better than those of the African Development Bank and IFAD's project performance and sustainability overall continue to be better than those of the Asian Development Bank". In sum, it is evident that IFAD has become very successful in achieving impact on rural poverty.
 61. In box 4, examples of IFAD projects in the fields of natural resource management, market chain integration, rural financial services and gender are presented. These projects provide a bird's eye view of the types of results that IFAD is achieving on the ground.

Box 4
Examples from the field

Natural resource management

Through the **Mount Kenya East Pilot Project for Natural Resources Management (MKEPP)**, IFAD financing supports the Government's goal of promoting environmental conservation as a means of ensuring sustainable livelihoods for the rural poor. Since the implementation area is adjacent to the Mount Kenya National Park and Reserve, the project addresses the serious problem of conflict between humans and wildlife, a major challenge for the neighbouring crop farmers. The project has had a clear impact on natural resource management and has reached about 365,000 individuals, of which almost 50 per cent are women. It has contributed to improved river basin management by strengthening water resource users' associations and water users' associations, and by building the capacity for coordinating natural resource management among district staff. MKEPP has also contributed to the development of more efficient irrigation systems and rainwater storage and harvesting systems. Synergies developed with the national water management authority ensure sustainability of results beyond the project time frame. As regards environmental conservation, besides hilltop, spring, riverbank and roadside conservation and forest rehabilitation, MKEPP has strengthened farmers' field schools and community groups. Over 3,900 hectares of land are now under improved management practices, and irrigation schemes have been either constructed or rehabilitated on over 1,500 hectares. About 2,000 beneficiaries have been trained in crop production practices and technologies, and about 3,000 in community management issues

Increased production and market chain integration

The **Vegetable Oil Development Project (VODP)** in Uganda is the largest public-private partnership project in IFAD's portfolio and has demonstrated that it is possible to leverage private-sector investments through the strategic use of IFAD funds. The VODP has succeeded in developing and expanding oil palm and oilseed production to reduce dependency on imports, increase smallholder incomes in innovative ways and generate employment. The project has reached approximately 100,000 households, where it has increased nutrition and earnings and supported the establishment of savings and credit cooperatives. Following a successful evaluation, the second phase of the project (VODP2) has been approved and will continue the partnership with Oil Palm Uganda Limited (OPUL). It is expected that the second phase will raise the volume of oilseed crushing material produced by smallholders and consolidate direct linkages with processors to ensure the supply of vegetable oil and its by-products to Ugandan consumers. Under VODP2, about 136,000 households are expected to benefit from increased cash income as a result of cultivating oilseed crops.

Rural financial services

In Ethiopia, the IFAD-initiated **Rural Financial Intermediation Programme** has demonstrated the potential of rural finance to enable a large number of poor people to overcome poverty. The programme has achieved impressive results in expanding the outreach of financial services provided by operationally sustainable microfinance institutions (MFIs) and rural savings and credit cooperatives, with the clientele growing from about 700,000 poor rural households to nearly 2.4 million over five years. Women account for about 30 per cent of clients served by the MFIs and 50 per cent of clients using the cooperatives. The overall financial and operational self-sufficiency of MFIs have also improved remarkably, and the programme has successfully linked MFIs with the banking sector. Based on experiences and lessons learned from the programme and best practices elsewhere, a second phase will expand outreach to an additional 2.6 million poor rural households over the next seven years.

Gender

The **Rural Development Programme for Las Verapaces (PRODEVER)** in Guatemala is a pioneering initiative to improve the rural economy of an area devastated by civil war and inhabited mainly by indigenous peoples. In pursuing its goal to reduce poverty among the poorest rural families, the programme mainstreamed gender equality and indigenous women's empowerment into all project activities. By doing so, the programme succeeded in reaching nearly an equal number of men and women, for a total of 64,000 individuals receiving project services. Women's membership and leading roles in community and producers' associations increased considerably, from 3 to 40 per cent. To achieve this, the programme has invested in empowering women by training them alongside men to build their management and leadership capacity, while at the same time promoting increased productivity, income and equal gender relations, hence creating a virtuous cycle of change. Thanks to the programme's decision to avoid traditional and non-remunerative "women activities", women have been involved in high-value production, and have greatly contributed to achieving the programme's income-generating goals. This has led to a visible improvement in quality-of-life standards. Very importantly, the possibility of earning a decent living from the agricultural activities promoted by the programme has provided indigenous people with a solid alternative to seasonal or permanent migration.

D. Future challenges: addressing the sustainability and efficiency dimensions of development effectiveness

62. Although the results of IFAD's operations in four areas – impact on rural poverty, relevance, innovation, learning and scaling up, and effectiveness – either exceed the targets set for 2012 or are likely to meet them, ensuring that results are sustainable, and that they are achieved at a reasonable cost, clearly remains a challenge. While IFAD has improved a great deal in these areas since 2005, it is clear that as a sector leader promoting scaling up it must do better if smallholder development is to fulfil its potential as a dynamic contributor to global food security.
63. Addressing the sustainability-efficiency nexus requires raising returns on investment (efficiency) to provide the means among smallholders, governments and other partners to maintain and expand positive results (sustainability). In this regard, IFAD has sharpened its focus on three key factors necessary for enduring improvement in smallholder production and income generation: market integration and competitiveness; environmental sustainability and adaptation to climate change; and promoting the engagement of women and youth in smallholder farming.
64. **Market integration and competitiveness.** A central thrust of IFAD's programmes today is to support smallholder development that is better attuned to market opportunities, that has a better social and institutional framework for risk management,⁹ and that is supported by modern and business-based supply and output marketing chains.
65. IFAD is using its development assistance to achieve these objectives by: (i) pursuing public-private partnerships that bring major capital investment and cutting-edge technology into smallholder value chains; (ii) stimulating medium- and small-scale national enterprises in agro-processing and input supply; (iii) facilitating the entry of upstream commercial banks into financing smallholder production (e.g. in collaboration with the Alliance for a Green Revolution in Africa in Kenya); (iv) facilitating contract farming arrangements; and (v) addressing issues of quality control that are rapidly emerging from the global transformation of food demand, distribution and processing.
66. An essential component in these efforts is growing emphasis on value chain development for improving the framework for production and income growth. Another is the complementary approach to rural finance as a system for recycling the savings of poor people to support their own investment purposes, as well as for channelling upstream private capital and remittances¹⁰ into profitable small-scale agricultural enterprises. Common to both is the involvement of the private sector as an active partner with governments and small farmers, and as a strategically critical provider of market linkages, technology and capital that must figure, directly or indirectly, in the sustainability strategy of all programmes.
67. Since 1999, IFAD has financed 78 projects involving value chain development targeted at smallholders with very strong expansion in this area after 2005 (73 per cent of the projects were initiated since 2006). As shown in graph 1, today they

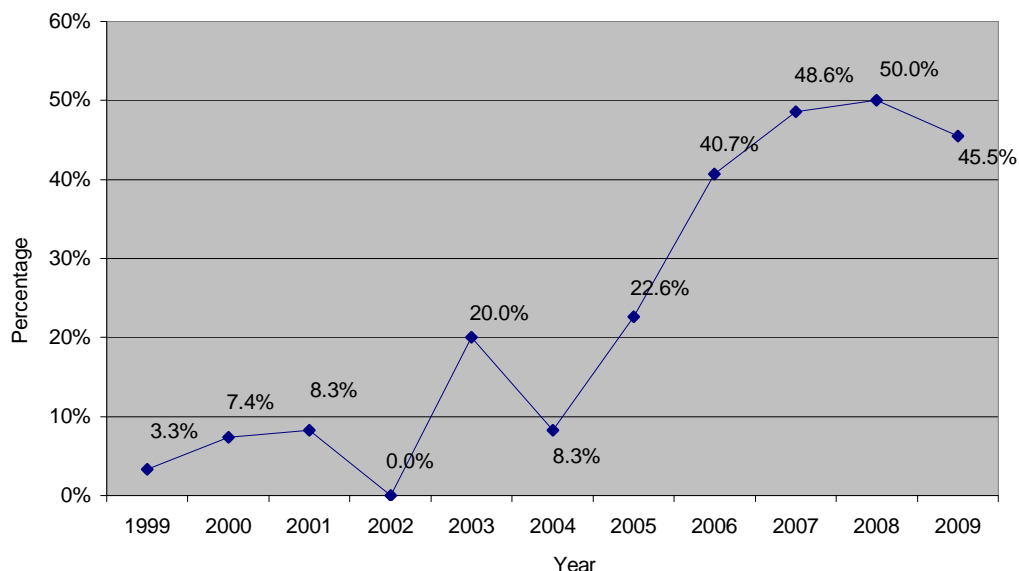
⁹ For example, IFAD and WFP, with initial support from the Bill and Melinda Gates Foundation, have been collaborating since 2008 on research and planning for insurance schemes designed to help shield small farmers from the impact of natural disasters and climate change. See WFP and IFAD, *The Potential for Scale and Sustainability in Weather Index Insurance for Agriculture and Rural Livelihoods*. Rome, 2010.

¹⁰ IFAD is the coordinator of the Financing Facility for Remittances, supported by the Consultative Group to Assist the Poor, the European Commission, the Ministry of Finance of the Grand Duchy of Luxembourg, the Ministry of Foreign Affairs and Cooperation of the Kingdom of Spain, the Multilateral Investment Fund and the United Nations Capital Development Fund.

represent almost half of the total new projects approved. Marketing is a central component of the new vision. In 2008-2009, 63 per cent of completed projects were rated positive for support to marketing. In 2009-2010, the proportion rose to 73 per cent.

Graph 1

Value chain projects as a percentage of all projects presented to the IFAD Executive Board



68. This is still a learning area, particularly with regard to ensuring equitable growth, penetration into less favoured areas, and the development and maintenance of standards of responsible investment and corporate social responsibility among partners. It will be a major focus for IFAD's knowledge management and sharing, as the Fund and its partners confront the concrete issues of developing the capacities of smallholders themselves as the bedrock of the private sector in rural areas – and of supporting a framework of relations between large-and small-scale actors that is profitable for both.
69. **The environment and climate change.** Natural inputs are key determinants of smallholder cost structure and profitability. Historical project performance in this area indicates that IFAD has underinvested in support of natural resource management.¹¹ With a new Environment and Climate Division, IFAD has upgraded its capacity to identify and work on some of the very specific environmental management and climate change challenges confronted by smallholders. It is also mainstreaming natural resource management and adaptation to climate change into its economic development and sustainability strategy. In 2009, 77 per cent of completed projects were rated positively for preserving or rehabilitating the environment. In 2010, the figure reached 87 per cent.
70. As an IFAD 8 deliverable, in April 2009 IFAD reviewed its procedures for environmental management and sustainable development with the Executive Board. In April 2010, it presented its new strategy on climate change, another IFAD 8 deliverable. In December 2010, it shared its proposed new policy on environment and natural resources with the Executive Board, with a view to approval in September 2011. The engagement has changed, not only quantitatively but also qualitatively as the issue ceases to be a stand-alone concern and has

¹¹ Nonetheless, MOPAN rated IFAD as strong in its cross-cutting thematic focus on environment and gender.

migrated into the core economic development strategy – linked to the emerging question of the role of smallholder development and resource management in the global energy and water equations.

71. **Engaging women and youth.** The sustainability of IFAD-supported programmes and projects crucially depends on the extent to which the projects engage women and specifically address gender issues. IFAD's record in engaging women is improving. Of all projects completed in 2010, 88 per cent were rated positively for addressing gender issues (exceeding the RMF target for 2012) – compared with 76 per cent in the previous year. Nonetheless, IFAD is moving to make sure that performance improves.
72. As an IFAD 8 deliverable, in 2010, the IOE produced a corporate-level evaluation of IFAD's performance with regard to gender equality and women's empowerment. The evaluation found that IFAD outperforms its peer IFIs by virtue of integrating gender issues into every level of project design and implementation.¹² Unusually in this area, IFAD's performance on the ground was found by both the evaluation and the MOPAN report to be better than its performance on paper, i.e. in project design, and better in new projects and programmes than in older operations.
73. Management is committed to doing better. A new evidence- and results-based corporate policy on gender equality and women's empowerment will be discussed with the Executive Board in 2011. Meanwhile IFAD is pursuing more vigorously the positive trends identified in the evaluation report: gender-responsiveness in project design and implementation; and inclusion of gender expertise in project-cycle-related missions, project management and country presence structures. IFAD will also continue to fulfil the commitments that it made relative to the third Millennium Development Goal (MDG 3 – the promotion of gender equality) when receiving the Global MDG3 Champion Torch. These commitments include raising the percentage of senior staff who are women, an area in which, according to IOE, IFAD has accomplished much relative to most comparators.
74. The effective engagement of **rural youth** is also critical for the sustainability of development results. The global population of young people aged 12-24 is currently 1.3 billion and is projected to peak at 1.5 billion in 2035. It will increase most rapidly in sub-Saharan Africa and South-East Asia. In sub-Saharan Africa, young people aged 15-24 account for 36 per cent of the entire labour force, 33 per cent in the Near East and North Africa, and 29 per cent in South Asia.¹³ Young people are at the spearhead of migration from rural areas. They are abandoning agriculture and are largely unengaged in planning for and investing in its future. By contrast, much of the effort in agricultural development has been focused on older men, who constitute only part of the agricultural work and management force.
75. From the perspective of strategic growth and sustainability, this is not an encouraging situation. IFAD is sharpening its engagement strategy to ensure that participation includes the vital elements of the present and the future. Placing smallholder agriculture on a business basis is both a gender and a generational issue. Towards this end, IFAD organized its first meeting on Youth Entrepreneurship and Rural Microenterprising in Cartagena, Colombia in November 2010 to launch the dialogue on the role of rural youth in rural development. Management is also proposing that the creation of viable opportunities for rural youth be a principle of engagement in IFAD's new Strategic Framework, 2011-2015.

¹² In 2009 IFAD joined with the World Bank and FAO in producing and publishing a comprehensive and practical *Gender in Agriculture Sourcebook*.

¹³ Paul Bennell, *Promoting Livelihood Opportunities for Rural Youth*, prepared for the Youth Round-table at IFAD's Governing Council in 2007.

IV. ORGANIZATIONAL EFFECTIVENESS, EFFICIENCY AND TRANSPARENCY

76. The RMF is IFAD's apex management tool. All planning and resource allocation is oriented towards achieving its targets, and performance is monitored at all levels through an internal Corporate Planning and Performance Management System (CPPMS).
77. As part of its reform programme, IFAD has sought to ensure that the allocation of its resources is aligned with its strategic objectives and that resources are used efficiently. Towards this end, IFAD is strengthening its corporate planning tools, reforming its administrative services, strengthening corporate management and improving efficiency. Important changes have been achieved or are under way in all these areas.

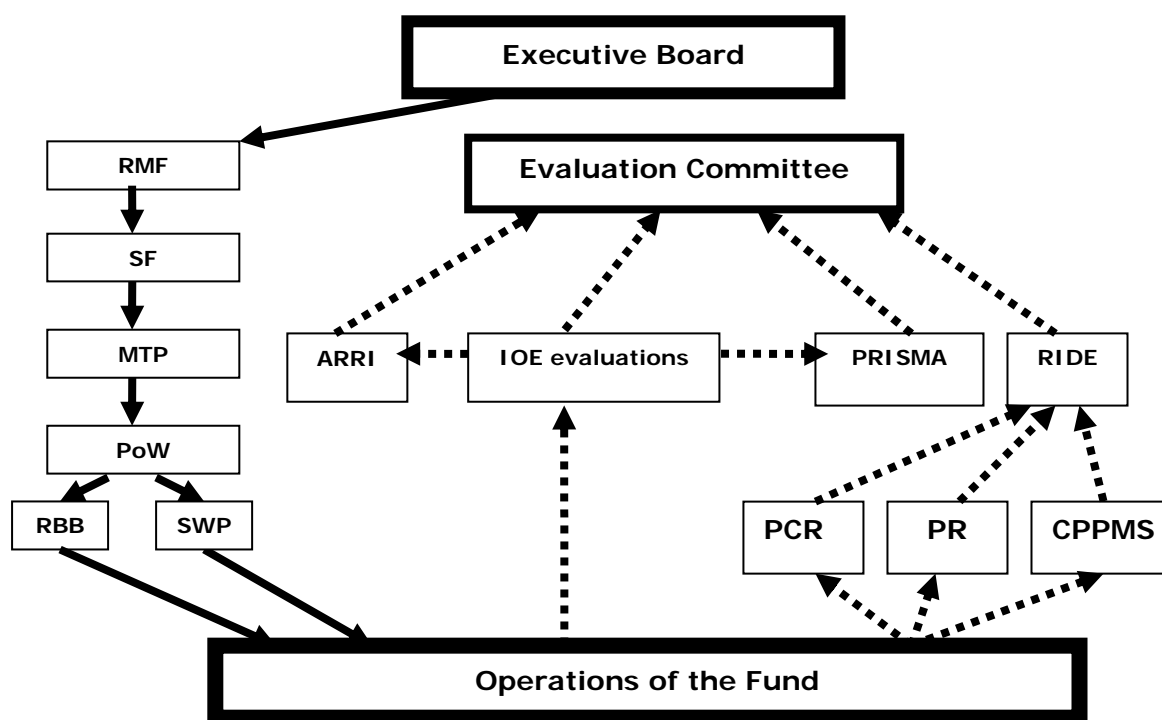
A. Planning and resource allocation for results

78. In 2010, IFAD made important progress towards a complete and transparent system of activity management and resource allocations for results. This involved a new Strategic Framework, a new Medium-term Plan (MTP), a new results-based budgeting system, and a new strategic workforce planning exercise (IFAD 8 deliverables with respect to these instruments are shown in box 5):
- (a) **The Strategic Framework:** In 2010, IFAD opened discussion with its Executive Board on a proposed Strategic Framework for 2011-2015, an IFAD 8 deliverable. The Framework sets out the Fund's strategic objectives, its key thematic areas of focus, and its principles of engagement. It also lays out the measures required to deliver the Strategic Framework through managing for results, managing quality and increasing efficiency. There is much in the proposed Strategic Framework that remains unchanged: many of the underlying realities keeping rural women and men in poverty remain, and they need to be addressed urgently. The proposed Framework, however, has many fresh elements, starting from a coherent vision of rural economies as dynamic spaces, with both new opportunities and risks for small farmers and other rural poor people. This vision draws, on the one hand, from the analysis of current challenges and opportunities in rural development and smallholder agriculture presented in the Rural Poverty Report 2011, and, on the other, from the experience of a new generation of projects.
- (b) **The new Medium-term Plan.** In 2010, Management presented a new medium-term (rolling three-year) planning instrument to anchor activity planning and monitoring in the results system. The MTP takes achieving the RMF results as its objective and the Strategic Framework as its broad basis of engagement, and lays out the detailed and concrete activities and outputs that will be delivered to reach them. It identifies lines of accountability – of staff and units to Management, and of Management to the Executive Board. The reporting mechanism is the RIDE, which reviews results and what is being done to achieve them.
- (c) **The new results-based budget.** In December 2009, Management delivered to the Executive Board another of IFAD's major IFAD 8 organizational deliverables: an integrated, results-based administrative budget (for 2010). For the first time, all annual expenditures were managed within one results-oriented framework, and all funds were transparently allocated to clusters of activities (spelled out in the MTP from 2010) supporting the results. In the course of 2010, Management went a step further. In a zero-based budget process, resource allocations proposed for 2011 were scrutinized not in terms of past allocations, but in relation to the contribution they would make to future development results on the ground. The outcome is a budget for 2011

that increases the proportion of funds being allocated to front-line development work and, in the context of a thrust towards value for money, decreases funding for support services.

- (d) **The new Strategic Workforce Plan (SWP).** IFAD's SWP was presented to the Executive Board in December 2010. For the first time, IFAD has an explicit SWP oriented towards the Fund's specific purpose: achieving development results on a value-for-money basis. Meeting this objective involves an important shift from a system characterized by workforce administration to one shaped by the imperatives of workforce management. Steps taken in this direction are discussed in paragraphs 87-91.

Figure 1
IFAD's planning, reporting and results feedback system



Note: SF – Strategic Framework; POW – IFAD programme of work; RBB – results-based budget; SWP – Strategic Workforce Plan; PCR – project completion report; PR – portfolio review; PRISMA – President's Report on the Implementation Status of Evaluation Recommendations and Management Actions

79. Figure 1 presents IFAD's results planning, learning and resource allocation processes. On the left-hand side are the results and corresponding operational planning processes, while the right-hand side shows the results measurement and evaluation learning processes. The objective is to implement an integrated set of processes for achieving results on the ground, starting with results targets, then defining the general focus of engagement, planning activities, aligning financial and human resources with operational requirements, and adjusting activities and allocations according to evaluation and performance data.
80. In the MOPAN report, IFAD was rated very highly on the adjustments made to policies/strategies based on performance information, as well as on its ability to encourage identification, documentation and dissemination of lessons learned.

Box 5¹⁴

Eighth Replenishment deliverables: Performance management and strategic direction

The Executive Board approved IFAD's **Results Measurement Framework for 2010-2012** in September 2009. It was the first deliverable of the Eighth Replenishment period. Performance against the RMF indicators and targets is reported yearly through the Report on IFAD's Development Effectiveness, which also provides detailed information on performance on sustainability, country ownership, gender and organizational reform, as requested by the Eighth Replenishment Consultation.

Another major deliverable is IFAD's Strategic Framework. In September 2010, Management offered the outlines of a new **Strategic Framework** to an informal seminar of the Executive Board. A full Board discussion took place in December 2010. The Board is expected to approve the final version of the Strategic Framework in May 2011.

B. Reforming key administrative services

81. IFAD has undertaken important measures to reform two of its key administrative services: financial management and human resources management. These services are key to ensuring that the Fund has the organizational means to achieve the development targets it has set for itself.

Financial management

82. As an international financial institution, IFAD is making large long-term financial commitments against projects and programmes. It manages approximately US\$2.5 billion in invested assets and is increasingly mobilizing and managing significant resources outside of the replenishment context.
83. In important ways, IFAD has managed its financial role well. It has received unqualified external audit reports based on the highest standards - the International Financial Reporting Standards (IFRS) - with respect to its accounts and management of funds received from Members. It preserved the value of its assets through the global financial crisis, and even achieved a very healthy rate of return. The process of moving towards Management assertion and ultimately external audit attestation of internal controls over financial reporting (an IFAD 8 deliverable) is well in hand.
84. Nonetheless, IFAD's financial management must change to support its expanding global role in providing, assembling and packaging investment in smallholder agriculture and food security. It is also essential to ensure the long-term sustainability of IFAD's own ability to finance the programmes around which financial partnerships coalesce. In this regard, IFAD is in an unusual position relative to other IFIs as a much higher proportion of the expansion in its programme of work has been based on *internal* resources.¹⁵
85. While opportunities for further internal resource mobilization have not been exhausted, the long-term sustainability of the Fund needs to be approached from a long-term perspective. Careful attention is needed to ensure that the maximum mobilization of internal resources for immediate commitment does not prejudice the sustainability of IFAD's long-term role. Consequently, in the Ninth Replenishment period and beyond, IFAD will have two important financial management challenges. The first is careful *internal* resource management and the matching of commitments and outflows to inflows. The second is the expansion of its *external* resource mobilization capacity, possibly including areas involving more complex financial operations.

¹⁴ The status of each Eighth Replenishment deliverable is reported on in box format in the section of this report to which it is relevant. A comprehensive tabular overview of the status of deliverables is presented in annex I.

¹⁵ Approximately 66 per cent of the planned loan and grant programme, debt relief under the Debt Initiative for Heavily Indebted Poor Countries, and budgets for 2010-2012 were projected to be financed from internal resources (such as loan repayments, service charges, returns on investments and use of the advance commitment authority contributions) and only 33 percent from fresh replenishment contributions.

86. To ensure that IFAD has the required financial management capacity to meet future challenges, the internal financial management structure was reviewed in 2010, at the request of Management, by a highly qualified external consultant organization. As a consequence of the recommendations of that study, Management has established a separate financial department led by an externally recruited Chief Financial Officer. In addition, the main financial system (the loans and grants system) is being overhauled and placed on a firm IT foundation after many years of operating on a basis identified by both the external auditors and IFAD's Audit Committee as high-risk.

Box 6

Eighth Replenishment deliverables: Financial management, risk management and transparency issues

In line with the Eighth Replenishment Consultation, IFAD's integrated and **results-based budget** framework was discussed with the Audit Committee and the Executive Board in 2009. The first integrated budget was approved in December 2009 (for the 2010 budget).

IFAD mainstreams **enterprise risk management** into all its operations and activities. In 2008, it established an enterprise risk management committee and formulated a risk management policy. In line with the request made by Members during the Eighth Replenishment Consultation, since April 2009 the President has reported annually to the Audit Committee and the Executive Board on IFAD's risk management; a 2010 assessment by the United Nations Joint Inspection Unit qualified IFAD as "an emerging pioneer" in this area.

As part of the process of consolidating its new operating model, IFAD's project **procurement guidelines** have been reviewed by the Executive Board in the light of harmonization objectives and the approach of the World Bank. New guidelines were approved in September 2010, which maximize the use of appropriately assessed country systems. The adopted approach follows principles set out in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, in respect of the use of existing national procurement systems. The Procurement Handbook presented for information at the September 2010 session of the Executive Board provides more detail and practical guidance to be followed when conducting procurement.

IFAD has enhanced its transparency through the development of a new **Policy on the Disclosure of Documents**, reflecting industry best practice, which was approved by the Executive Board in September 2010.

In line with commitments made, IFAD is putting in place the framework for **Management assertion** and **external audit attestation** of internal controls over financial reporting. A comprehensive **internal control framework** is also under development.

Human resources management

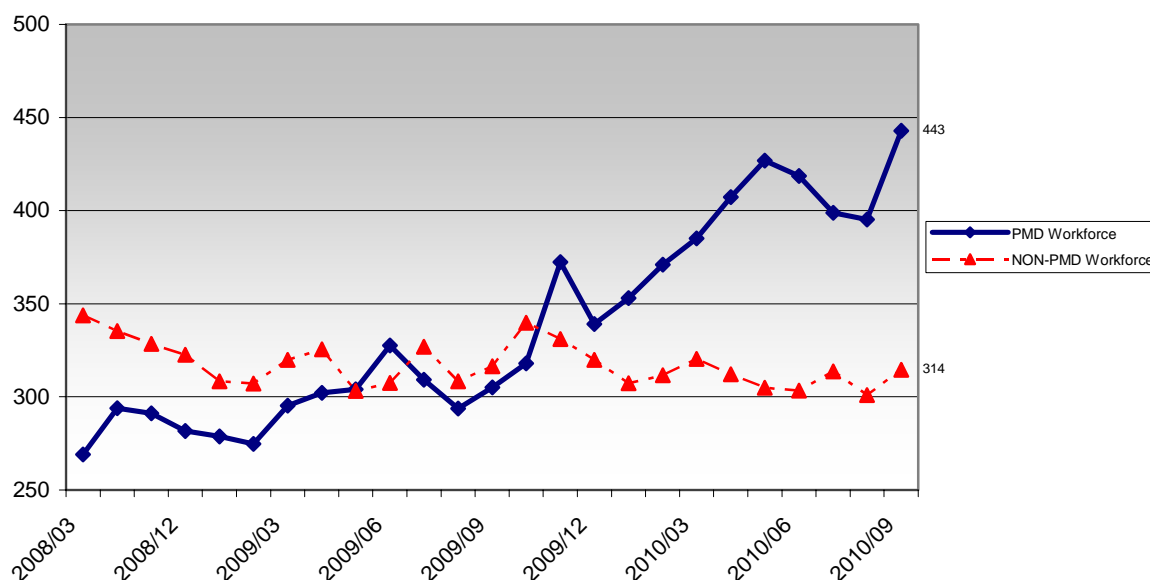
87. While human resources management reform was initiated under the Seventh Replenishment, it is being pursued vigorously during the IFAD 8 period. In 2010, Management moved to put workforce management on a new results-based footing explicitly oriented towards increased development effectiveness and efficiency. IFAD's first SWP, presented to the Executive Board in December 2010, has as its objectives: increasing the number of professional staff in development operations; placing greater focus on adequate staffing of IFAD country offices; and creating a more structured path for capacity development among operational programme staff. In addition, the SWP calls for a reduction in administrative staff numbers by process streamlining and outsourcing, and for better aligning labour costs with local market prices.
88. Graph 4 shows that IFAD has already reduced the workforce (staff, temporary staff and consultants) outside the Programme Management Department (PMD) while rapidly increasing the staff inside PMD. The proportion of the total workforce of staff and consultants employed directly in country programme development and implementation was 63 per cent in the third quarter of 2010 – well on the way to the 65 per cent target set for 2012 in the RMF.
89. In line with the request of the Eighth Replenishment Consultation, an external review of IFAD's compensation and benefits system has been undertaken and the results shared with the Executive Board. The report has identified important alternatives to the system that IFAD has administered since its inception. Further

consultations with the Executive Board and staff will be held to agree on the best system for IFAD in the future. In the meantime, the Fund has frozen all automatic increases in General Service staff salaries and halted external recruitment for General Service staff positions. Management is recruiting a new Human Resources Director to manage the change in staffing and the staff management framework that the organization requires.

90. In the meantime, Management has pursued other elements of the human resources reform agenda. These include: revision of the staff rules; preparation of an updated human resource procedures manual; reforming and upgrading the staff performance evaluation system; and implementation of a separation programme. In addition, job audits will begin shortly to provide a better picture of the actual deployment of staff. Significant improvements in the time required for new recruitments (an RMF indicator) have also been made with a drastic reduction in the last two quarters of 2010, together with an increase in the proportion of staff recruited from developing countries.

Graph 4

Workforce trends (staff, temporary staff and consultants), 2008-2010: PMD and non-PMD



91. Management reforms are making a positive impact on the work environment. Staff engagement, which is surveyed and assessed by an external service provider as a key RMF indicator for human resources management, registered a small and encouraging increase in 2010, putting IFAD on course to achieving its RMF target for 2012.

Box 7

Eighth Replenishment deliverables: Human resources management

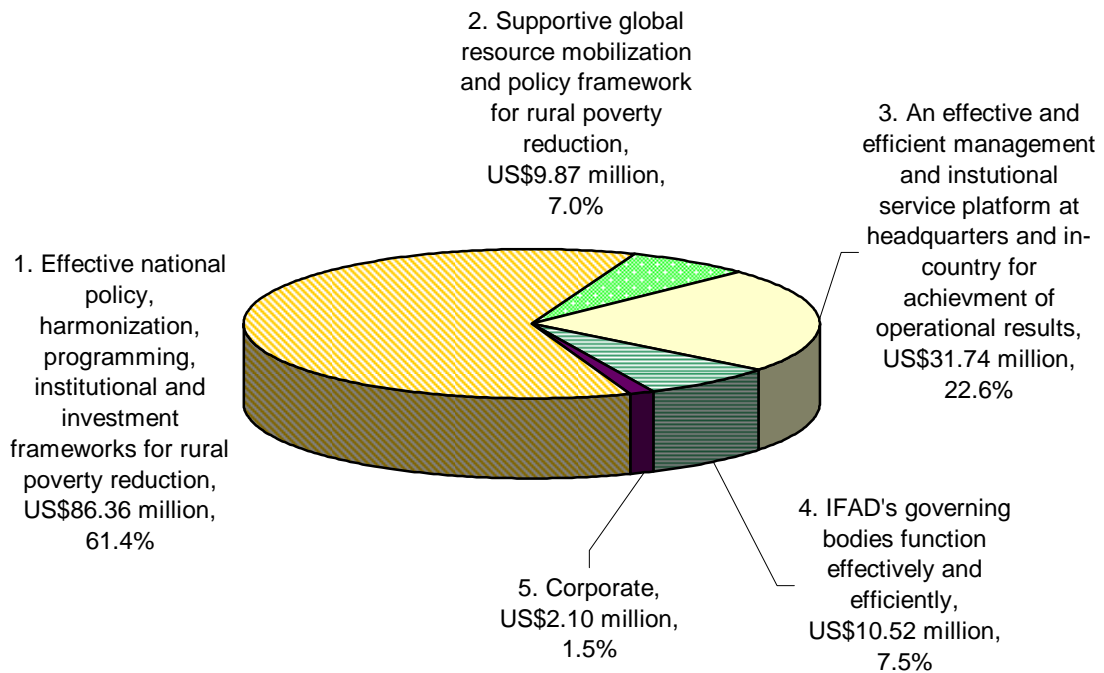
The Eighth Replenishment Consultation requested that IFAD report to the Executive Board on the implementation of the **human resources reform agenda**. This was done in December 2009 and December 2010. In December 2010, the new SWP was also presented. Moreover, the 2010 RIDE includes and reports on **key performance indicators** for human resources reform. More broadly, within a series of Change and Reform reports, in 2010 Management has reported on actions taken at each Executive Board session.

In December 2010, Management presented to the Executive Board the requested **external report** on the results of the comparison of IFAD's staff payment system with the results-based incentive systems of other international institutions.

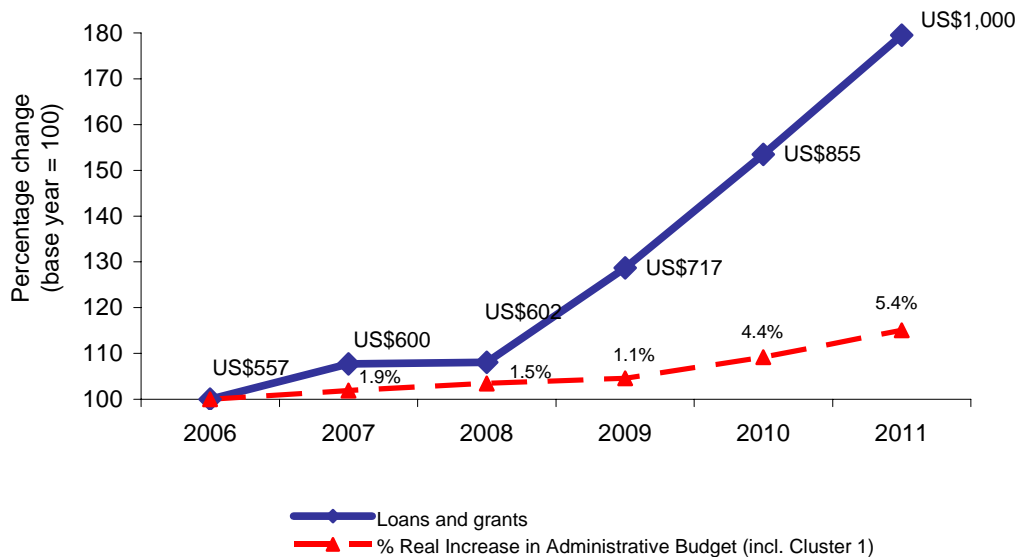
C. Corporate management and increased transparency and efficiency

92. Since the beginning of the IFAD 8 period in January 2010, the structure and composition of IFAD's Management have been renewed and strengthened. A new Vice-President was recruited and the reorganized Office of the President and Vice-President (OPV) placed under a new Director. The span of control of the head of operations (now an Associate Vice-Presidency) has been broadened, with strengthened technical and environment divisions. A Chief Development Strategist has been recruited to guide the Fund's strategy and knowledge management functions. In addition, two new Senior Management positions have been created – the Chief Financial Officer to head the Financial Operations Department, and the Head of Corporate Services (including human resources, administration, IT and security). Recruitment for these positions is under way through an internationally competitive process.
93. Management has also taken steps to increase the **transparency** of the Fund. A new policy on disclosure approved by the Executive Board in 2009 has brought IFAD up to the standards of other international financial institutions such as the World Bank. This corrects one of the weaknesses identified in the Brookings and Center for Global Development report. In addition, a **new accountability framework** has been prepared to provide a clear picture of the duties and responsibilities of management and staff.
94. A key challenge is further increasing **administrative efficiency**, for which the RMF includes a clear target. In 2011, less than a quarter of IFAD's annual operating budget is allocated to administrative services, whereas over 60 per cent is dedicated to development services (see chart 4). There has been no increase in real expenditures on administrative services since 2006, in spite of the large increase in the volume of operations. Year-on-year staff and budget increases have been reserved to supporting activities and projects directly involved in achieving on-the-ground development results. And those increases have been consistently much lower than the increase in the resources being committed by the Fund (see graph 5 showing the evolution of the administrative budget and programme of work).

Chart 4
Results-based allocations of IFAD's 2011 annual operating budget



Graph 5
Growth in the programme work and growth in IFAD's annual operating budget
 (Millions of United States dollars)



95. These data indicate that overall corporate efficiency has been rising in real terms. Nonetheless, the medium-term objective is not only to raise administrative efficiency, which has been ongoing, but to control administrative costs. In December 2010, in the context of presenting the programme of work and administrative and capital budgets of the Fund for 2011, Management offered an overview of savings already being achieved in both the operational and the

administrative areas, and proposed a real decrease in the allocation for administrative services of 4.7 per cent. The approved administrative budget for 2011 is within 0.5 per cent of the 2012 RMF efficiency target. Management is committed to achieving further reductions through improved business processes to enhance the overall efficiency of the Fund.

96. In addition, Management will undertake in 2011 a comprehensive review of the efficiency measures used in its RMF and compare them with those used by other international financial institutions. The aim is to ensure that the efficiency measures take into account the entire work programme of the Fund – including programmes funded by non-replenishment sources – as well as the total resources that it uses in delivering its programme of work, including supplementary resources.

V. CONCLUSIONS

97. IFAD has made a solid start on implementing its commitments under the Eighth Replenishment. In 2010, it successfully delivered the first year's programme of work at a level of US\$855 million, a 19 per cent increase over that achieved in the last year of IFAD 7. Disbursement levels have also increased, resulting in faster delivery of financial and technical support.
98. In addition, IFAD has strengthened its partnerships with both its developing Member States and its other donors. This has enabled it to mobilize a considerable amount of external resources to support agricultural and rural development and to scale up its operations. The Fund has also stepped up its work in knowledge management through the publication of its *Rural Poverty Report 2011* and through other means.
99. These activities have enabled IFAD to broaden and deepen its image as the advocate for smallholder agriculture, the rural poor and youth. They have also allowed IFAD to take an active part in national, regional and international policy dialogue, where it has stressed the critical role of agriculture in economic development.
100. Importantly, its own analyses and those of the IFAD Office of Evaluation show that IFAD is on track to achieve the development goals that it has set for itself. The targets for 2012 relative to (a) impact on rural poverty; (b) relevance; (c) innovation, learning and scaling up; and (d) effectiveness have either been surpassed or are on course to being met. While performance relative to sustainability and efficiency has shown improvements, the results have lagged relative to other targets.
101. The Fund has taken steps to strengthen corporate management, including introducing a number of important planning and resource allocation instruments such as the Medium-term Plan, zero-based budgeting, and strategic workforce planning. These are critical in ensuring that IFAD resources are fully aligned with its strategic objectives and that resources are used efficiently.
102. Major steps have also been taken to reform two key administrative services: financial management and human resources management. A new department for financial operations has been established under a Chief Finance Officer and a spectrum of human resources reform measures implemented. IFAD has also adopted a new Disclosure Policy to promote greater transparency and ensure that its practices are on par with those of sister international financial institutions.
103. In the remaining two years of the IFAD 8 period, Management is intent on meeting the commitments that it made under the Eighth Replenishment Consultation in their entirety. With the full implementation of its new operating model and strengthened partnerships, Management is confident that the Fund will meet both the quantitative and the qualitative targets that it has set for itself in its Results Measurement Framework. Management will also be taking steps to control costs and improve administrative efficiency.

104. In the important areas of results performance and the delivery of funding, the Fund is already exceeding targets. Where solid achievement of targets is more equivocal, remedial action is being taken. The Fund's objective for the future is to raise results even higher and achieve a standard of excellence in development impact and results.

Implementation matrix for the Eighth Replenishment period

<i>Issue</i>	<i>Proposed actions</i>	<i>Target date</i>	<i>Delivery date</i>
IFAD's role in middle-income countries	Present a policy paper on IFAD's engagement in middle-income countries (MICs) to the Executive Board.	September 2010	Presented at December 2010 Executive Board ¹
IFAD activities in fragile states	Introduce key issues relative to fragile states into relevant operational guidelines - including those for country strategic opportunities programmes (COSOPs), project design and supervision, and quality assurance and quality enhancement.	June 2010	<p>COSOPs: relevant findings from a recent review of experiences in fragile states are reflected in the updated COSOP guidelines under finalization (December 2010) and fragile state issues are introduced.</p> <p>Supervision: the guidelines update is ongoing (December 2010) and is expected to be finalized by mid-2011. State fragility issues are being introduced.</p> <p>Project design: the project design report outline has been revised and will become effective in January 2011. The outline takes into account state fragility issues.</p> <p>Quality assurance: state fragility issues (such as risks, implementation capacity and sustainability) are duly taken into consideration in QA reviews.</p> <p>Quality enhancement: the guidance notes for the application of key success factors (KSFs) for project design, which reflect those outlined in IFAD's Quality Enhancement for Project Design guidelines, specifically refer to fragility issues under KSF 3.</p>
Country ownership	Measure performance on country ownership, and report to the Executive Board annually through the Report on IFAD's Development Effectiveness (RIDE).	December 2009 onwards	<p>Presented at December 2009 session of Executive Board²</p> <p>Presented at December 2010 session of Executive Board³</p>
Collaboration and partnerships	Report to the Executive Board on the success of IFAD's efforts to develop a more selective approach to partnerships.	September 2011	
	Establish targets for partnerships, and report results to the Executive Board annually through the RIDE.	December 2009 onwards	<p>Presented at December 2009 session of Executive Board</p> <p>Presented at December 2010 session of Executive Board</p>
Strengthening IFAD's engagement with the private sector	If the need is identified, present a proposal for IFAD's role and instruments relative to engagement with the private sector, fully consistent with IFAD's mandate, to the Executive Board.	December 2010	<p>The IOE corporate-level evaluation of IFAD's Private-Sector Development and Partnership Strategy will be presented to the Executive Board in May 2011. A proposal will be presented in December 2011.</p> <p>Grants to the private sector introduced in the Revised IFAD Policy for Grant Financing presented to the Executive Board in December 2009.</p>
Gender equality and women's empowerment	The IOE will conduct an evaluation of IFAD's performance on gender equality and women's empowerment in 2009. Based on the findings of the evaluation, the Executive Board will consider the need to develop a corporate policy and implementation strategy on gender.	December 2009 onwards	IOE evaluation presented to the Executive Board in December 2010 ⁴

¹ EB 2010/101/R.14

² EB 2009/98/R.10/Rev.1

³ EB 2010/101/R.11

⁴ EB 2010/101/R.9

<i>Issue</i>	<i>Proposed actions</i>	<i>Target date</i>	<i>Delivery date</i>
	Join the multilateral development bank working group on gender.		IFAD joined the multilateral working group on gender in June 2009.
	Report annually to the Executive Board on IFAD's performance on gender in its operations through the RIDE.		Presented at December 2009 session of Executive Board Presented at December 2010 session of Executive Board
Environment and sustainable natural resource management	Present for the review of the Executive Board "IFAD Procedures for Environmental Management and Sustainable Development".	April 2009	Reviewed at April 2009 session of Executive Board ⁵
	Present a policy on environment and natural resources, incorporating IFAD's climate change strategy, to the Executive Board.	December 2010	Informal seminar held in association with December 2010 session of Executive Board Policy to be presented for approval at May 2011 session of Executive Board
Climate change	Present a strategy on climate change to the Executive Board (see also "environment and sustainable natural resource management").	April 2010	Informal seminar held in association with December 2009 session of Executive Board Strategy approved at April 2010 session of Executive Board ⁶
Sustainability	Report annually to the Executive Board on IFAD's performance with respect to sustainability through the RIDE.	December 2009 onwards	Presented at December 2009 session of Executive Board Presented at December 2010 session of Executive Board
Management for development results	Update IFAD's guidelines for COSOPs, for project design and for grants, with minimum standards for results frameworks and logical frameworks for all three		COSOPs: the COSOP guidelines update is under finalization (December 2010); the updated guidelines provide a results management framework – also applicable to fragile states with necessary adjustments as warranted by country circumstances - aligning IFAD strategic objectives with country priorities, identifying expected results and corresponding indicators, as well as policy and institutional objectives Project design: the project design report outline has been revised and will become effective in January 2011. The outline prescribes the inclusion of a new IFAD template logical framework for which guidelines were developed in 2010. Grants: the Revised IFAD Policy for Grant Financing was approved by the Executive Board in December 2009. ⁷ Internal procedures are currently being developed and will be finalized during the first quarter of 2011.
	Present to the Executive Board a revised format for project documents presented to the Board.	April 2011	A proposed new format for President's reports will be shared with the Executive Board in May 2011.

⁵ EB 2009/96/R.7

⁶ EB 2010/99/R.2/Rev.1

⁷ EB 2009/98/R.9/Rev.1

<i>Issue</i>	<i>Proposed actions</i>	<i>Target date</i>	<i>Delivery date</i>
	Report annually to the Executive Board on results achieved through the RIDE.	December 2009 onwards	Presented at December 2009 session of Executive Board Presented at December 2010 session of Executive Board
Consolidating the Action Plan reforms	Continue to report to the Executive Board on IFAD's operational and organizational reforms, principally through the RIDE.	December 2009 onwards	Presented at December 2009 session of Executive Board Presented at December 2010 session of Executive Board
Human resources reform	Present to the Executive Board reports on the implementation of IFAD's human resources reform agenda.	December 2009, 2010	Progress report on human resources reform – a people strategy for IFAD presented at December 2009 session of Executive Board ⁸ Human resources reform presented at December 2010 session of Executive Board ⁹
	Key performance indicators for the human resources reform will be reported annually to the Executive Board through the RIDE.	December 2009 onwards	Presented at December 2009 session of Executive Board Presented at December 2010 session of Executive Board
	Review the results-based incentive systems of other international institutions and report to the Executive Board with options to better align staff incentives with institutional performance.	September 2011	Report of external assessment of staff compensation and entitlements presented at December 2010 session of Executive Board
Financial management, fiduciary and transparency issues	IFAD's administrative budget and Programme Development Financing Facility (PDFF): Engage with the Audit Committee of the Executive Board to integrate expenditures currently financed under the PDFF fully into the administrative budget.	IFAD's budget for 2010 onwards	Reviewed at December 2009 session of Executive Board
	Internal audit: take steps to continue enhancing the quality and independence of the internal audit function in line with evolving best practice.	[to be determined]	A Revised Charter of the IFAD Office of Audit and Oversight was submitted to the Executive Board for confirmation in April 2010 ¹⁰ .
	Audit Committee: to present revised terms of reference and rules of procedure for the approval of the Executive Board.		Presented at September 2009 session of Executive Board ¹¹
	Procurement: Present the Executive Board with a review of IFAD's project procurement guidelines and their implementation, including a comparison with those of the World Bank and its reference guide to "Fiduciary Management for Community-driven Development Projects", and an assessment of their alignment with IFAD's anticorruption policy.	December 2009	Review of IFAD's project procurement guidelines presented at December 2009 session of Executive Board ¹² Revised guidelines approved in September 2010 ¹³
	Disclosure: Executive Board to amend the IFAD Policy on the Disclosure of Documents to allow for disclosure of project appraisal documents on IFAD's public website prior to the	September 2009	Amendment to IFAD's Policy on the Disclosure of Documents approved at September 2009 session of Executive Board ¹⁴

⁸ EB 2009/98/R.18

⁹ EB 2010/101/R.49.

¹⁰ EB 2010/99/R.49/Rev.1

¹¹ EB 2009/97/R.50/Rev.1

¹² EB 2009/98/R.12

¹³ EB 2010/100/R.27

¹⁴ EB 2009/97/R.33

<i>Issue</i>	<i>Proposed actions</i>	<i>Target date</i>	<i>Delivery date</i>
	Executive Board session during which the project will be considered.		
	Executive Board to review policy provisions with regard to the disclosure of previously undisclosed documents.		Policy of "presumption of full disclosure of documents produced by IFAD" approved at the September 2010 session of Executive Board ¹⁵
	Risk management: The President to submit an annual report on IFAD's risk management activities to the Executive Board through the Audit Committee.	Ongoing	Ongoing. Presented at April 2009 session of Executive Board ¹⁶ Presented at April 2010 session of Executive Board ¹⁷
	Accountability and transparency: Adopt an internal control framework and a financial disclosure policy for senior officers and relevant staff.	June 2009	Internal control framework: Full attestation of objectives by external auditors on financial statements as at 2012 Management assertion on financial statement as at 2011 Steps already undertaken in 2009 and 2010: process mapping and documentation of all key financial processes, external review of the processes mapped and gap analysis Financial disclosure policy: A financial disclosure policy applicable to all IFAD staff was implemented through the "Certification of compliance with IFAD's Code of Conduct" ¹⁸
Improving the implementation of the performance-based allocation system (PBAS)	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	Ongoing
Achieving and measuring results	Present the final Results Measurement Framework for the approval of the Executive Board, prior to the start of the Eighth Replenishment period.	September 2009	Approved at September 2009 session of Executive Board ¹⁹
	Report to the Executive Board on achievements against the IFAD VIII Results Measurement Framework through the RIDE.	December 2010 onwards	Presented at December 2009 session of Executive Board Presented at December 2010 session of Executive Board
Grants	Present a revised policy on grants to the Executive Board.	December 2009	Approved at December 2009 session of Executive Board ²⁰
Strategic Framework	Present to the Executive Board a new strategic framework to guide IFAD's activities in the period 2011 onwards.	December 2010	Presented at December 2010 session of Executive Board ²¹

¹⁵ EB 2010/100/R.3/Rev.1

¹⁶ EB 2009/96/R.28

¹⁷ EB 2010/99/R.30

¹⁸ President's Bulletin PB/2010/08 and Information Circular of the Office of Audit and Oversight IC/AOU/10/01

¹⁹ EB 2009/97/R.2

²⁰ EB 2009/98/R.9/Rev.1

²¹ EB 2010/101/R.12

External reviews of IFAD's performance

A. Multilateral Organisation Performance Assessment Network (MOPAN)

Assessment of IFAD 2010: Summary³⁷

1. The MOPAN Common Approach 2010 assessed the organizational effectiveness of IFAD based on the perceptions of MOPAN members and IFAD partners/clients, and a review of documentation.³⁸ MOPAN examined the performance of IFAD on key performance indicators in four areas – strategic management, operational management, relationship management and knowledge management. This is the first time IFAD has been assessed by MOPAN.

Main findings

2. Over the past five years, IFAD has been implementing a reform process to improve its effectiveness. The reform process has been guided by an action plan approved by its Executive Board in December 2005 (IFAD's Action Plan to Improve its Development Effectiveness). During this period, IFAD has made reforms in the areas of strategic planning and guidance, project quality and impact, knowledge management and innovation, human resource management and field presence. The reform process has resulted in a wide range of tools and policies including IFAD's new Strategic Framework, a new quality enhancement system, results-based planning at the country level, and an updated results measurement framework. IFAD has developed a new reporting tool on development effectiveness and introduced a results-based programme of work and budget. IFAD's expanded field presence is also helping IFAD improve in such areas as implementation support, partnership-building and policy dialogue. The findings of the Common Approach in 2010 suggest that these reforms are providing the foundations for key organizational systems and practices that favour IFAD's organizational effectiveness.

Strategic management

3. MOPAN views IFAD's key strength as being its coherent strategy, which is based on a clear mandate, and is systematically implemented and led by Management. According to the documentation review, IFAD's key strengths include both its corporate and its country focus on results. The Results Measurement Framework was noted for the use of quality performance indicators and a clear hierarchy of results, as well as its involvement of beneficiaries in achieving those results. The documentation review rated IFAD as very strong in the way it uses performance indicators in its RMF, finding them to be generally clear and measurable, reflective of international standards, and relevant to IFAD's mandate and strategy.
4. Similarly, its results-based country strategic opportunities programmes (RB-COSOPs) were recognized for their strong focus on results, for linking results at project, programme, sector and country levels, and for including results for cross-cutting themes. The assessment found that COSOP results frameworks include indicators at the project, programme, sector and country levels that are generally specific, relevant and measurable. Furthermore, these were seen to be aligned with results identified in national development strategies.

³⁷ This summary has been prepared by IFAD, drawing on the MOPAN report itself.

³⁸ IFAD was assessed at an institutional level and across 10 developing countries: Afghanistan, Benin, Colombia, Indonesia, Kenya, Nicaragua, Rwanda, Sri Lanka, Viet Nam and Zambia. The sampled countries represent only a small proportion of IFAD's total portfolio of clients. A survey was addressed to three groups of respondents: MOPAN members in country offices and at headquarters, and clients. Responses were collected through an online survey and in face-to-face interviews. A total of 161 respondents participated in the survey on IFAD. A document review was carried out using corporate documents and country programming documents from five sampled countries: Kenya, Indonesia, Nicaragua, Rwanda and Viet Nam.

5. IFAD scored well for its focus on cross-cutting thematic priorities, particularly with regard to gender and environment. MOPAN respondents indicated that IFAD mainstreams gender equality into its programmatic work, and client respondents were particularly positive in this regard. The organization was also rated highly in the document review. As regards good governance, the assessment of IFAD's performance is mixed: donors at headquarters perceived IFAD to be adequate in this area; donors in-country rated its performance as inadequate; and clients rated it as strong. The document review rated IFAD's performance on this cross-cutting thematic priority as adequate. Performance with regard to HIV/AIDS also received a mixed response. While survey respondents perceived IFAD as performing adequately overall in terms of its focus on HIV/AIDS as a cross-cutting thematic priority, donors in-country were less positive and rated this as inadequate. However, both clients and donors in-country appear to be uncertain about IFAD's work in this area. The document review suggests that performance is adequate.
6. IFAD was also rated highly for making key documents available to the public.

Operational management

7. IFAD was assessed as performing very strongly on indicators related to financial accountability (audit, anticorruption policies, risk management and procurement). It also received recognition for making transparent aid allocation decisions, using performance information to plan and revise strategies and operations, and introducing performance-oriented country/regional programming processes, such as reforms that lead to improved management of problem projects during implementation, including through direct supervision. The MOPAN document review was also particularly positive about IFAD's external financial auditing, its processes for following up on irregularities, and its strategies for risk management. As part of IFAD's reform agenda, the organization has continued to deepen the implementation of results-based budgets and has performed adequately in linking its administrative budget to expected results.
8. As regards the use of performance information, the MOPAN assessment found that IFAD uses project, sector and country information on performance for revising and adjusting policies and strategies. Donors in-country and particularly client respondents also agreed that IFAD uses performance information for planning new interventions. Moreover, the review of documents and ratings provided by donors at headquarters suggests that IFAD takes adequate action on evaluation recommendations.
9. IFAD was rated as adequate by both survey respondents and the document review for its performance-oriented country/regional programming processes. The majority of the respondents agreed that IFAD subjects new initiatives to impact analysis (quality enhancement, quality assurance, detailed project design reports) and that milestones are set to monitor the progress of project implementation. The document review also provided an overall rating of "strong" on these indicators.
10. In terms of human resources management, the incentive/reward system for staff performance was rated as inadequate, as was IFAD performance vis-à-vis deployment of international staff in country offices for sufficient time to maintain effective partnerships at the country level. MOPAN acknowledges that these responses must be understood in the context of IFAD's progress in expanding its country presence. IFAD did not have country offices in most of the countries that participated in the 2010 MOPAN assessment. Where initiated, country presence has provided IFAD with an opportunity to meet more regularly with its partners in-country. IFAD is a full member of the United Nations Country Team in most (13) of the country presence countries. Through its country offices, IFAD participated actively in the United Nations Development Assistance Framework (UNDAF) process in 14 countries, in some cases for the first time. However, these developments were not significant enough to shift the overall (statistical) assessment. IFAD's own

assessment is in line with MOPAN's: the management of staff performance, the recruitment and management of staff in country offices, strategic workforce planning and the publication of the revised human resources manual are all areas where IFAD is focusing considerable effort to redress the situation.

11. IFAD received lower ratings from donors in-country on the questions that assess the delegating of decision-making, namely the extent to which project tasks are managed in-country and the extent to which loans and credit can be approved locally. These responses reflect the fact that IFAD is still rolling out its country presence and, in many of the countries surveyed, there is no IFAD office.

Relationship management

12. MOPAN assessed IFAD's progress on its commitments to the international aid effectiveness agenda, namely the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action. IFAD's assessed strength in this area lies in its contribution to policy dialogue, harmonization of procedures through its participation in joint missions, and disbursement of technical cooperation through coordinated programmes. IFAD's areas for improvement are certain aspects of adaptation of procedures and use of country systems.
13. IFAD is perceived to perform adequately in its support for funding proposals that are designed and developed with its clients. Partly due to IFAD's focus on the rural and agricultural sector, the assessment found that IFAD does not apply policy conditionality as part of its lending practices. While IFAD was rated as adequate overall for having procedures that take into account local conditions and capacities, client respondents and in-country donors have differing views on this indicator, the former being positive and the latter negative. IFAD's performance needs to improve in relation to the time it takes to complete its administrative procedures, increase its ability to respond quickly to changing circumstances and practice greater flexibility in the implementation of projects and programmes. IFAD is still rolling out its country presence and in many of the countries surveyed there is no IFAD office – which has consequences for the length of time it takes to complete administrative procedures. Nevertheless, these indicators drew mixed reactions, with clients responding more positively than donors in-country.
14. IFAD was recognized by its clients for the extent to which its financial aid is recorded in annual budgets, the use of national procedures and systems for ODA disbursements and IFAD's focus on promoting mutual assessment of its partnership commitments. These issues are a priority for IFAD in the context of both the Paris Declaration, and effective implementation and results management. The Paris indicators rightly focus on how aid flows are focused on national priorities and use financial information to assess this, splitting questions between donors and the Government. Yet the specific Paris questionnaire focuses on "how much aid is recorded in annual budgets as approved by the legislature" and, while many IFAD projects will be approved through the legislature, others, although still channelled through government systems, will not. With IFAD programmes disbursing funds through village organizations, credit programmes and civil society, such definitions do not fully capture IFAD's financial operations. However, improving the use of country systems (for disbursement, procurement and audit) remains a challenge for IFAD and requires a focus on capacity development, including training and development of country-level guidelines.

Knowledge management

15. MOPAN respondents provided a positive assessment of IFAD for consistently monitoring its delivery and external results and for involving stakeholders and beneficiaries in these activities. The independence of the IFAD Office of Evaluation (IOE) was recognized, although it was recommended that the percentage of independent ex-post evaluations could be increased. IFAD was also rated as strong for the quality of its reporting: its reports use data obtained from measurable

indicators, and report on performance against its corporate strategy. IFAD was rated very strong on adjustments made to policies/strategies based on performance information, and the document review found that IFAD's performance is adequate in reporting on country and other level programming adjustments made or recommended based on performance information. IFAD performed well also in terms of its ability to encourage identification, documentation and dissemination of lessons learned. However, IFAD's reporting on its Paris Declaration commitments leave room for improvement.

B. Centre for Global Development, Quality of Official Development Assistance Assessment: Summary³⁹

16. The study, published by the Brookings Institution on the Quality of Official Development Assistance, was authored by Nancy Birdsall and Homi Kharas. The report is empirical, data-intensive and based on a variety of data sources, but draws largely on the OECD/DAC's Creditor Reporting System and the DAC online datasets. It measures the quality of aid based on data for 30 indicators, which are aggregated across four dimensions: maximizing efficiency, fostering institutions, reducing burden, and transparency and learning. The analysis of donors' performance in each dimension suggests broad areas of strengths and weaknesses. Most of the institutions assessed are bilateral donors – 23 countries that are members of the OECD/DAC – but some are multilateral, including IFAD.

Maximizing efficiency

17. To assess aid efficiency, the study uses eight indicators, designed to measure efficiency through aid allocation decisions (see table 1). IFAD ranks fourth out of 31 agencies/countries. Reviewed against a series of complementary definitions to measure "development value for money", IFAD does relatively well because of its exclusive focus on poverty reduction and the rural sector. The detailed tables rate IFAD well for its allocation of funds to poor countries, for focus/specialization in a specific sector and countries where it has a comparable advantage, and for untied aid; it performs badly on administrative costs and the share of allocation to well-governed countries. The top-ranking agency was the Global Fund to Fight AIDS, Tuberculosis and Malaria. Second and third were the African Development Fund and the Asian Development Fund with several bilateral donors generally placed in the lower quintiles of the rankings. The group of United Nations agencies (grouped separately from IFAD) are placed squarely in the middle (fifteenth). In general, multilaterals do better than bilaterals on this dimension of quality, accounting for six of the top nine performers. All the multilateral agencies tend to have a good focus or specialization, meaning that they allocate most of their aid to sectors and countries where they have a proven comparative advantage.

Table 1

Maximizing efficiency indicators

Share of allocation to poor countries	Share of allocation to well-governed countries	Low administrative unit costs	High country programmable aid share
Focus/specialization by recipient country	Focus/specialization by sector	Support of select global public good facilities	Share of untied aid

³⁹ This summary has been prepared by IFAD, drawing on the Center for Global Development report.

Fostering institutions

18. The second set of indicators relates to fostering institutions. The eight indicators used to reflect performance in this area (see table 2) measure to what degree the aid agency helps strengthen local institutions. IFAD ranks twentieth out of 31. This is because IFAD uses project implementation units (a specific indicator of Paris Declaration surveys) rather than working with domestic institutions, is weak in helping partners develop operational strategies, and focuses on low-priority sectors in most government development programmes. This latter point is shared by other specialized agencies – such as the Global Fund and other United Nations agencies – as they cannot fully respond to partner country preferences since they are established to provide aid in specific sectors only. Nevertheless, IFAD does well in coordinating technical assistance, and in using recipient country systems. The five best performing agencies on this set of indicators are Ireland, IDA (World Bank), Asian Development Fund, African Development Fund, and Denmark. United Nations agencies other than IFAD are ranked fourth from the bottom.

Table 2

Fostering institutions indicators

Share of aid to recipients' top development priorities	Avoidance of project implementation units	Share of aid recorded in recipient budgets	Share of aid to partners with good operational strategies
Use of recipient country systems	Coordination of technical cooperation	Share of scheduled aid recorded as received by recipients	Coverage of forward spending plans/Aid predictability

Reducing burden

19. The third set of indicators is entitled "reducing burden". These indicators build on the parameter that there are about 80,000 aid projects running in a given year, creating costly administrative burdens for recipient governments and their local institutions. The degree to which the aid donor reduces this burden is measured. IFAD is ranked best of all 31 aid agencies assessed. IFAD performs particularly well in coordinating its missions with other donors and partner countries (best-performing donor), and in coordinating its analytical work with other development partners. For overall performance, the World Bank's IDA is second and the United Kingdom is the best bilateral. Overall, IFAD's performance is very good even though its performance is below average for the significance of aid relationships. The report finds that this is partly because of the proliferation of small amounts of aid across a relatively large number of partners.

Table 3

Reducing burden indicators

Significance of aid Relationships	Fragmentation across agencies	Median project size	Contribution to multilaterals
Coordinated missions	Coordinated analytical work	Use of programmatic aid	

Transparency and learning

20. The fourth category of indicators measures transparency and learning, assessing whether operations are transparent, whether the institution is transparent, and the extent of the agency's commitment to learning. There are seven related indicators on which IFAD ranks twenty-third out of 31 agencies. On this set of indicators, the other United Nations agencies do better than IFAD (ranking sixteenth). The IDA ranks fifth. IFAD's poor ranking is caused by the fact that it is not a member of the International Aid Transparency Initiative (which is one of the seven indicators), does not disclose disbursements (but focuses rather on commitments), and does not publicize its operations sufficiently. This is compounded by poor monitoring and evaluation frameworks in several programmes. IFAD performs well in providing complete project-level commitment data and detailed project descriptions in the DAC databases.

Table 4

Transparency and learning indicators

Member of International Aid Transparency Initiative	Recording of project title and descriptions	Detail of project descriptions	Reporting of aid delivery channel
Share of projects reporting disbursements	Completeness of project level commitment data	Aid to partners with good monitoring and evaluation frameworks	

21. Achieving better results on the ground depends on the quality of project preparation and support. It also depends on the level of resources committed and delivered and on establishing a framework within which assistance is provided in a form adapted to financial management conditions and according to the capacity to use it effectively. IFAD has a performance-based allocation system – the PBAS – adopted under the Sixth Replenishment. The system is specifically designed to measure countries' rural sector performance and the performance of the IFAD portfolio, and to link both to the planned level of assistance. Other institutions, including the Millennium Development Corporation, have adopted elements of IFAD's rural sector performance assessment methodology, and MOPAN gave IFAD particularly high marks for the transparency of the resource allocation system and its results.⁴⁰ In line with other IFIs, IFAD also has managed its loan and grant commitments within the Debt Sustainability Framework since 2007.

⁴⁰ Both MOPAN and the Brookings/CGD study raised the issue of IFAD's performance with regard to good governance on the basis of the fact that IFAD does not use general good governance indices in its resource allocation. This reflects IFAD's sectoral focus, and the fact that rural governance issues are included in its PBAS. Nonetheless, MOPAN rated IFAD highly for its anti-corruption policies. In the Brookings/CDG study IFAD, like other specialized agencies, was rated poorly on responding to country priorities because of its sectoral focus (on agriculture). In MOPAN precisely this focus was rated positively as a factor in IFAD's strong overall performance.