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Enabling poor rural people
to overcome poverty

Draft Report of the Consultation on the Ninth Replenishment of IFAD's Resources

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Consultation on the Ninth Replenishment of IFAD's Resources —
Third Session
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For: **Review**

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Abbreviations and acronyms

Draft Report of the Consultation on the Ninth Replenishment of IFAD's Resources

Executive summary

- 1.
- 2.
- 3.

Draft Report of the Consultation on the Ninth Replenishment of IFAD's Resources

I. INTRODUCTION

1. In line with article 4, section 3, of the Agreement Establishing IFAD, the Consultation on the Ninth Replenishment of IFAD's Resources (IFAD9) was established by the Governing Council in February 2011 to review the availability of resources before the expiration of the Eighth Replenishment period (December 2012) and to assure continuity in the operations of the Fund.
2. The IFAD9 Consultation was held in 2011. At the first session, on 21 February 2011, it was agreed that the replenishment discussions would be conducted over four meetings (inclusive of the first session), and that the workplan of the Consultation would include: IFAD's Strategic Vision to 2015; IFAD's business model in IFAD9; Programme of loans and grants for IFAD9; Financing requirements and modalities for IFAD9; Managing for Efficiency; Results Measurement Framework 2013-2015; South-South cooperation; and Draft Resolution on the Ninth Replenishment of IFAD's Resources.
3. The IFAD9 Consultation took place at a critical time for global economic growth and development. In many developing countries, meeting the targets of the first Millennium Development Goal (MDG1) remains extremely challenging, and official development assistance (ODA) continues to be a vital source of development finance. The food price crisis of 2007 and 2008 has proved not to be a one-off event. Food prices remain volatile and reached new highs in 2011 with direct and indirect implications for poverty and hunger and the attendant problems of social and political unrest. Added to this, many of IFAD's largest traditional contributors have encountered major fiscal challenges.
4. In contrast, IFAD – the institution set up by the international community to address food and nutritional security and rural poverty – entered the IFAD9 Consultation demonstrating strong capacity to expand its assistance and deliver better results. IFAD has shown that it is very effective in generating solutions to the challenges in agricultural and rural development and in attracting finance, in partnership with other international institutions, governments, small farmers and – increasingly – the private sector.
5. Acknowledging IFAD's continuing high level of performance, increased results focus, and growing delivery capacity, IFAD9 Consultation members reiterated their strong support for the Fund. Given the massive scale of the poverty and food and nutritional security challenges across the developing world, and recognizing that demand for IFAD financing will remain large, members urged IFAD to consolidate progress and maintain the momentum of reform and modernization in order to further increase its operational effectiveness and expand its impact on the ground.
6. This report presents IFAD9 Consultation members' conclusions and recommendations for the strategic direction and operational priorities that will guide the Fund's engagement with developing Member States during the IFAD9 period (2013-2015), for approval by the Governing Council in February 2012. It includes the commitment matrix (annex I) and results measurement framework (annex II) for the IFAD9 period against which the Fund's progress will be assessed and reported on yearly through the Report on IFAD's Development Effectiveness (RIDE) as well as at the Mid-term Review of IFAD9 to be held in early 2014.

II. A VISION FOR SMALLHOLDER AGRICULTURE AND A VISION FOR IFAD TO 2015

7. IFAD9 Consultation members welcomed and endorsed IFAD's Strategic Vision for 2015, appreciating its responsiveness to a global context characterized by major changes, including emerging opportunities for smallholder agriculture and for IFAD to play a stronger role in improving food and nutritional security and reducing poverty in rural areas of the developing world. Members agreed that IFAD's Strategic Vision to 2015, and the Strategic Framework 2011-2015¹ upon which it is based, provided clear and relevant directions for the Fund to pursue its mandate more effectively and to accelerate and deepen its development impact.

A. The context: challenges and opportunities for smallholder agriculture and rural development

8. IFAD's unique mandate is improving rural food security and nutrition, and enabling rural women and men to overcome poverty. In today's changing global context, with new opportunities and challenges facing poor rural people, pursuing this mandate calls for honing IFAD's strategies and instruments to achieve greater and more sustainable impact.
9. IFAD's Strategic Vision to 2015 and its Strategic Framework 2011-2015 have been prepared in response to a global context characterized by both persistent problems and major changes. The problems include continuing rural poverty on a massive scale, with close to 1 billion rural people living on less than US\$1.25 per day, and a high prevalence of food insecurity and hunger in some regions. The changes include increasingly diverse rural livelihoods; accelerating natural resource degradation and climate change; the growing economic importance of agriculture and rising demand for food, biofuels and other agricultural goods and services; higher and more volatile food prices; and growing private-sector investment in agriculture.
10. In this changing context, many factors – both long-standing and relatively new – keep rural households in poverty, leave them ill-equipped to face new risks and opportunities, and undermine rural food security and nutrition. These factors include: inadequate and insecure access to natural resources, particularly by rural women; natural resource degradation; limited human capital and skills; weak collective capabilities and organization; poor access to technology and financial services; insufficient integration into agricultural markets and value chains; a lack of good employment opportunities; policy failures; and weak rural representation in policy processes.
11. Since the food price spike of 2007-2008, the international community has launched important initiatives to promote food security and nutrition, many of which include supporting small-scale agriculture. In parallel, greater global concern has emerged around climate change and its implications for agriculture and rural livelihoods. Many developing countries have begun to give higher priority to food security and nutrition, and sometimes to allocate more budgetary resources to agriculture. Prospects for enhanced South-South cooperation have also improved. The role of women in agriculture and in ensuring household food security and nutrition, and the need to support this role with targeted investments, are increasingly being recognized. These developments bode well for future progress in rural poverty reduction and small-scale agriculture. They also bode well for improved food security and nutrition in rural areas and beyond.

¹ EB 2011/102/R.2/Rev.1.

B. An agenda for renewal of smallholder agriculture and rural development, and IFAD's role in driving it

12. Against this backdrop, IFAD's work remains focused on poor rural people and their livelihoods and food security – and on small-scale agriculture as a crucial source of income and nutrition for many poor rural households and as a driver of rural economic growth. Over the years, IFAD has gained a wealth of experience that confers a unique advantage in these areas. It collaborates with partners to develop innovative and sound projects that respond to the constraints and priorities identified by poor rural people. It fosters the empowerment of poor rural women and men, their organizations and communities. It engages in policy dialogue on the basis of its field experience. In a changing global context, IFAD will use this advantage to be a leading player and an effective partner in emerging initiatives around the smallholder dimensions of rural poverty reduction, agriculture and food security. It will do so in a way that maximizes benefits for poor rural people, and helps direct more policy attention, resources and services towards them. In this context, scaling up of successful interventions will be a critical priority in IFAD9.
13. IFAD will be guided by a dynamic and positive vision in which small-scale agriculture can respond to growing demand for food and other agricultural goods and services, generating income and a range of other benefits for poor rural people. For many small farmers and livestock producers, agriculture can provide a robust pathway out of poverty today and in the future. For this to happen, important changes have to take place. Small-scale agriculture must be market-oriented to capture the opportunities afforded by growing demand for agricultural products. It needs to be more productive and more sustainable to thrive in an environment of scarce resources and energy. It needs to become more resilient to a changing climate. Finally, it needs to be integrated into dynamic rural spaces where rural-urban linkages play an ever greater role, and where non-farm activities within and around agricultural value chains increasingly provide employment and entrepreneurial² opportunities for many poor rural people.
14. IFAD has an important part to play in bringing about these changes. This was fully recognized by IFAD9 Consultation members, who underlined the importance of pursuing the strategic objectives and principles of engagement contained in the IFAD Strategic Framework 2011-2015 (as approved by the Executive Board in May 2011). These can be summarized as follows:

Strategic objectives

- A strengthened and more resilient natural resource and economic asset base for poor rural people;
- Enhanced access to services for reducing poverty, improving nutrition, raising incomes and strengthening resilience to shocks;
- Strengthened capacities and capabilities of poor rural women and men as producers, small entrepreneurs and workers;
- Strengthened capabilities to influence policies and institutions; and
- An improved institutional and policy environment for smallholder agriculture and for other non-farm rural sectors.

Principles of engagement

- A differentiated approach based on country context;

² In this document, the term "enterprise" is often used to indicate commercially oriented activities in which poor rural people engage, as small-scale and micro "entrepreneurs". The term is used to recognize the fact that many millions of poor rural women and men derive their income from producing agricultural or other goods and services for the market, and that market and price calculations largely determine their decisions with respect to these activities. Only by recognizing and addressing their needs and constraints as small business operators and microentrepreneurs can development programmes support these women and men to overcome poverty sustainably.

- Pro-poor targeting;
- Supporting the empowerment of poor rural people;
- Promoting gender equality and women's empowerment;
- Creating viable opportunities for rural youth;
- Innovation, learning and scaling up of successful interventions;
- Effective partnerships and resource mobilization; and
- Sustainability.

III. INCREASING IFAD'S OPERATIONAL EFFECTIVENESS

15. IFAD9 Consultation members commended IFAD for successfully undertaking major reforms of its business model that have yielded tangible improvements in the Fund's delivery capacity and development results. IFAD's capacity to expand its programme of loans and grants, to mobilize resources from its development partners – as part of the global community's commitment to increase investment in and raise the productivity of smallholder agriculture – and to reach a larger target population has been materially enhanced. At the same time, the results of IFAD-supported programmes have improved significantly, putting IFAD on track to meet, and in many cases surpass the targets for 2012 established for IFAD8. This positive assessment is generally reconfirmed by the Independent Office of Evaluation of IFAD, and third parties such as the Multilateral Organization Performance Assessment Network (MOPAN), the United Kingdom's Department for International Development (DFID), the Brookings Institution and the Center for Global Development, which recently conducted reviews of IFAD's organizational effectiveness.
16. IFAD9 Consultation members emphasized the importance of key aid effectiveness principles underlying IFAD's business model, namely:
 - Strong country leadership and ownership in the preparation and implementation of country strategies, programmes and projects;
 - Broad, deep and well-coordinated partnerships with governments, local institutions, beneficiaries, other donors and the private sector;
 - Rigorous attention to quality of IFAD-supported projects both at design and during implementation;
 - Systematic and in-depth monitoring and reporting of results and outcomes, in order to improve the quality and durability of project outcomes and impact.
17. IFAD9 Consultation members agreed that the business model that IFAD has developed since the Independent External Evaluation of IFAD undertaken in 2005 remains valid and relevant to IFAD's role of catalysing investments in smallholder agriculture and rural development and driving progress towards food and nutritional security and poverty reduction. Members welcomed and strongly endorsed IFAD Management's proposals to enhance the business model during IFAD9 with a view to:
 - Bringing a more systematic approach to scaling up;
 - Strengthening collaboration with development partners;
 - Increasing engagement of the private sector in IFAD-supported programmes;
 - Raising project efficiency;
 - Further decentralizing operations and decision-making authority at country level; and

- Strengthening national monitoring and evaluation capacity.
18. In addition, members strongly emphasized the need to align IFAD's business model and country presence approach with the special conditions and requirements prevailing in fragile states, as these countries face the greatest challenges in achieving food and nutritional security and poverty reduction.
 19. **Scaling up.** Building on recommendations emerging from analyses of IFAD's work on scaling up by IOE and the Brookings Institution, IFAD will adopt a systematic approach to ensure that every country programme and project considers and plans for scaling up. This will require quality partnerships, because, in all cases, operating at scale will call for resources beyond IFAD's own. And it will require the careful identification of critical pathways, drivers and institutional mechanisms to sustainably scale up impact. Relatively small projects can operate within a poor policy environment, but large-scale programmes cannot. Thus, IFAD will engage more actively in policy dialogue, and provide advice on policy implementation and on building national and local policy capacities in agriculture and rural development. It will better harness knowledge for scaling up. Members highlighted that partnerships, together with strengthened policy analysis and advocacy, knowledge management and innovation, are critical to fulfilling IFAD's scaling-up agenda. Towards this, IFAD Management has undertaken to enhance its capacity for policy analysis and dialogue and, in parallel, its capacity for knowledge management and innovation.
 20. **Partnerships.** The role of partnerships gains new significance in today's context, which requires IFAD to strengthen its capacity to lead or contribute to national and international initiatives around small-scale agriculture, food security and rural poverty reduction. Members have urged IFAD Management to continue efforts to enhance collaboration and coordination with international partners operating in the rural and agricultural development milieu – in particular with the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP) – to ensure greater synergy in their respective programmes and achieve broader impact. IFAD will also explore ways of strengthening partnerships with national stakeholders, including civil society and rural producers' organizations. The thrusts of and modalities for strengthening IFAD's partnership performance will be defined in the new partnership strategy to be completed by end-2011 and, in turn, underpinned by a more strategic approach to supporting and leveraging South-South cooperation for smallholder development.
 21. **Private sector.** Recognizing the critical role of the private sector in spurring agricultural and rural development, members emphasized the need for special attention to the creation of conducive institutional and economic conditions for private sector engagement in rural farm and non-farm enterprises to flourish. Efforts in this direction should focus on ensuring access by smallholders and the rural poor to markets and value chains in order to increase opportunities to move beyond subsistence to a higher path of economic development, generate employment opportunities in rural areas and better link rural economies to broader economic growth at the national level. New approaches will be defined in the upcoming policy on engagement with the private sector. In this regard, members highlighted the importance of incorporating information and communications technology (ICT) activities more systematically into IFAD's operations as a means to enhance smallholder productivity, and spur private-sector investment and the creation of new business opportunities in rural areas.
 22. **Project efficiency.** Members urged IFAD to focus on ensuring that results are achieved at a reasonable cost. This will be addressed in part by raising economic returns on investment, and in part through the scaling up agenda referred to above, in order to achieve greater economies of scale. An in-depth assessment of the underlying causes and the solutions required to accelerate progress in this

dimension of project performance will be carried out in 2011-2012, supported by the IOE corporate-level evaluation of IFAD's efficiency.

23. **Country-level decentralization.** IFAD9 Consultation members noted the very rapid and positive impact that IFAD's country presence initiative, formally launched in 2007, has made on the performance and outcomes of IFAD-supported programmes, and IFAD's ability to engage in partnership-building and policy dialogue activities at the country level. In light of the success of the initiative, and with a view to capitalizing further upon it, members strongly supported increased decentralization of operational management functions and decision-making authority at the country level.
24. **Strengthening of national monitoring and evaluation capacities** will be supported more systematically. These systems, which must provide high-quality data to governments, partners and IFAD, are often weak. IFAD will expand its capacity-building efforts, and will further develop its impact evaluation capacity to help guide its scaling-up work and policy advice. The Results and Impact Management System (RIMS) will be updated with new targets for 2015, and will require additional resources for data collection and analysis.
25. **Fragile states.** In recent years, IFAD and other donors have grown acutely aware of the importance of working more effectively in countries characterized by conditions of fragility. In such countries, IFAD's work will continue to adapt to the diverse causes of fragility in each country context, paying more attention to strengthening institutional and governance capacity. This will entail local institutional development, strengthening of basic agricultural and rural services, support to rehabilitate basic agricultural and rural infrastructure, and empowerment of rural communities and grass-roots institutions. Separate outcome targets for fragile states will be developed in the new Results Measurement Framework 2013-2015. In the IFAD9 period, operations in fragile states will be strengthened by means of:
- A flexible approach to programme and project design, with a strong focus on building the capacity of community and government institutions;
 - Greater simplicity in project objectives and activities;
 - More systematic attention to risk management, including security of the workforce; and
 - Better analysis to underpin programme design and implementation, through expanded country presence and direct supervision.
26. **South-South cooperation.**
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IV. MANAGING FOR IMPROVED RESULTS AND EFFICIENCY

A. Results management system

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- 30.
- 31.

B. Institutional efficiency

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- 33.
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V. USE OF IFAD9 PoLG RESOURCES

A. Planned PoLG for IFAD9

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B. Lending terms and financing instruments

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C. Performance based allocation system

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D. Application of the DSF and grant financing

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VI. FINANCIAL REQUIREMENTS AND MANAGEMENT

A. Replenishment level

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B. Effectiveness and encashment schedule

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C. Alternative financing modalities

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D. Financial management system

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VII. MID-TERM REVIEW OF IFAD9

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VIII. SELECTION OF THE IFAD10 CHAIRPERSON

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IX. RECOMMENDATIONS

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IFAD9 commitment matrix

Results Measurement Framework for IFAD9

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

Draft resolution on the Ninth Replenishment of IFAD's resources