1. What is IFAD's unique contribution to agricultural development and food security?

IFAD is the leading multilateral investor in the livelihoods of poor rural producers in developing countries worldwide. Our work is directed by the needs and concerns of poor smallholder farmers, agricultural labourers, pastoralists, foresters, fishers and small entrepreneurs in rural areas.

IFAD’s highly specialized mission is to enable poor rural people to overcome poverty. Our overarching goal is to help them improve their lives by building farm and non-farm enterprises that are viable, sustainable and integrated into national and global markets and value chains. Such enterprises generate economic growth in rural areas, raise incomes and increase employment opportunities.

By raising productivity, the programmes we fund make it possible for smallholders to move beyond subsistence farming and grow surplus produce for the market. We support training and capacity-building and cooperate with local communities to help them organize themselves and strengthen their institutions. We work with our country partners to improve infrastructure and rural financial services.

The projects supported by IFAD are often in remote and environmentally fragile locations. Often we work with marginalized and disenfranchised populations, giving particular attention to women, the young and indigenous peoples.

IFAD has a wealth of expertise in areas of concern to poor rural people, particularly those with agricultural livelihoods, including remote rural communities. We champion effective innovations in smallholder agriculture and rural poverty reduction, and promote their replication and scaling up.

The unique characteristics of our approach to agriculture and rural development are:

- an emphasis on smallholder farmers and producers as businesses
- our focus on empowering rural women and supporting the many roles they play in agriculture
- the ability to bring together individuals and organizations from diverse sectors
- support for country leadership on development, based on the mutual trust and confidence of our borrowing Member States, built up over many years
- expertise in targeting resources to those who are most in need and who have the potential to be economically productive
- our focus on capacity-building and empowerment of communities and organizations of poor rural producers.

2. How does IFAD operate?

IFAD uses a mix of low-interest loans and grants to support agricultural and rural development programmes and projects. We target women and men smallholder farmers, landless workers, artisanal fishers, nomadic pastoralists, forest communities and indigenous peoples. The programmes help them increase their food production, raise their incomes and improve their livelihoods, while also sustainably managing their natural resources and adapting to climate change.

In close collaboration with borrowing country governments, we support ongoing local operations that work directly with poor rural people.

Since our inception in 1977, IFAD has granted or lent about US$12.9 billion (about US$4.8 billion in sub-Saharan Africa alone) for some 870 agriculture and rural development programmes. We currently support around 240 projects.

3. How is IFAD different from the other United Nations food and agriculture agencies?

The United Nations has three food and agriculture organizations, all headquartered in Rome. The agencies have different but complementary mandates, and collaborate on an ongoing basis. At the same time, there are key differences in the missions and mandates that translate into differences in how, where and with whom they work.

As a fund, IFAD’s role is to mobilize resources to invest in development opportunities for poor rural people. We work in close collaboration with borrowing country governments and local communities to design, supervise and assess country-led programmes and projects that support smallholders and poor rural producers.

The Food and Agriculture Organization of the United Nations (FAO) plays an important role in developing global norms and sharing information, analysis and knowledge on agriculture. FAO also provides policy and technical assistance to developing country governments, helping to strengthen capacity and promote appropriate policy and regulatory frameworks.

The World Food Programme (WFP) is the food aid arm of the United Nations system. It has an extensive global field presence with immense logistical and procurement capacity to deliver and distribute emergency food assistance. WFP also conducts food insecurity assessments and vulnerability analyses to help it anticipate and respond rapidly to food crises.

4. How do IFAD, FAO and WFP work together?

Sharing the goal of eliminating global hunger and poverty, the agencies frequently work together to pool expertise and comparative advantages. The ultimate purpose is to strengthen global food security, increase agricultural productivity (especially of smallholder farmers) and meet the urgent and long-term needs of the world’s most vulnerable populations.

IFAD, FAO and WFP collaborate across all their areas of work, but collaboration is most extensive at the country level,
where the three agencies frequently engage in joint operational activities. Other key areas of cooperation include policy advice, knowledge and monitoring; advocacy and communication; and administrative efficiency. Collaboration in these areas helps to increase each agency’s impact.

Joint work in Haiti is a good example of this collaboration: FAO is providing technical support to an IFAD-funded project to help subsistence farmers in a remote area improve their water management and marketing capacities. The same project is also linked to WFP’s ongoing school feeding programme and community food-for-work projects.

The food price crisis that began in 2007-2008 has led the agencies to mount more joint country missions that focus on rising and volatile food prices and the need to bolster agricultural production. Joint assessments have contributed to a more comprehensive and coordinated United Nations system response to the immediate and long-term effects of food price shocks.

Working together allows each agency to contribute to the relief of short-term vulnerability to hunger while simultaneously addressing the root causes of hunger and poverty through longer-term programmes on agriculture, food security, nutrition and rural development.

5. What distinguishes IFAD from other international financial institutions?

IFAD is the only international financial institution with a specific mandate to reduce rural poverty through investments in agriculture and rural development. Thus, our mission distinguishes us from other such institutions. Another highly distinguishing feature is our dual status as an international financial institution and a specialized United Nations agency. Our governance structure reflects a broad constituency of 166 Member States. Significantly, developing countries both receive IFAD grants and loans and contribute to our replenishment.

Added to the benefits of United Nations status are the technical focus, resources and performance standards of international financial institutions. Throughout the rigorous institutional reform process that IFAD has carried out over the past seven years, we have been guided by international financial institution performance standards. This has resulted in especially rapid improvements in performance within the past few years.

6. What provisions does IFAD have in place to fight corruption in the operations we support?

IFAD has a comprehensive set of policies, mechanisms and institutional practices to prevent and investigate fraud and corruption in the operations we support and to impose sanctions where necessary. We view these policies as critical for achieving our mission because fraud and corruption divert resources from the people who need them most.

IFAD’s actions are guided by the Policy on Preventing Fraud and Corruption in its Activities and Operations. The Office of Audit and Oversight, which reports to IFAD’s President and Executive Board, is responsible for investigating allegations of fraud and corruption in IFAD operations. The office issues annual reports on investigative and anti-corruption activities, which are posted on the IFAD website. Allegations most often refer to bidding irregularities, fraud and misappropriation of funds. Credible allegations are referred to the Sanctions Committee, composed of members of IFAD’s Senior Management, which reviews investigative findings. The Sanctions Committee may recommend suspension or cancellation of loans, referral to national authorities, or may debar individuals and entities from participation in IFAD-financed activities.

As part of these efforts, IFAD has updated our project procurement guidelines, which are closely aligned to generally accepted international procurement principles and operating procedures, as well as to the procurement policies and standards of other development funding institutions. We also provide information to IFAD and project staff on how to identify and handle potentially fraudulent or corrupt practices.

In 2011, IFAD established an independent Ethics Office to give guidance to management to ensure that our practices and operations meet our standards of integrity. The office will also develop standards, training and education programmes on ethics issues. Every year, all staff members are required to certify their commitment to abide by IFAD’s employee Code of Conduct.

7. What provisions are there to ensure the transparency of IFAD’s operations and governance?

IFAD’s Policy on the Disclosure of Documents increases our accountability, transparency and service to our stakeholder community. It also furthers general knowledge and transparency about our governance structure and role in promoting rural poverty reduction and agricultural development. The policy reflects the principle of ‘presumption of full disclosure’.

All documents for IFAD’s governing bodies are posted on our public Internet site. Information about projects in preparation and associated loan and grant agreements and amendments are all disclosed, subject to approval of inception memos or signing of agreements. All programme and project design documents are disclosed in their original language prior to the Executive Board session at which they are to be considered. All evaluation reports and documentation are also posted. The policy spells out specific exceptions to the full disclosure policy, while also putting in place a procedure for lodging appeals when a request for disclosure is denied.

Other measures to ensure transparency in operations and governance include:

- training of staff on instruments to increase transparency and accountability in IFAD’s portfolio
8. What provisions has IFAD made to improve country presence and decentralize operations?

IFAD’s country presence helps us play a more effective catalytic role in-country, strengthen results for our target groups, and build local capacity. By the end of 2010, 29 of the 30 authorized offices were operational, compared with just one office in 2006. By 2013, there will be 40 country offices, with 5 opening in 2011. We are currently financing 135 projects in states that are served by country offices, accounting for 60 per cent of IFAD funds for programmes and projects.

Having a permanent presence in-country enables us to design programmes and projects more precisely and supervise them more closely, while also reducing response times. All these factors have translated into cost savings. In addition, country presence makes it easier for us to work with government officials, locally hired staff and civil society organizations, thus building skills and knowledge in the country. With a local presence, IFAD is a member of the United Nations country team and participates in developing and implementing the United Nations Development Assistance Framework, contributing to an efficient team approach to achieving the Millennium Development Goals.

Other benefits of a stable presence on the ground include more effective engagement in country-level policy dialogue, better alignment of our programmes with national policies, more robust national ownership and leadership of programmes, and stronger partnerships with other donors.

We have also made significant progress in decentralizing programme, administrative and financial operations to the field. To oversee all aspects of the decentralization process, a coordination group composed of senior management and other key staff was established in 2010.

Initial administrative procedures were issued in 2009, and a comprehensive Country Presence Handbook covering all administrative aspects of the set-up and operation of country offices will be released in the second quarter of 2011. The 2009 procedures included provisions by which IFAD may directly recruit and employ national staff. A dynamic online induction programme for field staff was rolled out in 2010. Country presence offices have been integrated into IFAD’s information technology infrastructure and have full access to corporate applications. We make extensive use of videoconferencing for communication between headquarters and the field. IFAD’s Security Unit also provides support to country offices.

An assessment is currently under way to guide the strategy for the next stage of country presence and decentralization. The results of the assessment were 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.

9. How does IFAD allocate resources to borrowers?

Like many other development finance institutions, IFAD uses a performance-based allocation system (PBAS) to allocate loans to Member States. The system also covers the allocations of country grant resources, including grants under the debt sustainability framework.

The IFAD PBAS allocates resources on the basis of rural population, per capita gross national income and country performance. Country performance includes the broad policy framework, rural development policy and the performance of IFAD’s portfolio.

The PBAS aims to ensure that resources are allocated to the countries where need is greatest and the funds will produce real results on the ground. While such systems support strong performers, they also take into account the important needs of borrowing countries that, despite poor performance, require assistance.

Under the PBAS, we make annual resource allocations in three-year cycles in line with the replenishment period. All IFAD loans and country-specific grants presented to the Executive Board for approval in 2010 were within countries’ PBAS three-year allocations.

Other institutions that use a PBAS include the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the Global Environment Facility, the Inter-American Development Bank, and the International Development Association of the World Bank. All these international financial institutions implement a system that assesses both performance and need. IFAD meets with them annually to review issues and progress.

10. What are IFAD's financing modalities?

IFAD is a financial institution, and this distinguishes us from our partner food and agriculture organizations in Rome, FAO and WFP. We provide loans and grants from our own resources and manage resources for other development organizations.

IFAD loans for programmes and projects go to developing country Member States on highly concessional, hardened, intermediate and ordinary terms, as determined by the borrower’s per capita gross national income.

Highly concessional loans carry no interest charge, have a service charge of 0.75 per cent and are repaid over 40 years. Loans on hardened terms have the same interest and service terms, but are repaid over 20 years.
Intermediate loans carry a variable interest charge equivalent to 50 per cent of the reference interest rate and are repaid over 20 years. Ordinary loans carry a variable interest charge equal to the reference interest rate and are repaid over 15 to 18 years.

In 2007, IFAD adopted a debt sustainability framework. The framework is part of a unified effort by multilateral financial institutions to calibrate assistance according to the ability of countries to repay borrowed funds and thereby avoid indebtedness that undermines development processes. It allows the Executive Board to replace loans with grants for poor countries that are not in a position to service loans. Ratings are determined using the country debt sustainability analyses of the World Bank and International Monetary Fund.

The bulk of IFAD’s financing is in the form of loans on highly concessional terms. In 2010, highly concessional loans accounted for 66 per cent of the year’s financing for programmes and projects, and debt sustainability framework grants accounted for a further 19 per cent. As a share of IFAD’s cumulative financing portfolio since work started in 1978, debt sustainability framework grants and highly concessional loans now represent 75 per cent.

Innovative financing mechanisms such as the Spanish Food Security Cofinancing Facility Trust Fund provide resources that enable us to make additional allocations. The Spanish Trust Fund, which was set up in 2011, will largely be used to scale up successful ongoing interventions, thus expanding our reach and building on our results. The new fund also makes possible strategic investments in middle-income countries.

Under our grant portfolio, we also provide grants to promote pro-poor research for development, and to support activities that strengthen the technical and institutional capacities linked to agricultural and rural development. Some 10 per cent of IFAD’s overall resources go towards grants.

In addition to our own programme of loans and grants, we also increasingly manage resources for rural development on behalf of other agencies. For example, we are the key technical and financial intermediary in the flow of resources from the European Commission to the institutions of the Consultative Group on International Agricultural Research, managing a budget of about €135 million. We also implement a significant part of the EU/EC Food Security Initiative, for a value of about €57 million.

11. Where do IFAD resources come from?
IFAD’s financing is drawn from several sources. This includes our initial capital, investment income, loan reflows and contributions from Member States and multilateral institutions. These contributions come through regular replenishments and in the form of supplementary funds.

We are currently in our Eighth Replenishment (2010 to 2012) and have a US$3.0 billion programme of loans and grants for the period. Combined with cofinancing, this is expected to result in total investments in agricultural development, poverty reduction and improved food security worth US$7.5 billion.

Replenishment negotiations are undertaken every three years by Member States and IFAD’s management to determine our policy and programme direction, scope of institutional reforms and resource level for the next replenishment period. The Consultation on the Ninth Replenishment of IFAD’s Resources (IFAD9) began in February 2011 and is expected to conclude in December 2011.

IFAD is an international financial institution and a specialized United Nations agency dedicated to eradicating poverty and hunger in rural areas of developing countries.