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Investing in rural people

## **Elements of the New Procedures and Content for Country Strategic Opportunities Programmes**

### **Note to Transition Framework Working Group members**

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**For: Review**

## Recommendation

The Working Group on the Transition Framework is invited to analyse and endorse:

1. The specific recommendations regarding the incorporation of the following elements into country strategic opportunities programmes (COSOPs), to align them with the Transition Framework:
  - (a) The utilization of macroeconomic forecasting and/or fragility and vulnerability analytics in the creation of transition scenarios within COSOPs;
  - (b) Explicit incorporation of non-lending activities including specification of expected sources of financing;
  - (c) Piloting of three joint country strategies with other Rome-based agencies during IFAD11; and
  - (d) The alignment of all country strategies with United Nations Development Assistance Frameworks.
2. The timeline for finalization as presented in section IV.

## I. Background

1. During the Consultation on the Eleventh Replenishment of IFAD's Resources (IFAD11), the Fund committed to developing a Transition Framework (commitment 2.1, monitorable action 8) as one of the innovations included in IFAD's enhanced business model for the IFAD11 period. The country strategic opportunities programmes (COSOPs) were seen as playing a key role in operationalizing the Transition Framework at the country level: these would be reinforced as medium-term strategies providing tailored support as countries evolved in their development transition.
2. The procedures for country strategies (COSOPs and country strategy notes [CSNs])<sup>1</sup> are currently being reviewed. The review will consider how to ensure not only that COSOPs become a method for operationalizing the Transition Framework, but also that the content and process for writing and approving COSOPs and CSNs reflect all ongoing IFAD commitments and priorities, as outlined in IFAD's Strategic Framework 2016-2025.
3. This document provides the members of the Transition Framework Working Group with an initial overview of how Management proposes to reinforce the COSOPs in support of the Transition Framework and other IFAD11 commitments, while acknowledging the strengths of the current approach, and the constraints IFAD faces in expanding the analysis for COSOPs and CSNs.

## II. Vision for the COSOP

4. The COSOP seeks to position IFAD within the country in question and provide a framework for IFAD's country programme. It is built upon, and responds to, three overlapping elements: (a) a review of the national macro and sectoral policy framework that it should support; (b) an analysis of rural poverty in the country, its location and the factors contributing to it, as well as the livelihoods of rural

<sup>1</sup> COSOPs are developed for all countries in which IFAD engages. In exceptional circumstances, CSNs may be prepared, i.e. when: (a) there is uncertainty about the scope of IFAD's engagement in the country; (b) the country has no medium-term development strategy to frame IFAD's support; (c) IFAD has insufficient country knowledge, for instance, because of a long period of limited or no engagement with the country; (d) the country is going through an unusually uncertain period (e.g. pre-election, social crisis, natural disaster) or is in conflict; or (e) IFAD is seeking to align the COSOP period with that of key government strategy documents or with the country's political cycle.

people living in poverty; and (c) an understanding of IFAD's comparative advantage in the country, based upon its mandate and the lessons it has learned through its past experience in the country and beyond.

5. COSOPs take account of the lessons learned through midterm COSOP results reviews (CRRs), COSOP completion reviews (CCRs) and country strategy programme evaluations, as well as client surveys (which are being enhanced at present) and other feedback processes. They are underpinned by a comprehensive theory of change and accompanied by a results framework, which illustrates how IFAD will contribute to a country's rural transformation over the period in question.
6. Additionally, the Report of the Consultation on the Eleventh Replenishment of IFAD's Resources recognizes the need for IFAD's country strategies to "identify interventions that address key development problems and are likely to be successful in achieving their development objectives (doing the right things)." It also points out that the country strategies "provide the basis to assess the instruments, approaches or thematic areas most appropriate or most demanded by each country and to ensure full alignment with national priorities and strategies." Above all, there is an understanding that COSOPs should become fully-fledged transition strategies with medium-term programmatic tools, offering a tailored plan of support to borrowers for their development transformation and growth. This includes investment projects as well as grants, reimbursable technical assistance (RTA), policy engagement and institutional support and capacity-building at the level of rural people's institutions, projects and national governments.
7. Building on IFAD's own experience and resources, as well as the expertise and knowledge of other United Nations organizations and international financial institutions (IFIs) relevant to the IFAD context, this approach will focus particularly on:
  - The development of sustainable transition scenarios for each borrower, focused primarily on how the realization of risks may affect IFAD's planned approach and means of engagement;
  - More explicit identification of resources and articulation of strategies to meet the objectives of non-lending activities; and
  - Leveraging partnerships in order to pilot joint strategies with other United Nations organizations/IFIs and ensuring concrete linkages with country-level United Nations Development Assistance Frameworks (UNDAFs).
8. These issues are discussed in more detail in section III below.
9. The IFAD11 agenda also commits IFAD to a series of additional measures and requirements relative to its country strategies (including both COSOPs and CSNs):
  - (a) All new country strategies should include cofinancing targets, derived from those at the corporate and regional levels.
  - (b) All new country strategies should include a business strategy for the delivery of IFAD investments to support the achievement of concrete development results, including with regard to mainstreaming of nutrition, gender, youth and climate.
    - Nutrition will be mainstreamed in 100 per cent of COSOPs and CSNs;
    - Youth and youth employment will be mainstreamed in 100 per cent of COSOPs and CSNs; and
    - All COSOPs will analyse recipient countries' agriculture-related adaptation commitments and targets to achieve their nationally determined contributions under the Paris Agreement to the United Nations Framework Convention on Climate Change, to inform IFAD's

interventions and facilitate the tracking of IFAD's support to the implementation of these commitments.

- (c) All new COSOPs will seek to incorporate a communications and visibility dimension.
  - (d) 66 per cent of new COSOPs will offer a comprehensive approach to South-South and Triangular Cooperation.
  - (e) 60 per cent of new COSOPs/CSNs in countries with most fragile situations will include a fragility assessment.
  - (f) IFAD will make further efforts to use country strategies as tools for strategic planning, management and monitoring of country-level partnerships. They will also serve to identify the most strategic partners for leveraging finance and enhancing policy engagement, and the most effective modes of collaboration to achieve country goals.
  - (g) IFAD will seek to incorporate the policy recommendations and products of the Committee on World Food Security into its country strategies.
10. In order to respond to these diverse agendas in a coherent manner, a commitment (no. 3.4, monitorable action no. 31) was made to "update IFAD's procedures for country strategies to reflect the IFAD11 commitments, ensuring that they become long-term transition strategies, and include provisions for joint country strategies with RBAs and other partners, and share with Members through the Executive Board or informal seminars."
11. In line with practice in other IFIs/United Nations organizations, IFAD's current product for continuous monitoring and learning during implementation and adjustment at midterm – the COSOP results review – will not change. The COSOP completion review will also continue to be an intrinsic part the Fund's approach to self-evaluation and learning loop to feed into new strategies.

### **III. The key dimensions of the COSOP vision**

12. The enhanced COSOP procedures will maintain the core elements of existing procedures – including a focus on understanding the specific country challenges for rural poverty and achieving sustainable and inclusive rural transformation, and on the identification of strategic objectives and cross-cutting issues to guide the country programme. The process for designing COSOPs at present involves consultations with the government, civil society/smallholder farmers, private-sector and development partners; efforts will be made to systematize practice around these consultations and ensure wide representation of all sectors and partners.
13. The procedures will outline a vision for new elements as outlined above. Four key areas that will be included are: transition scenarios, non-lending activities, the possibility of creating joint country strategies and greater emphasis on defining how IFAD contributes to strengthening government capacity.
- (i) Sustainable transition scenarios: rationale and logic**
14. Management proposes to include in the COSOPs transition scenarios that provide country teams with a sense of how country characteristics may change over time, thus requiring more tailored support. This would include a moderate case – which largely reflects the status quo – and two additional scenarios, which would model potential improvements or deterioration in core country characteristics including macroeconomic situations and dimensions of fragility and vulnerability (as captured by the Rural Sector Performance Assessment (RSPA), the IFAD Vulnerability Index (IVI) and/or multidimensional cluster analysis).
15. These transition scenarios will be formulated utilizing several primary sources of data: the first, consistent with the multidimensional clustering analysis, is an analysis of how the country has changed over time, and what the potential

implications are for IFAD's relationship with the country should a country's cluster (and therefore underlying features) change during the course of the COSOP period. Analysis of the RSPA and IVI can complement this work. Second, Management proposes to analyse macroeconomic forecasting scenarios that may have an impact on the nature and extent of IFAD's relationship with the country.

16. These macroeconomic modelling scenarios would be largely drawn from existing sources, and in particular, from two sources of macroeconomic forecasting for individual countries provided by the International Monetary Fund: the World Economic Outlook Database and Article IV Consultations (which are not updated annually but are updated with sufficient frequency to meet the needs of the COSOP drafting).
17. Management is then proposing to make a decision about which macroeconomic or governance/vulnerability factors are most relevant for their country programme and the rural/agricultural sector more broadly and – utilizing existing analysis – estimate the forecasted impact on the country programme. The COSOP should then propose specific changes to the nature, modalities or size of the country lending or non-lending programme to meet the forecasted challenges, where these are considered necessary.
18. While there is less readily available forecasting on the specific and concrete impact of other types of changes (e.g. political and social transitions or climate/environmental shocks), the cluster analytical tool, the RSPA and the IVI give some sense of backward-looking trajectories (i.e. a country's propensity to move between groups and characteristics over time), and they will be used to complement and reinforce this analysis.

Box 1

**Rural Sector Performance Assessment**

In response to a number of enhancements originating from the 2016 corporate-level evaluation on IFAD's performance-based allocation system (PBAS) undertaken by the Independent Office of Evaluation of IFAD (IOE) and deliberations of the Executive Board's Working Group on the PBAS, IFAD has enhanced its RSPA (to include a questionnaire, quality assurance mechanism and performance reward system). The new questionnaire adds elements of analysis that were missing vis-à-vis IFAD's strategic objectives (e.g. on policies related to climate change and nutrition), strengthens other elements (e.g. on women's empowerment and gender equality) and now includes elements that used to be measured through other tools (e.g. the strength of macroeconomic policies, previously measured utilizing the World Bank's Country Policy and Institutional Assessment [CPIA]). Additionally, the RSPA has been streamlined to reduce repetition between questions, and a new, robust process for creating, reviewing and approving country scores has been put in place to ensure that the scoring is objective and meets best practice in measuring performance in terms of governance and institutions.

**(ii) Identification of resources and strategies to meet the objectives of non-lending support and activities.**

19. Key non-lending activities for IFAD at country-level are the closely related areas of policy engagement and partnership-building. Here, an important dimension of the context is the decentralization model, which will facilitate country directors' involvement in both these areas and enable them to build synergies between lending and non-lending activities.
20. IFAD committed to ensuring that 100 per cent of COSOPs contained a strategy for policy engagement during the IFAD10 period,<sup>2</sup> a commitment that has been met. Since that time, IFAD Management has also agreed, in the context of the IOE evaluation synthesis report on IFAD's "Country-level Policy Dialogue",<sup>3</sup> to "strengthen attention to policy dialogue [engagement] in the COSOPs" (recommendation 1 of the synthesis) by having identifiable objectives and deliverables, and by allocating funds to these activities.

<sup>2</sup> See: IFAD10 Report <https://webapps.ifad.org/members/gc/38/docs/GC-38-L-4-Rev-1.pdf>.

<sup>3</sup> See: [www.ifad.org/documents/38714182/39721299/Country-level+Policy+Dialogue+ESR+-+Full+Report+for+web.pdf/e0721f2e-f84b-40e5-9526-edbf6b54a9e3](http://www.ifad.org/documents/38714182/39721299/Country-level+Policy+Dialogue+ESR+-+Full+Report+for+web.pdf/e0721f2e-f84b-40e5-9526-edbf6b54a9e3).

21. Thus, the new COSOP procedures will ensure that the approach to policy engagement established and uniformly applied during IFAD10 will expand to include a focus on deliverables (consolidating progress already achieved towards creating monitorable indicators for policy outputs and outcomes) and dedicated funding to policy engagement, identified within COSOPs, during IFAD11.
22. With regard to partnerships, Management agreed, in the context of the IOE evaluation synthesis report on "Building partnerships for enhanced development effectiveness – a review of country-level experiences and results" to "include at least some country-specific partnership indicators and targets" within COSOPs, and to "clarify the approach to preparing partnership strategies as part of the COSOP process."<sup>4</sup> Drawing on the existing partnership strategy and on a framework for planning and monitoring partnerships to be developed, the new COSOP procedures will also seek to operationalize these commitments.
23. Success in both areas – policy engagement and partnership-building – depends in part on a third non-lending activity: an effective knowledge management function. IFAD's knowledge management strategy will be updated to strengthen IFAD's capacity to generate, manage, use and share knowledge at all levels; and this will inform the country strategies.

**(iii) Leveraging partnerships for piloting joint strategies**

24. The IFAD11 Report indicates (in box 1) that: "During IFAD11, the RBAs will: ... Undertake joint country-level mapping exercise to identify gaps, overlaps and opportunities for collaboration on country strategies – with a target of collaboration on three country strategies, subject to confirmation with the other RBAs."
25. COSOP design processes will systematically explore opportunities for strategic (as well as operational) collaboration both with other IFIs and with (one or both of) the other RBAs; and it will also ensure strategic alignment and seek operational collaboration with the wider country-level United Nations system. Under the Secretary-General's Report on Repositioning the United Nations development system to deliver on the 2030 Agenda, the current UNDAF will be positioned as the single most important United Nations country planning instrument in support of the 2030 Agenda, with individual country programme documents fully aligned with the frameworks. Building on the engagement of country directors in country-level UNDAF processes, COSOPs will be aligned to ensure IFAD's programme of lending and non-lending activities makes a meaningful contribution to the shared objectives of the United Nations system.

**(iv) Strengthening government institutions**

26. Country programmes and global/regional grants place great emphasis on strengthening government institutions and capacity at both the local and the national level. Under the new procedures, COSOPs and CSNs will be more explicit about the ways in which IFAD is supporting institutional strengthening.

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<sup>4</sup> See [www.ifad.org/documents/38714182/40240768/ESR+partnerships\\_for+web.pdf/b12c21eb-3a5a-40f3-89e7-ee0b15990c34](http://www.ifad.org/documents/38714182/40240768/ESR+partnerships_for+web.pdf/b12c21eb-3a5a-40f3-89e7-ee0b15990c34).

## Box 2

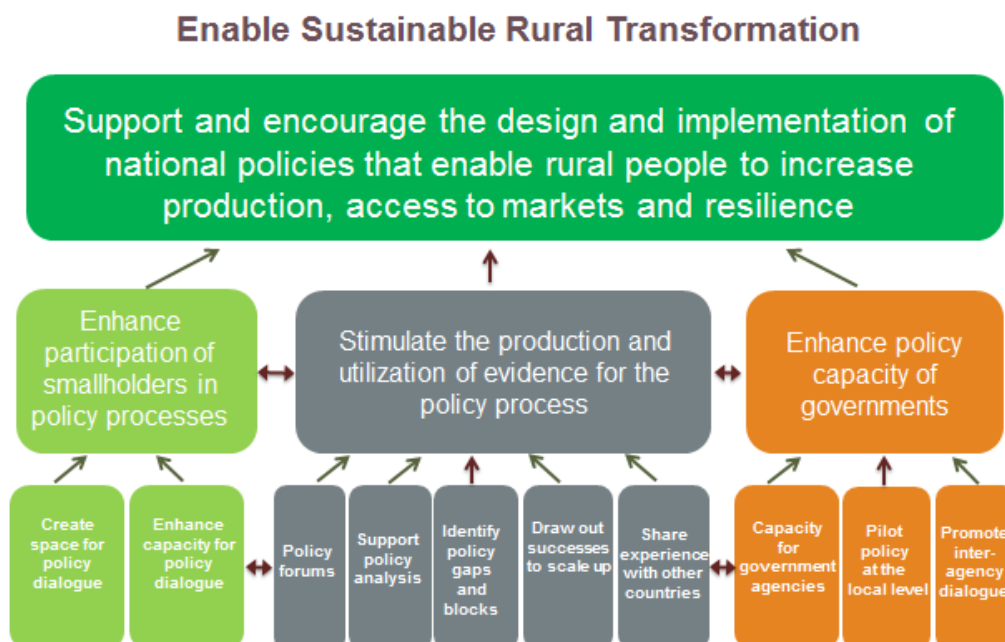
**Program in Rural Monitoring and Evaluation (PRiME) and AG-Scans**

IFAD has been recalibrating itself to cater to the changing nature of development and redirecting its efforts to fill a gap in the rural development sector by providing support to build in-country systems and capacities in monitoring and evaluation (M&E). IFAD has been the pioneer in developing two interlinked initiatives to provide a holistic package of support in the agriculture sector to address gaps in country M&E capacities and systems. The AG-Scan surveys have been developed in partnership with the Swiss development organization HELVETAS Swiss Intercooperation, to address the institutional and systematic side of M&E in countries and conduct assessments to identify gaps and develop action plans to fill these gaps.

Building on this is the Program in Rural Monitoring and Evaluation (PRiME) initiative which has been developed in partnership with the Centers for Learning on Evaluation and Results (CLEAR) to build capacity at the frontlines through a global M&E and impact assessment training and certification programme. As a result, to date, 44 project level staff have been certified in rural M&E and over 100 more are expected to be certified by 2019. The second phase of PRiME, currently being developed, aims to make the programme sustainable and systematic to ensure that all future project staff are trained and certified.

27. Strengthening the capacity of government institutions is one of the core objectives of a number of country programmes. This includes support aimed at enhancing their capacity to manage for development results (see box 2 above on the PRiME and Ag-Scan grant initiatives), deliver services to smallholder farmers (e.g. strengthening government capacity to deliver extension services), and design and implement policies that enable sustainable, inclusive rural transformation (see figure 1 below – particularly the boxes in orange). These activities are funded through both investment projects and grants.

Figure 1

**Theory of change for IFAD's policy engagement**

Source: Country-level policy engagement in IFAD, Guide Book (2017).

28. The new country strategy procedures will encourage country teams to identify more explicitly the multifaceted ways in which they engage in strengthening government institutions, and to specify the resources utilized to achieve these ends.

#### **IV. Developing the new procedures for country strategies**

29. Reflecting the commitment to update IFAD's procedures for country strategies, terms of reference for the exercise have been prepared, and a consultant recruited to support IFAD in developing the procedures. Work is already ongoing; key steps in the process are as follows:
  - Draft procedures to be prepared by end-June 2018.
  - Draft to be presented to the Working Group on the Transition Framework for review and comments at its fourth meeting on 18 September 2018.
  - Finalization of procedures and approval by the President, third quarter 2018.
  - Presentation to the Executive Board, as an annex to the Transition Framework, in December 2018.
30. While it will be the process of updating the procedures that will determine how best to accommodate the expanded agenda for COSOPs described above, four considerations will need to be taken into account.
31. First, IFAD currently allocates relatively limited resources – both human and financial – to the preparation of COSOPs. The expansion of the COSOP's scope and complexity will call both for expanded resources to complete the required analysis and for careful prioritization of the way in which IFAD's resources are used so as to maximize its development impact. Second, the limited resources allocated to COSOPs also raises the issue of the level of depth of analysis required for each new element. Analysis will need to be carefully focused to ensure its immediate relevance, and in some cases – and as suggested above – it will be more efficient for IFAD to draw on the analysis done by partner institutions or other actors. Third, COSOP documents are currently limited to a maximum of 5,000 words of main text. The expanded level of ambition for COSOPs under IFAD11 will require a more expansive approach in terms of document length, in order to be able offer a more substantive and justified programme in support of IFAD Member States' economic transition, while providing a coherent and articulated strategic narrative tailored to the country's needs. Fourth, through the COSOP, Management proposes to explore opportunities for allocating resources and developing reporting tools for non-lending activities.