





Programme of work for 2006

Family members load up the day's tomato harvest on Mohammed Al Jafreh's farm in Al Aina, Jordan. The harvests have been good since an IFAD-supported project repaired the water source that irrigates the farm.

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In 2006, IFAD achieved its largest ever programme of work. The Executive Board approved new loans and grants for a total of US\$556.8 million, surpassing the target of US\$550.0 million set at the end of 2005. Disbursements were also at a record high in 2006, reaching US\$387.5 million.

During the year, the Executive Board approved a total of 31 new loans in 28 countries. Seventy-nine per cent of the new loans were highly concessional.

At the end of the year, IFAD had a total of 186 effective programmes and projects in 81 countries and one territory. IFAD's investment in these activities was worth a total of US\$2,948.8 million.

In December, the Executive Board approved IFAD's planned programme of work for 2007 for a total of US\$605.0 million, representing a 10 per cent increase over the planned programme of work for 2006. This target comprises a lending programme of US\$544.5 million for a maximum of 34 proposed programmes and projects, and a grant programme of US\$60.5 million.

Western and Central Africa

24 countries: Benin, Burkina Faso, Cameroon, Cape Verde, the Central African Republic, Chad, the Congo, Côte d'Ivoire, the Democratic Republic of the Congo, Equatorial Guinea, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Sao Tome and Principe, Senegal, Sierra Leone and Togo

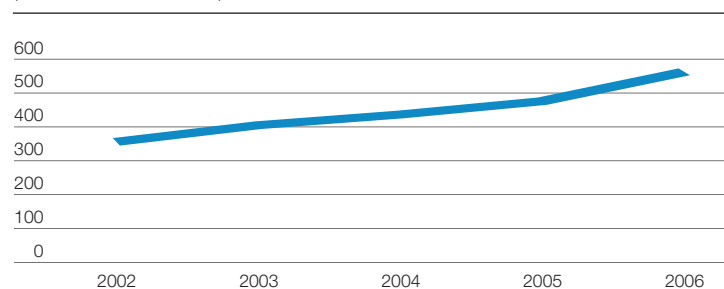
Overview

Although the Western and Central Africa region is undergoing a process of rapid urbanization, most people still live in rural areas. Agriculture remains the largest economic sector in most countries, accounting for about two thirds of total employment and for the bulk of export earnings.

There are positive trends and opportunities to capitalize on. Several countries have recorded strong economic and agricultural sector growth in recent years, making steady progress towards achieving the Millennium Development Goals. Agricultural commodity prices for crops like cotton and cocoa have been rising recently on international markets, generating increased income for some of the region's exports. Innovation in rural institutions, agriculture and technology generation and dissemination feature in many success stories.

The continuing process of regional integration should stimulate regional trade and economic development. But constraints and bottlenecks stand in the way, blocking the

CHART 1
IFAD-approved loans and grants, 2002-2006^a
(amounts in US\$ million)



Source: Project and Portfolio Management System.

^a 2005 figures include four programmes in countries affected by the tsunami (with IFAD financing of US\$33.7 million approved outside the Regular Programme). 2006 figures include the additional loans (US\$35.0 million) approved to cover financing gaps for those programmes.

efforts of the region's farmers to meet the challenge of increased regional demand, and hindering agriculture's potential to become a key motor for economic growth and development. Agricultural sector growth rates generally remain below the 6 per cent growth target set in the context of the Comprehensive Africa Agriculture Development Programme of the New Partnership for Africa's Development (NEPAD). Use of agricultural inputs and productivity levels lag behind those of Asia and Latin America, and population growth still outstrips growth in productivity.

Meanwhile, conflict and instability in Côte d'Ivoire continued to have a strong negative impact on the economies of neighbouring countries. While the governance context improved markedly in countries like Liberia and Sierra Leone, significant investment is needed for their economies to recover. IFAD contributes to this effort.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio consisted of 42 programmes and projects in 18 countries, with a total IFAD investment of US\$538.6 million. During 2006, the organization approved seven new programmes and projects in Burkina Faso, the Congo, The Gambia, Mali, Niger, Nigeria and Senegal.

Responding to ongoing changes in the political and macroeconomic settings in Western and Central Africa and to fundamental changes in the international aid architecture, IFAD has progressively revised its country strategies to bring future operations in line with country priorities and to ensure that they complement the activities of other donors. All country strategic opportunities programmes (COSOPs) are being aligned with national poverty reduction strategies, agricultural policies and other relevant national development strategies and policies. In April, the Executive Board approved new, innovative and results-oriented COSOPs for Ghana and Niger.

Strategy and activities in 2006

Operations in Western and Central Africa focus on the three objectives of IFAD's Strategic Framework for 2002-2006:

- strengthen the capacity of poor rural people and their organizations
- improve equitable access to productive natural resources and technologies
- increase access by poor rural people to financial services and markets

A fourth objective, specific to the region, is to reduce vulnerability to major threats to rural livelihoods.

Strengthen the capacity of poor rural people and their organizations

In September, IFAD approved the Agricultural Services and Producer Organizations Project – PSAOP 2 in Senegal. The project will focus on strengthening the capacities of farmers' organizations to defend their members' interests and deliver the services farmers need to stabilize, increase and diversify their production. The local consultation forums established during phase I will be expanded to cover all 320 of the country's rural councils.

Improve equitable access to productive natural resources and technologies

The ongoing Agricultural Development Project in Matam – Phase II in the Senegal River Valley (PRODAM II) focuses on empowering producers' organizations, building their capacities for rehabilitating infrastructure, and improving use of irrigation water and range resources. Drip irrigation technology is one of the project's key innovations. The project has been particularly successful in supporting women's access to new technologies and in promoting employment of young people. It uses innovative

approaches to disseminate technology and share knowledge, including rural radio and a special facility to monitor gender issues.

The Participatory Integrated-Watershed Management Project in The Gambia started work this year. The project targets poor upland rice farmers, drawing on the lessons and approaches of the successful Lowlands Agricultural Development Programme. The programme promoted sustainable improvement of traditional rice production for poor farmers, and particularly for women, in the swamp and tidal rice-growing areas of the lowlands.

IFAD also supported the launch workshop of the Regional Processing and Marketing Initiative on Cassava held in Accra, Ghana in March, which was part of NEPAD's Pan-African Cassava Initiative (see page 74). The initiative's objective is to link IFAD-funded roots and tuber projects with regional markets through development of commodity chains. Workshop participants included private-sector operators, IFAD project managers, researchers and members of farmers' organizations.

Increase access to financial services and markets

The Gambia Rural Finance and Community Initiatives Project worked to improve rural household food security and incomes by developing agricultural production activities and increasing access to microfinance services. The project supported Village Savings and Credit Associations (VISACAs) that were established across the country in the 1980s. The first phase was successful in providing poor rural people with better access to financial services and had positive effects on school enrolment and food security. But insufficient attention was given to building the capacities of VISACA committee members. Drawing lessons from this experience, the Rural Finance Project in The Gambia, approved in 2006, is fully aligned with the priorities of IFAD's Rural Finance Strategy and will be directly supervised by the organization.

This year the Executive Board approved the Rural Finance Institutions-building Programme, a new rural finance programme for Nigeria.

Reduce vulnerability to major threats to livelihoods

In December, IFAD approved the Agricultural and Rural Rehabilitation and Development Initiative Project in Niger. The project will invest more than US\$36.0 million in vulnerable rural areas over seven years, and it has established a model coordination framework with other donors and development partners active in the zone (see page 96).

In April, the Northern Regions Investment and Rural Development Programme started work in Mali. Its goal is to reduce vulnerability and food insecurity in this arid region. The Government of Mali designated IFAD as lead donor in the zone in recognition of the importance of its work to reduce vulnerability.

Policy and partnerships

During the year, IFAD continued to develop and consolidate its extensive network of partnerships in the region. It worked closely with inter-governmental and government institutions, donors and cofinanciers, research centres, the private sector, civil society and professional organizations at the regional, country and project levels.

Collaboration with the Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union focused on policy dialogue and analysis related to market access, and on implementation of the ECOWAS Agricultural Policy (ECOWAP). IFAD's work with NEPAD (see page 74) enabled key stakeholders such as farmers' organizations to contribute to the NEPAD process.

At the technical and research level, IFAD cooperated with the Consultative Group on International Agricultural Research (CGIAR) centres, specifically with the International Food Policy Research Institute (IFPRI), on poverty reduction strategy processes and monitoring and evaluation (see page 75). The most important partnerships with NGOs and farmers' and professional organizations linked IFAD with the Réseau des organisations paysannes et des producteurs agricoles de l'Afrique de l'Ouest, the Réseau Agricultures Paysannes et Modernisations en Afrique, the Association Africa Agro Export and the West African Rural Foundation. Other major partners included the International Center for Soil Fertility and Agricultural Development, the International Development Research Centre, the African Development Bank and the World Bank.

IFAD is working with the Organisation for Economic Co-operation and Development (OECD) and the French Ministry of Foreign Affairs on the Support to African Agriculture Project in Western and Central Africa, to put agriculture and rural development back on the policy agenda at global and regional levels. This three-year project began work in 2004 and is conducting field studies in Cameroon, Ghana and Mali. IFAD took part in a regional workshop and steering committee meeting for the project in Dakar in October.

The Hub: Supporting Rural Development in Western and Central Africa is an important grant-funded tool for knowledge management and capacity-building through partnership in national and regional policy development processes.

IFAD is also strengthening strategic partnerships with the Rome-based United Nations agencies in Western and Central Africa. In November, IFAD, FAO and WFP launched the joint Sahel Agricultural and Rural Development Initiative to support the Sahel region in managing and responding to risks related to food insecurity. In December, the heads of the three Rome-based agencies made a joint trip to Ghana, demonstrating their commitment to strengthening collaboration in support of the government's work to foster rural development and make the country food secure.

Extensive partnership networks have also been developed at country level, where particular attention is directed towards the private sector as well as towards government institutions, donors and other partners. During 2006, the regional Inclusive Private Sector Partnership Programme gained momentum. The programme fosters linkages among small- and large-scale private sector operators in Western Africa, Italy and France. It has addressed value chains for cassava in Cameroon and Ghana, gum arabic in Chad, mangoes in Senegal and organic cocoa in Sao Tome and Principe. It is also exploring the possibility of extending the approach to the cashew subsector in Guinea-Bissau.

Impact

In line with IFAD's growing emphasis on measuring the results, quality and impact of the operations it finances, the region continued to improve project monitoring and evaluation systems. These systems and other information sources confirm the regional portfolio's generally satisfactory performance. Projects are particularly successful in targeting poor rural people: 94 per cent of the projects in Western and Central Africa have adequate or improved targeting mechanisms in place. There has also been progress in mainstreaming results and impact management system (RIMS) reporting (see page 35). Benchmark impact surveys were carried out at early stages of implementation in the Congo, Ghana, Guinea, Mali and Mauritania.

Learning and sharing

Knowledge management and innovation increasingly became integral parts of country programmes and of all IFAD operations in the region. Thematic working groups backed by e-forums served as platforms for knowledge-sharing and pre-workshop consultations, and several knowledge-sharing workshops were held during the year. A workshop on Community-Driven Development Approaches organized in Accra, Ghana in March helped develop decision tools. The workshop was coupled with the launch workshop for the Regional Cassava Processing and Marketing Initiative.

In 2006, the grant-funded FIDAFRIQUE network built ownership of the network among projects and used the Internet and innovative methodologies to harvest and capitalize on knowledge. It also strengthened knowledge management capacities, in partnership with the West Africa Rural Foundation. FIDAFRIQUE connects all IFAD-supported programmes and projects in the region and links them with key partners in rural development. The network's current members include 30 programmes and grass-roots organizations.

Eastern and Southern Africa

21 countries: Angola, Botswana, Burundi, the Comoros, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Swaziland, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe

Overview

Economic growth rates across Eastern and Southern Africa varied markedly in 2006. Although a third of the countries have projected economic growth rates of over 5 per cent, only two – Mozambique and the United Republic of Tanzania – look likely to achieve the rate of 7 per cent or more needed to realize the Millennium Development Goals. Across the region, the grim reality is that the proportion of people living on less than US\$1 a day is declining only marginally while their absolute number continues to increase. Seventy per cent of the region's population – some 230 million people – live in rural areas, and almost certainly more than half of them survive on less than US\$1 a day.

During the year, the immediate food situation in Southern Africa improved considerably, following good rains and higher than average cereal production. But in Eastern Africa drought-induced crop failures were aggravated by heavy flooding. As a result, more than 10 million mainly rural people faced serious food shortages. Supporting vulnerable rural groups as they re-establish their capacity to produce food has become a priority for IFAD.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio consisted of 37 programmes and projects in 15 countries, with a total IFAD investment of US\$564.9 million. During 2006, the Executive Board approved five new loans for activities in Eritrea, Madagascar, Mozambique, Uganda and the United Republic of Tanzania.

Strategy and activities in 2006

IFAD's goal in the region is to enable poor rural people to gain the skills, knowledge, organization and assets they need to overcome poverty. The regional strategy focuses on enhancing the access of poor rural people to:

- land and water, strengthening their management of these resources
- agricultural markets and value chains, boosting their participation

- financial services
- agricultural technologies and information systems

In 2006 there was a particular focus on accountability and decentralization as a cross-cutting principle of regional strategy. IFAD's work continues to address HIV/AIDS and conflict, the major threats to rural livelihoods in the region.

During 2006, IFAD worked in all of these areas with partner governments and other local stakeholders. In line with its commitment to the Paris Declaration on Aid Effectiveness, the organization focused on supporting national policies, processes and capacities for rural poverty reduction within the framework of established mechanisms for donor coordination and dialogue with national partners. IFAD pursued this agenda through its evolving country programme approach. The new results-based country strategic opportunities papers provide a framework for the approach. Those for Madagascar and Swaziland were among the first to be prepared.

Access to land and water

This year the Executive Board approved the Project to Support Development in the Menabe and Melaky Regions in Madagascar. This is IFAD's first loan-financed operation in the region to focus specifically on land tenure security for poor rural people. It builds on knowledge gained under IFAD's grant-funded Regional Land Tenure Programme, which continued to support the incorporation of land issues into project design and implementation processes across the region during 2006. In Uganda, IFAD is working with national partners on the Collaborative Action on Land Issues programme financed by the Belgian Survival Fund (BSF) (see page 68), which organized a regional workshop on land tenure security.

In the area of land management, IFAD approved a regional project to explore approaches to conservation agriculture for small farmers.

In the area of agricultural water management, a number of research activities were carried out under the Improved Management of Agricultural Water in Eastern and Southern Africa project, a joint operation with the Association for Strengthening Agricultural Research in Eastern and Central Africa. A regional workshop held in Mozambique brought together managers of IFAD-supported projects, policymakers, government and NGO representatives, and researchers.

Access to markets and value chains

IFAD approved a loan for the Rural Micro, Small and Medium Enterprise Support Programme (known by the Swahili acronym *MUVI*) in the United Republic of Tanzania. The programme will enable rural entrepreneurs to develop the skills and knowledge they need to better engage in agricultural value chains (see page 100).

During 2006, IFAD completed a study reviewing its experiences in the area of market linkage development and providing recommendations on the way forward. It also held a regional workshop on enhancing market access for rural poverty reduction, bringing together the managers of IFAD-supported projects and representatives of the private sector, government agencies, NGOs and donors. The organization approved a regional grant supporting activities to strengthen capacity, build partnerships and foster policy dialogue in the area of market access and value chains (see page 112).

Access to financial services

IFAD continued to support ongoing projects promoting poor people's access to financial services. These included the African Rural and Agricultural Credit Association, which has close to 90 members, and the Rural Finance Knowledge Management Partnership with MicroSave-Africa and the Centre International de Développement et de Recherche. Under the partnership, a regional workshop for managers of IFAD-supported projects and other practitioners was held in Ethiopia, and action research activities were initiated on appropriate financial service delivery mechanisms for reaching poor rural people.

Access to agricultural technologies and information systems

In support of the Government of Mozambique's second-phase agricultural sector-wide programme (PROAGRI II), IFAD approved a loan for the Agricultural Support Programme. The programme will build farmers' demand for extension services and reorient and strengthen the delivery of such services.

In Eritrea, IFAD approved the Post-crisis Rural Recovery and Development Programme, which will boost farm productivity and strengthen the capacity of producer and community organizations to plan and manage development activities.

Accountability and decentralization

Promoting the accountability of governments to poor rural people and encouraging governments to provide services that respond to people's needs is an important aspect of IFAD's work. One means of promoting accountability is by supporting governments' efforts to decentralize authority and responsibility for public functions. The new District Livelihoods Support Programme in Uganda will work to strengthen decentralization processes, building on the achievements of an earlier project in the country and on an independent evaluation in 2005 of IFAD's work in decentralizing environments in the region.

Policy and partnerships

Policy

All of IFAD's initiatives in the region are in line with and contribute to national governments' poverty reduction strategies and agricultural sector policy frameworks. Engagement in policy dialogue is a key element of IFAD's participation in agricultural sector-wide approaches (SWAp). It will be vital in the implementation of the Agricultural Support Programme approved in Mozambique, as well as in the ongoing SWAp engagements in Rwanda, Uganda and the United Republic of Tanzania. In all of these, IFAD's priority is to ensure that the real constraints and opportunities of poor rural producers are addressed. IFAD's field presence (see page 34) makes it possible for the organization to participate actively in policy dialogue. The 'non-SWAp' projects approved in 2006 in Madagascar, Uganda, the United Republic of Tanzania and, to a lesser extent, Eritrea also allow IFAD to engage in dialogue on specific policies or laws.

During 2006, IFAD also took part in policy dialogue at the regional level. It supported the African Union Commission in its work to develop guidelines for national land policies, and it funded and participated in the Africa Fertilizer Summit, held in Nigeria in June (see page 62).

Partnerships

An important element in IFAD's strategy is strengthening the capacity of rural civil society to engage in policy dialogue with governments. During 2006 the organization made good progress in developing partnerships with farmers' organizations in the region. Grants for

strengthening institutional capacity were provided to national farmers' organizations in Kenya and Madagascar and to the regional Southern African Congress of Agricultural Unions. Gradually, such organizations are becoming key players in IFAD country programmes in the region.

Effective partnerships are also a key element of the aid effectiveness agenda. The organization strengthened its country-level partnerships and its participation in agricultural sector forums in all countries in the region where IFAD is active, and particularly in those where it has a field presence (currently Ethiopia, Madagascar, Mozambique, Rwanda, Uganda and the United Republic of Tanzania).

IFAD continued to pursue many other partnerships, both strategic and operational, at the local, country and regional levels. Partners included governments, intergovernmental organizations, donors, NGOs, civil society organizations and private-sector operators. Examples were the African Union Commission, the Belgian Survival Fund, the International Fertilizer Development Center, the International Maize and Wheat Improvement Center, the Millennium Challenge Corporation, NEPAD, the Rockefeller Foundation, Wageningen International and the World Bank.

The joint assistance strategy (JAS) is also emerging as an important vehicle for promoting partnerships between governments and their development partners. In 2006 IFAD participated in JAS processes in Kenya, Uganda, Zambia and particularly in the United Republic of Tanzania, where it signed a memorandum of understanding with the government and its development partners that defines ways to develop and implement the JAS.

Impact

Strengthening the capacity of programme and project management to enhance development impact is a major priority for IFAD in Eastern and Southern Africa. The ongoing Regional Programme for Strengthening Management for Impact is working towards this end with IFAD-supported projects across the region.

Assessments in 2006 found that IFAD-supported programmes and projects in the region are having a positive impact on:

- the lives of poor rural people, as a result of improvements in human assets, food security and incomes, social capital and people's empowerment, and gender equity
- the environment, as a result of sustainable management and use of natural resources
- national capacities for rural poverty reduction in the region, as a result of enhanced policies and more efficient and accountable institutions

Learning and sharing

IFAD promotes learning and knowledge-sharing for farmers and their organizations, for rural communities and for project coordinators and staff in all its regional operations. Farmers' field schools have provided a springboard for many such activities. During 2006 the organization supported a regional implementation workshop in Malawi and other workshops on topics such as land tenure security, agricultural water management, rural finance and market linkages.

An increasing number of projects have established websites and e-mail forums, and some are now linked to IFAD's Rural Poverty Portal. IFAD has itself improved communication with the region through a quarterly electronic newsletter.

During the year, IFAD continued a series of studies to consolidate its experience in key areas and build its knowledge of the region. Studies focused on farmers'

organizations, IFAD's experience with market linkage projects, poverty and targeting, agricultural water management for poverty reduction, land tenure security, and small and microenterprise development.

Asia and the Pacific

33 countries: Afghanistan, Bangladesh, Bhutan, Cambodia, China, Cook Islands, the Democratic People's Republic of Korea, Fiji, India, Indonesia, the Islamic Republic of Iran, Kazakhstan, Kiribati, Kyrgyzstan, the Lao People's Democratic Republic, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Niue, Pakistan, Papua New Guinea, the Philippines, the Republic of Korea, Samoa, Solomon Islands, Sri Lanka, Tajikistan, Thailand, Timor-Leste, Tonga and Viet Nam

Overview

The rate of economic growth in the Asia and the Pacific region rose to over 7 per cent in 2006, higher than any other region in the world. Inflation remained modest, at less than 3 per cent on average. Despite short-term risks, including high oil prices and the expected slowdown of the economy of the United States, the overall macroeconomic outlook is positive.

Countries in the region continue to make progress towards achieving the Millennium Development Goals, but performance in three target areas is cause for concern. They are the areas of infant mortality, HIV prevalence, and access to basic sanitation in urban areas. Though there has been some improvement in reporting on income poverty, the availability and quality of data are still a major problem. In absolute terms, an estimated 727 million people in the region are affected by income poverty. They represent about 70 per cent of the people affected worldwide.

Although there are opportunities for poverty reduction in the region, inequality along geographic and urban and rural lines has been growing. Risk is another area of increasing concern. Recent events have shown the extent of poor people's vulnerability to risks induced by social instability, natural disasters, epidemics such as HIV/AIDS and avian flu, market fluctuations, conflict and political upheaval. Reducing inequality and increasing poor rural people's resilience to risk were key objectives of IFAD's operations in the region in 2006.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio consisted of 45 programmes and projects in 16 countries, with a total IFAD investment of US\$886.8 million. In 2006 the Executive Board approved six loans for new programmes in China, India, the Lao People's Democratic Republic, Pakistan, Sri Lanka and Viet Nam.

In 2006, IFAD also approved an additional US\$35.0 million in loan funds for four post-tsunami programmes that were approved in 2005 for India, the Maldives and Sri Lanka. The organization agreed to the cancellation of the US\$19.9 million loan approved in 2002 for the East Kalimantan Local Communities Empowerment Programme in Indonesia, which could not be implemented because of changes in government policies.

Strategy and activities in 2005

In 2006, IFAD continued to implement the Regional Strategy for Rural Poverty Reduction in Asia and the Pacific, focusing on:

- developing less-favoured areas
- enhancing women's capabilities

- enhancing the capabilities of indigenous peoples and other marginalized minorities
- building coalitions of poor rural people

Developing less-favoured areas

Most of IFAD's ongoing and new programmes and projects are located in the region's less-favoured rural areas, where low-quality natural resources, poor communications, limited transportation networks and weak institutions combine to hinder growth and development.

IFAD's interventions address all of these constraints. In the Lao People's Democratic Republic, for example, the Xieng Khouang Agricultural Development Project – Phase II has built roads and bridges to reduce the physical isolation of poor people. The project used labour-based road construction methods, raising labourers' incomes. It institutionalized road maintenance by communities and opened them up for trade and the delivery of social services.

Conflict and crisis often affect the less-favoured areas in the region, which are least equipped to cope with them. In 2006, a number of projects continued to operate in areas of civil unrest. Despite persistent insecurity, the Western Mindanao Community Initiatives Project in the Philippines, the Western Uplands Poverty Alleviation Project in Nepal, and the Northern Areas Development Project in Pakistan all continued operations. Other projects contributed to post-conflict recovery and crisis prevention. The Dry Zone Livelihood Support and Partnership Programme in Sri Lanka is resettling people from the nearby conflict zone and it also engages in dialogue with the government about land tenure laws and how they affect poor people.

Enhancing women's capabilities

To reinforce its commitment to enhancing women's capabilities, in line with its regional strategy, IFAD has included special provisions for support to women in all of its recent country strategic opportunities papers (COSOPs) in the region and in all new loans approved in 2006. In the programmes and projects in the regional portfolio, giving women access to rural financial services is a primary means of improving their skills. Women often constitute the majority of savers and borrowers in operations in Bangladesh, India, the Philippines and Viet Nam.

Data from IFAD's results and impact management system (RIMS) show that nearly one million women farmers in the region received production-related training in 2006. Research and training to support projects, advocacy and policy dialogue continued under the Regional Programme for Gender Mainstreaming, sponsored by IFAD in collaboration with the United Nations Development Fund for Women.

Enhancing the capabilities of indigenous peoples and other marginalized minorities

The organization has specifically targeted research, policy dialogue, knowledge management, projects and investments at enhancing the capabilities of indigenous peoples and other minority groups who live largely in upland and other remote areas of South and Southeast Asia. Projects have worked to promote their access to resources, especially land, water and forests. The recently closed Cordillera Highland Agricultural Resource Management Project in the Philippines helped indigenous people defend their rights to ancestral domain titles. Programmes and projects also support indigenous peoples by strengthening existing organizations and governance systems, documenting traditional knowledge and working to prevent conflict between minority groups.

Building coalitions of poor rural people

During 2006, IFAD continued to build coalitions of poor rural people. In northern India, the North Eastern Region Community Resource Management Project for Upland Areas nurtured federations of farmers' self-help groups that brought together farmers from neighbouring villages. National and regional meetings with farmers' organizations were part of the run-up to the first global consultation of the Farmers' Forum during the IFAD Governing Council in 2006 (see page 76).

In investments at project level, there is increasing emphasis on boosting the sustainability and growth of poor people's organizations. With IFAD's support, federations and other apex organizations are helping small groups grow and speak with more authority when interacting with governments and other institutions. New projects such as the Women's Empowerment and Livelihoods Programme in the Mid-Gangetic Plains in India have made building community-level institutions their main purpose, drawing on the positive outcomes of other IFAD-financed activities in India.

Policy and partnerships

Policy

Implementation of the performance-based allocation system (PBAS) has provided a good opportunity for policy dialogue with many IFAD borrowers in the region. In-country discussions in Mongolia, for example, focused on the legal framework for rural organizations and access of poor households to natural resources.

Programmes and projects also demonstrate which policies contribute to rural poverty reduction. IFAD-funded projects have shown that the participation of poor rural people in government planning and resource allocation enables them to help themselves. This was the case in Bhutan, where successive project designs emphasized village-level planning methodologies. The methodologies were then adopted by the government and applied throughout the country to elicit popular participation in the process of formulating the country's poverty reduction strategy paper and drawing up the country's new 10th Development Plan. Support provided to village-level participatory planning processes in IFAD-funded projects in Cambodia and Viet Nam had a similar impact on government policies and programmes.

Partnerships

The organization's partnerships during 2006 focused on knowledge sharing, joint policy initiatives and country strategy and programme complementarities, all of which championed innovations and best practices. In China, India and Viet Nam, field presence officers started work under the Field Presence Pilot Programme, which facilitates partnership development and policy dialogue (see page 34). Partnerships were especially important in connection with technical assistance grants and loan implementation, on which IFAD worked with CGIAR centres, regional institutions, universities, NGOs and members of civil society.

IFAD undertook other initiatives to build relationships for cofinancing activities and other forms of collaboration with bilateral and multilateral institutions. In China, for example, IFAD and the German Agency for Technical Cooperation (GTZ) are jointly designing the Agriculture Market Access and Rural Financial Services Programme in the Inner Mongolia Autonomous Region. The appointment of a focal point based in Tokyo has strengthened IFAD's collaboration with Japan, and a trainee from the Japan International Cooperation Agency is currently involved in the IFAD-funded Leasehold Forestry and Livestock Programme in Nepal.

Impact

In 2006, the Office of Evaluation made an evaluation of the Regional Strategy for Asia and the Pacific (see page 40). The evaluation showed that 88 per cent of IFAD-funded projects in the region had a high or substantial impact on the physical and financial assets of households. This rate of impact is the result of investments like those made by the Income-Generating Project for Marginal Farmers and Landless – Phase III (P4K – Phase III) in Indonesia, which helped develop some 25,000 small business plans. A total of 23,000 microenterprises were either created or supported through financial services in six other projects this year. By improving land and water resources over more than 45,000 hectares, natural resource management has also had an impact on the physical assets of households.

RIMS indicators showed an impact on food security. Twelve projects reported that some 780,000 producers had adopted improved agricultural technologies in 2006, and 11 projects reported increased yields for almost as many people. Impact in the human assets area was reported from China, where some 15,000 school dropouts resumed their schooling with support from the West Guangxi Poverty-Alleviation Project.

Learning and sharing

In 2006, the programme for Knowledge Networking for Rural Development in the Asia/Pacific Region (ENRAP) continued to be an important means for learning and knowledge-sharing among IFAD-funded projects in the region, through electronic and face-to-face networking events. National portfolio review meetings in Bangladesh, Cambodia, India, Pakistan and Viet Nam fulfilled a similar function. They preceded the Annual Performance Review Workshop held in Bangkok in collaboration with the United Nations Office for Project Services (UNOPS), which was attended by IFAD project managers and implementation partners from locations throughout the region. In connection with the independent evaluation of the regional strategy by the Office of Evaluation, the Asia and the Pacific Division undertook an in-depth self-assessment of its performance in implementing the regional strategy.

Other knowledge-sharing activities included a seminar on experiences in designing exit strategies for IFAD projects held with the Asian NGO Coalition for Agrarian Reform and Rural Development and the Centre on Integrated Rural Development for Asia and the Pacific, and a seminar with the World Bank South Asia Department on community-driven development and strategic approaches to lending for agriculture in the region.

Latin America and the Caribbean

32 countries: Antigua and Barbuda, Argentina, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, the Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay and the Bolivarian Republic of Venezuela

Overview

In 2006, Latin America and the Caribbean showed a positive economic performance, with an average growth rate in GDP of 5.3 per cent. Yet despite economic recovery, approximately 60 per cent of the rural population live below the poverty line, according to an estimate of the Economic Commission for Latin America and the Caribbean of the United Nations. The region as a whole is highly vulnerable to external factors such as the performance of the global economy and natural disasters. The rate of extreme

poverty in rural areas is much higher than in urban areas. The region continues to show one of the most unequal income distributions in the world. Off-farm activities and microenterprises, as well as migration and remittances, have become important sources of income for poor rural people.

There has been significant progress in a number of social indicators such as those related to malnutrition and hunger, but a large number of countries are unlikely to meet the first Millennium Development Goal of halving extreme poverty by 2015. They include Argentina, Bolivia, Guatemala, Honduras, Nicaragua, Paraguay, Uruguay and the Bolivarian Republic of Venezuela. This is a result not only of unequal distribution of assets such as land, capital, education and technology, but also of limited access to services responding to the needs of poor rural people, and social and economic exclusion linked to ethnicity and gender.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio consisted of 31 programmes and projects in 16 countries, spread over four geographic subregions: Mexico and Central America, the Andean Region, the Southern Cone, and the Caribbean, which includes Panama. Total IFAD investment in the ongoing portfolio is US\$522.2 million. During 2006, the Executive Board approved five new programmes and projects, in Argentina, Bolivia, Brazil, Colombia and Haiti.

After eight years of absence from Jamaica, IFAD has re-established a policy dialogue with the government and is starting to design a project there. An important feature of IFAD's portfolio in the region is the large proportion of loans on ordinary and intermediate terms, which play an important role in the financial reflows of the organization.

Strategy and activities in 2006

IFAD's strategy for Latin America and the Caribbean takes into account the unique characteristics of rural poverty in the region and the organization's experience. There is a strong emphasis on learning and innovation.

The main objectives of the regional strategy are to:

- empower poor rural people and promote demand-driven participatory approaches
- enable poor rural people to take advantage of market opportunities at the local, regional and international levels
- promote policy dialogue, engaging direct stakeholders, governments and the donor community
- develop partnerships and coalitions
- learn from experience, and harness and disseminate knowledge

Gender mainstreaming and the sustainable management of natural resources are cross-cutting issues in IFAD's strategy for the region.

Empowering poor rural people

Strengthening social capital has been one of the most important achievements of IFAD projects in the region. Nearly two thirds of the projects reporting to the results and impact management system (RIMS) included indicators showing progress in social capital and people's empowerment (see page 35). IFAD also gives priority to supporting indigenous peoples and marginalized communities.

IFAD recently approved operations empowering poor rural people in Argentina, Brazil and Bolivia. A key objective of the Rural Communities Development Project in the Poorest Areas of the State of Bahia in Brazil is to empower poor rural people and their grass-roots organizations. It will work to strengthen their capacity to participate in local, municipal and territorial development processes, and to improve their income-generating capacities, transforming subsistence economic activities into profitable rural businesses. The overall objectives of the Rural Areas Development Programme in Argentina are to support income-generating activities, build the capacity of rural organizations and integrate the poor rural people effectively into the country's social and economic life. A large proportion of the programme's participants are members of indigenous communities.

Empowering poor people is also at the core of the Enhancement of the Peasant Camelid Economy Support Project in Bolivia, approved in December (see page 104). The Regional Programme in Support of Indigenous People of the Amazon Basin (PRAIA) organized a regional video competition called the Anaconda Award and devoted to promoting a better understanding of the livelihoods and culture of indigenous peoples. There were 37 entries from ten countries.

Enabling the rural poor to take advantage of market opportunities

IFAD works to strengthen the capacity of small-scale producers to participate in local, regional and international markets, and to foster the development of microenterprises. In 2006, IFAD started the Regional Programme in Support of a Medicinal Plants Development Network in Argentina, Brazil, Paraguay and Uruguay. The programme promotes the cultivation, processing and marketing of medicinal plants, on the basis of sustainable farming practices.

In December, IFAD approved a grant to strengthen the capacities of rural organizations to engage in policy dialogue in the context of the Dominican Republic–Central American Free Trade Agreement. Meanwhile, projects in three countries promoted linkages with export markets for fair trade and organic products. The South Western Region Small Farmers Project – Phase II (PROPESUR) focuses on coffee in the Dominican Republic, the Community-Initiated Agriculture and Resource Management Project (CARD) works with cacao in Belize, and the Sustainable Rural Development Project in the Provinces of Coclé, Colón and Panama West (TRIPLE C) works with coconuts in Panama. In March, representatives of the Development of the Puno-Cusco Corridor Project (CORREDOR) in Peru participated in the First Mile Pilot Project Assessment Workshop in Morogoro, the United Republic of Tanzania to exchange experiences about the use of information and communication technologies as a tool for opening up new market opportunities.

Gender mainstreaming

In 2006, IFAD carried out a field-based evaluation of its gender programme in the region. Results indicate that important achievements fostered by IFAD projects are enabling women to:

- participate in grass-roots organizations in the productive, community and economic areas
- access productive resources such as land and credit, and services such as clean water, health care, education and technical assistance
- organize microenterprises and improve their incomes
- develop greater self-confidence and autonomy and overcome their fear of expressing themselves

Policy and partnerships

Forging partnerships and coalitions in all regions is a strategic objective for IFAD. During 2006, the organization continued to play a role in the Inter-Agency Working Group on Rural Development in Latin America and the Caribbean, taking part in meetings held in Querétaro, Mexico in March, and in Santiago de Chile in October.

The Inter-American Development Bank and IFAD continued to implement their joint programme for the eradication of rural poverty in Latin America and the Caribbean, and two new projects were approved for Haiti and Ecuador. The Sustainable Rural Development Strategy developed for the Government of Argentina as part of this programme is being used in internal consultations with the principal farmers' associations.

The regional programme supporting the Commission on Family Farming of the MERCOSUR countries of the Southern Cone continued to foster policy dialogue between governments and key associations of small farmers. A regional meeting took place in Buenos Aires, Argentina in May 2006.

IFAD's Regional Unit for Technical Assistance (RUTA), a unique joint effort of the Central American countries, Belize, Panama and seven partner agencies, continued to support the formulation of the Central American common agricultural policy.

Impact

IFAD continues to promote rural financial services as a tool for poverty reduction. Achievements in 2006 included the successful development of innovative savings schemes for rural women in Peru and the start-up of a life insurance programme in the country. In the first year, more than 7,000 poor rural women opened savings accounts. The savings scheme is a follow-up to the success of IFAD projects in Ecuador and the Bolivarian Republic of Venezuela that supported women's access to financial services and benefited more than 40,000 rural women. IFAD is replicating and scaling up the experience of the innovative project in Peru and is promoting similar schemes in other countries, including the Rural Microenterprise Assets Programme: Capitalization, Technical Assistance and Investment Support in Colombia, approved in September.

The review of the first cycle of the Rural Development Programme for Las Verapaces (PRODEVER) in Guatemala indicated that it had exceeded targets for key poverty indicators.

- Forty per cent of the members of the supported groups – surpassing the target of 30 per cent set at the time of appraisal – were no longer living below the poverty line.
- The number of programme participants successfully involved in income-generating activities was 133 per cent of the target.

The country programme evaluation for Mexico showed that IFAD has a role to play in combating rural poverty in middle income countries. IFAD's major assets are:

- flexibility in the design and formulation of programmes and projects
- legitimacy and credibility with communities and grass-roots organizations
- capacity for innovation
- capacity for playing a catalytic role through coordination among governmental and other agencies, particularly at the decentralized level

Learning and sharing

The Internet-based network FIDAMERICA, a pioneer in the exchange and dissemination of information in the region, entered its fourth phase during 2006. The network facilitates learning, knowledge management and communication processes, focusing on innovations in strategies, approaches, methods and tools for poverty reduction and rural development. As a first step in the new phase, FIDAMERICA relaunched its website, (<http://www.fidamerica.org>), featuring a variety of learning tools, documents and key information about IFAD programmes and projects. FIDAMERICA held the first meeting of its Advisory Committee in October.

In 2006, IFAD approved a grant for the Regional Programme for Rural Development Training (PROCASUR) for the Learning Routes Training Programme. The programme uses the 'see and learn' methodology to improve the implementation and management of projects, and it responds to the growing demand in rural areas for on-the-job training.

Near East and North Africa, Central and Eastern Europe and the Newly Independent States

30 countries: Albania, Algeria, Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, Cyprus, Djibouti, Egypt, Georgia, Iraq, Jordan, Kuwait, Lebanon, the Libyan Arab Jamahiriya, Malta, Morocco, Oman, Qatar, the Republic of Moldova, Romania, Saudi Arabia, Somalia, the Sudan, the Syrian Arab Republic, The former Yugoslav Republic of Macedonia, Tunisia, Turkey, the United Arab Emirates and Yemen

Overview

Two distinct regions, the Near East and North Africa (NENA) and Central and Eastern Europe and the Newly Independent States (CEN), are covered by one division in IFAD.

In 2006, the NENA region continued to face major political and socio-economic challenges, including issues regarding decentralization and governance. Tackling rural unemployment, especially among young graduates, is one of the most pressing challenges, since the average unemployment rate in the region is about 13 per cent. Other challenges include improving export performance, creating marketing channels, encouraging private-sector development through a better business environment, and attracting domestic and international investments. Civil society organizations have started to emerge and gain a voice in decision-making circles, but they still require support.

All CEN countries are former communist countries that have had to cope with substantial economic and social shocks as they move away from centrally planned economies towards more pluralistic political and economic systems. In general, countries in the CEN subregion are attempting to catch up with market-oriented Western European economies. In the more advanced countries, the prospect of accession to the European Union is the prime driver of reform, and the Stabilization and Association process is a key priority for governments. Romania is slated for accession to the European Union in 2007.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio consisted of 31 programmes and projects in 16 countries and Gaza and the West Bank, for a total IFAD investment of US\$436.4 million. During 2006, the Executive Board approved four new loans for activities in Bosnia and Herzegovina, Egypt, the Sudan and Turkey. A large grant for capacity building complemented the loan for Egypt.

Strategy and activities in 2006

IFAD's current strategies for both the NENA and the CEN regions focus on four main objectives.

For NENA, these are:

- empowering poor rural people and their organizations
- promoting gender equality
- enabling poor rural people to diversify their incomes
- ensuring sustainable management of natural resources

For the CEN region, these are:

- empowering poor rural people and their organizations
- promoting gender equality
- supporting the transition process and the move towards market-based economies
- facilitating market linkages in the agricultural sector

During 2006, country strategic opportunities papers (COSOPs) were approved for Egypt and Turkey. Both focus on developing the private sector and enhancing employment opportunities.

Empowering poor rural people

In both regions, all operations approved in 2006 work to empower poor rural people. The Upper Egypt Rural Development Project will help target groups form community-based associations, including associations of farmers, handicraft marketing groups and water users' groups. The associations will play a vital role in the implementation of project activities. In the Sudan, the Butana Integrated Rural Development Project will work to develop the capacity of community-based organizations to engage in gender-sensitive development initiatives that are environmentally sound and socially equitable.

Promoting gender equality

The new project in Egypt has a strong agenda for the empowerment of women. It will focus on developing skills and generating employment, and on women's participation in local institutions and forums. In southern Upper Egypt, women farmers and microentrepreneurs will be encouraged to participate in extension and microcredit activities to enhance on- and off-farm income generation and employment opportunities (see page 107).

In Turkey, the Diyarbakir, Batman and Siirt Development Project will support commercial activities that women typically engage in. The project will promote production of orchard crops, viticulture and milk, cheese and meat processing (see page 108).

IFAD-supported gender mainstreaming programmes in both regions concluded their activities in 2006. IFAD conducted a self-assessment of operations in the CEN region to evaluate the programme's effectiveness and provide recommendations regarding future actions. The results were shared during a workshop held in Sarajevo, Bosnia and Herzegovina and it was concluded that the programme had substantially achieved its objectives. In the NENA region, IFAD supported the completion of ongoing gender mainstreaming grants in 14 projects. It also launched a completion assessment of achievements of the NENA gender programme.

Diversifying the incomes of poor rural people

Several projects approved in 2006 will work to increase employment and investment opportunities by supporting rural financial services and promoting microenterprise development. In Turkey, the new project in south-eastern Anatolia will encourage the diversification of income sources, increase employment by supporting new and existing profitable businesses, and optimize employment prospects by enhancing individual and organizational skills.

Ensuring the sustainable management of natural resources

IFAD continued to support sustainable natural resource management and equitable access to natural resources in the NENA region. In the Sudan, the new project will work to improve the governance of natural resources to ensure sustainable access by smallholders and conservation of land and water resources.

Supporting the transition process and the move to market-based economies

During 2006, most IFAD interventions in the CEN region shared the goal of developing rural market economies based on the private sector by supporting small and medium-scale enterprises. In Bosnia and Herzegovina, the Rural Enterprise Enhancement Project will work to sustain the growth of rural enterprises and contribute to dynamic local, regional and national economies.

Facilitating market linkages in the agricultural sector

Linking producers to markets remains an important aspect of the CEN portfolio. The project in Bosnia and Herzegovina will address the constraints faced by private small dairies and other processors by strengthening linkages among producers, processors and traders to ensure regularity of market access and development of the products that command the highest market prices.

Policy and partnerships

IFAD has engaged in policy dialogue in both subregions. In Jordan, the organization undertook discussions with the Ministry of Agriculture to shift the focus of agricultural research and extension services towards small-scale farm households. In Tunisia, IFAD worked with the government on a ministerial decree regarding a pilot decentralization process for range development. In Bosnia and Herzegovina, it supported the government's work in preparing a draft law on savings and credit associations.

Cooperation with Arab international financial institutions continued to be a major focus of IFAD's partnership agenda in the NENA region. To explore ways to strengthen partnerships, IFAD held meetings with the OPEC Fund for International Development (OFID), the Islamic Development Bank, the Arab Fund for Social and Economic Development, the Saudi Fund for Development and the Kuwait Fund for Arab Economic Development. In particular, IFAD and OFID agreed to build on previous successes and accelerate their cooperation (see page 74).

IFAD held talks with the World Bank to reach an agreement on broad guidelines for cooperation at strategic and operational levels and to discuss areas of potential collaboration in policy dialogue and cofinancing.

IFAD worked with FAO and IFPRI to produce two studies in the NENA region: an updated rural poverty profile and a study on the impact of agricultural trade liberalization on small rural producers. Their findings will sharpen IFAD's targeting approaches and pro-poor policy dialogue in the region.

In Turkey, the United Nations Development Programme (UNDP) will provide cofinancing of US\$0.8 million to facilitate quality assurance for implementation of the new project (see page 108). In Bosnia and Herzegovina, OFID agreed to cofinance the new project with a US\$6.0 million loan that will be used to finance market infrastructure – such as feeder roads, electricity connections and cold storage facilities – and revolving funds for investments (see page 107).

IFAD provided a US\$1.2 million grant to the Consultative Group to Assist the Poor (CGAP) for a regional partnership programme to support development of a pro-poor rural financial sector in NENA. The strategic partnership will build the technical capacity of regional stakeholders in rural microfinance and improve the quality and impact of IFAD's rural finance interventions in the region (see page 111).

Private-sector development is an important feature of IFAD's work. A grant awarded by the Initiative for Mainstreaming Innovation (see page 45) will support the establishment of client-financed agricultural advisory services in The former Yugoslav Republic of Macedonia. The programme will consolidate an innovative approach to respond to the challenges that poor producers face in identifying economic opportunities, translating them into sound business proposals and mobilizing resources to manage them effectively.

Impact

Significant results and impact in the two regions in 2006 include:

- enhanced empowerment through the creation of community-based associations, cooperatives, women's development groups, water users' associations and range management associations
- increased access of target households to physical assets such as drinking water supplies for people and livestock, classrooms, multi-purpose halls, and other community-level infrastructure
- successful pilot initiatives in the rural financial sector in NENA, such as those in Gaza and the West Bank, where by 2006 the number of women's savings and credit groups had reached 132, with total savings amounting to nearly US\$1.5 million, for an average of US\$260 per member
- good performance of rural finance interventions in CEN, such as those in the Republic of Moldova, where farmers and small enterprises and microenterprises received loans totalling approximately US\$2.3 million
- good impact on the environment and common resources, including achievements in community-based natural resource management in Morocco, the Sudan and Tunisia, and progress in improved participatory irrigation management in Armenia, Egypt, Morocco and Tunisia

Learning and sharing

Activities relating to KariaNet, the knowledge-generation and knowledge-sharing network in NENA, included the introduction of information technology tools. Internet telephony facilities and e-forums were the vehicles for two moderated discussions, one on monitoring and evaluation and the other on rural finance. KariaNet set up a pilot national network for rural poverty reduction in Egypt under the aegis of the Ministry of Agriculture, bringing together projects working throughout the country. An action plan for the network was developed.

In June, a workshop entitled Strategic Directions for IFAD's Support to the Rural Water Sector in the NENA Region was held in Rome. Water experts and partner research organizations from the region took part and made proposals for future IFAD interventions in the rural water sector.

Also in June, the IFAD knowledge management group for the region presented the innovative land and water governance reforms piloted under the Gash Sustainable Livelihoods Regeneration Project in the Sudan. The role of stakeholders in facilitating or constraining implementation of proposed reforms was one of the issues raised.

In partnership with the BBC World series "Villages on the Front Line", IFAD produced a segment on water scarcity in Jordan, focusing on the IFAD-supported project in the southern highland regions of Karak and Tafila. The documentary raised awareness of the critical role that agricultural investments play in increasing the resilience of rural communities and protecting the environment under conditions of desertification and severe water stress.

In November, IFAD hosted a regional workshop in Skopje, The former Yugoslav Republic of Macedonia on supply chain coordination programmes. Participants discussed current and future practices for more effective and efficient value chain interventions to boost pro-poor growth in the region.

Quality enhancement and assurance

IFAD's Technical Advisory Division is responsible for making core contributions for quality enhancement at all key stages of the project design process. The division's subject matter specialists become involved early in the process and work proactively to facilitate quality assurance.

In 2006, IFAD reviewed and revised its quality assurance process to align it with the evolving quality enhancement agenda, as articulated in the Strategic Framework 2007-2010 (see page 3). Quality assurance now takes place in a country-specific context and takes into account institutional, socio-economic and technical aspects.

The evolving quality assurance process is based less on control and more on responsible quality enhancement. Plans for 2007 include the development of new quality assurance mechanisms that endorse proactive self-assessment and a participatory approach to learning. IFAD is also considering a shift towards more technical and management backstopping during early implementation of programmes and projects.

IFAD's Global Environment Facility Unit

As a specialized executing agency of the Global Environment Facility (GEF), IFAD works with the GEF to fight rural poverty and environmental degradation. In 2006, IFAD's GEF Unit continued to develop a diversified and growing portfolio of mutually cofinancing programmes and projects. At year-end, a total of US\$27.9 million in GEF funding had been secured for IFAD operations. The GEF funds will directly cofinance IFAD loans and associated investments of US\$273.3 million.

IFAD initially had direct access to GEF project grants under the land degradation focal area. In 2005, broadened access was granted for all GEF focal areas and financial windows provided that the primary focus is on land degradation. Following GEF procedures, IFAD develops project grants through its GEF Unit and regional divisions. Under the lead of the GEF Unit, in 2006 nine new initiatives were identified, seven preparatory grants worth US\$2.4 million were under implementation, and a total of five project grants worth US\$18.6 million were under or nearing implementation. The project grants included two global initiatives related to the United Nations Convention to Combat Desertification (UNCCD) and three country programmes based in Western Africa, Eastern Africa and Latin America.

During 2006, in collaboration with the Technical Advisory Division, a streamlined internal review process for GEF project grant proposals was established and an IFAD/GEF learning note on GEF project design was prepared. An IFAD/GEF corporate brochure was also published, with six fact sheets focusing on IFAD's regional activities and its comparative advantages as an executing agency.

The GEF Unit continued to foster strong partnerships with other United Nations agencies, including the UNDP, the United Nations Environment Programme and the United Nations Industrial Development Organization, and with the World Bank, through the joint implementation of five project grants. The unit also participated in GEF consultations through membership in various task forces and on the Executive Committee, and it played an active role in the independent evaluation of the executing agencies and GEF operational reforms.

In August, an IFAD team participated in the Third GEF Assembly, held in Cape Town, South Africa. It was preceded by the Special Council Meeting and the Forum on Sustainable Land and Water Management, during which IFAD facilitated a roundtable on resource mobilization.

Country-level engagement: stepping up IFAD's presence in the countries that it serves

The Field Presence Pilot Programme deepens IFAD's engagement in programme and project implementation. The three-year pilot programme was authorized by the Executive Board in December 2003, with a budget of US\$3.0 million. The programme promotes policy dialogue, partnership building and documentation and synthesis of knowledge gained at field level. It is designed to be flexible, to allow for a variety of arrangements.

By the end of 2006, field presence pilot initiatives had been set up in all 15 of the selected countries or country groups: Bolivia, China, the Democratic Republic of the Congo/the Congo, Egypt, Ethiopia, Haiti, Honduras/Nicaragua, India, Nigeria, The Gambia/Senegal, the Sudan, the United Republic of Tanzania, Uganda, Viet Nam and Yemen.

IFAD has become more visible and responsive to partners in countries where the Field Presence Pilot Programme operates. Working more efficiently in-country has resulted in better and more consistent follow-up. Experience suggests that this will improve both the quality of country programmes and their impact. An evaluation of the pilot programme will be concluded by mid-2007.

Performance-based allocation system

The performance-based allocation system (PBAS) allocates IFAD's loan and country grant resources to country programmes on the basis of country performance (broad policy framework, rural development policy and portfolio performance), population and per capita gross national income (GNI). Under the PBAS, annual resource allocations are made in three-year cycles and are administered within a six-year time frame.

The first PBAS-based allocation in 2004 covered the three-year period 2005-2007. At the time, it was noted that the PBAS would continue to evolve in the light of operational experience. The initial design was a starting point for an ongoing process of refining the methodology of assessment and the weighting of the separate factors of the formula.

In 2005, some technical issues that limited the effective implementation of the system were identified. For example, the significant variations in population between

IFAD's Member States had resulted in large differences in country scores and allocations, making it necessary to introduce maximum and minimum allocations. This reduced the system's responsiveness to changes in performance indicators. In April 2006 the Executive Board agreed to reduce the influence of the population factor in the formula. The new level was a 'point of balance' at which population was still significant as a determinant of 'needs' in the formula but also allowed performance and per capita GNI to play a strong role.

Following the successful conclusion of the Seventh Replenishment discussions, it was also agreed that fixed regional allocations would no longer apply. IFAD regions would no longer receive predetermined allocations of funds for lending and grants. Yet the 'uniform' system would need to reflect priorities in the regional distribution of development assistance, and IFAD would continue to direct at least the current percentage share of resources to sub-Saharan Africa, provided that the performance of individual countries warrants it. This approach will be applied in the 2007-2009 replenishment period.

Results and impact management system

In December 2003, the Executive Board approved a framework for IFAD's results and impact management system (RIMS). The framework includes common indicators to assess first- and second-level project results and impact, with timelines and milestones for implementation. During 2006, there was again a high level of compliance in reporting to IFAD, indicating that ongoing projects had successfully internalized the RIMS in their own systems. The aggregated figures on project results were reported in the 2006 portfolio performance report.

IFAD undertook activities to mainstream the RIMS at in-house and partner country levels during the year and organized training and dissemination events to strengthen knowledge about the system. Orientation sessions were also held in combination with regional and subregional workshops. These events provided a valuable opportunity for learning and knowledge-sharing and were also an opportunity for project staff to give IFAD feedback on the RIMS.

During the year, IFAD devoted special attention to finalizing the methodology for the survey on project impact. The survey contains a limited number of questions focusing on child malnutrition, drinking water, sanitation, household asset ownership and household experience of the hungry season. A manual outlines instructions for taking the survey. A software programme for entering and analysing survey data was developed, and the manual includes detailed instructions on its use. These tools have been posted on the IFAD website.

Learning and knowledge-sharing

Communication

IFAD conducted advocacy and media outreach in 2006 to build awareness of the need to fight rural poverty and successful approaches.

Advocacy highlights included participation in the 2006 Global Microcredit Campaign Summit, the Africa Fertilizer Summit, the African Union/NEPAD Summit on Food Security, a seminar for Asian parliamentarians on poverty alleviation, the International Conference on Agrarian Reform and Rural Development (ICARRD), the Tokyo International Conference on African Development (TICAD) Conference on Consolidation of Peace, and the World Congress on Communication for Development.

IFAD's outreach to news media generated more than 500 news reports around the world that focused attention on the needs of poor rural people and the work of IFAD-supported programmes and projects. Partnerships with global broadcasters also enabled the organization to reach millions of households in more than 200 countries and territories through documentaries and short television features on rural poverty. In 2006, *In the wake of war*, a 30-minute IFAD documentary about poverty and conflict in Burundi, first broadcast on BBC World in 2004, was awarded first prize at the Cinema for Peace film festival in Genazzano, Italy.

In support of the International Year of Deserts and Desertification, IFAD and the Inter Press Service organized a training course on desertification and land degradation for journalists from Western and Central Africa. The training was part of a project, funded by an IFAD grant, to help journalists from the region better understand the issue of desertification and to report on rural people's experiences and innovative approaches to the problem.

During the year, IFAD continued to capture in real time the innovation and learning emerging from the First Mile Project in the United Republic of Tanzania. The First Mile initiative enables poor small farmers, traders, processors and others in rural areas to learn together how to build profitable marketing chains linking producers and consumers. A thematic approach was used to capture the project's pre-existing conditions, its processes, outcomes and lessons. The most innovative aspects of the First Mile experience have been shared broadly with audiences interested in using information and communication technologies to reduce poverty. IFAD is currently scaling up and adapting the lessons learned from phase one of the First Mile Project.

Rural Poverty Portal

In 2006, IFAD continued its work to connect communities of people with the information and knowledge they need to eradicate rural poverty. On 31 March, version one of the Rural Poverty Portal went online as a product, or deliverable, of IFAD's Action Plan for Improving its Development Effectiveness (see page 44).

The Rural Poverty Portal is an IFAD-powered website where poor rural people, their organizations, other United Nations and multilateral organizations, policymakers, donors, research institutes, NGOs and other development partners can discuss key issues and share information and knowledge. The Portal provides access to millions of links from a single entry point and streamlines the search for information. When fully operational, it will serve as the cornerstone of information and knowledge management at IFAD, bringing together a wealth of knowledge about rural poverty eradication, and information and resources from many sources and providers. It will also allow individuals to store, manage, create, read, exchange and use information and knowledge.

Learning notes

Learning notes cover key issues in programme and project design and implementation, and they are now a systematic part of IFAD's quality enhancement and assurance procedures. They are routinely used by all those involved in project design. First introduced in 2005, they provide concise reminders of the core issues, key tasks, sources of information and examples of good practice involved in designing, implementing and appraising pro-poor investment projects. They are based on lessons learned, accumulated knowledge and current innovations and are available on IFAD's intranet and the Internet.

Sixteen learning notes now in regular use cover gender; food security, health and nutrition; community development funds; project targeting; pro-poor institutional

transformation for community-based development; technology change for livelihood development; rural technical support services; agricultural water infrastructure and management; environment and natural resource management; livestock and rangeland; rural finance; microenterprise and small enterprise development; project rationale and relevance; designing for implementation; sustainability; and monitoring and evaluation. New learning notes will include rural education and training, land tenure, marketing, and financial and economic analysis for investment projects.

Technical advisory notes

Technical advisory notes are tools for promoting pro-poor technologies and knowledge sharing. They bridge the gap between research and practice, and they provide information to be included in the design of loan programmes and projects.

Technical advisory notes are gleaned primarily from IFAD grants, a rich source of knowledge and experience. This year, the results of 12 closed grant projects in Western and Central Africa were used to develop prototype technical advisory notes. The prototypes have been discussed among various research stakeholders, and after refinement they will be distributed through FIDAFRIQUE to obtain feedback on their value from IFAD-financed projects. A planned action-research process will design, test and implement a dissemination system for grant results in Western and Central Africa.

IFAD plans to introduce a clause into its grant agreements to ensure that all new grants deliver results that can be synthesized in technical advisory notes. This will focus research and training activities more closely on field application and impact.

Thematic groups

Human and Social Assets

During 2006, the Human and Social Assets thematic group played a leading role in developing IFAD's Targeting Policy (see page 54). The learning note on targeting was updated on the basis of the new policy and is now used systematically in project design. The thematic group also developed model terms of reference for qualitative poverty analysis that were used successfully in Madagascar, Nepal and Peru.

IFAD works to realize Millennium Development Goal 3, which is to promote gender equality and empower women, by improving women's economic status through sustainable access to productive resources, and by increasing their participation in public decision-making. Gender-based work supported by this thematic group during the year included:

- a comprehensive midterm review of progress under IFAD's Gender Plan of Action, and a survey on how IFAD-supported programmes and projects address gender
- preparation of a checklist of prerequisites for gender-sensitive design, based on IFAD's Gender Plan of Action and used in formulating and reviewing projects and in developing the learning note on gender
- publication of *Gender and desertification: expanding roles for women to restore drylands* and *Gender and desertification: making ends meet in drylands*, launched at the United Nations Conference on Women and Desertification held in Beijing in May

The thematic group also:

- carried out a stock-taking study on land access and tenure, which was the first step towards strengthening IFAD's capacity to improve poor people's access to land

- generated information on institutions, producing two publications (*A sourcebook on institutional and organizational analysis* and *A guide to institutional analysis for rural development programmes*) and a CD-ROM of all the reference documentation, and held a training workshop on institutional analysis for IFAD staff and consultants

Productive Assets and Technology

During the year the Productive Assets and Technology thematic group worked in the areas of:

- advocacy about the importance of water for poor rural people, informing stakeholders, including policymakers, about IFAD's water and rural livelihoods approach to integrated water resource management, which incorporates domestic water, agriculture and livestock, and environment in a holistic manner
- advocacy about land and water governance, continuing advocacy about the need to combine land and water governance and put farmers' needs and perceptions first
- development of an electronic platform for learning, focusing on issues related to drylands development as a contribution to the International Year of Deserts and Desertification
- a portfolio review related to non-timber forest products for rural poverty reduction, to guide IFAD's quality assurance process in this area

The thematic group targets learning as one of its key activities. New initiatives included:

- identification of innovative key elements of an operational land and water strategy that will increase the effectiveness of IFAD's water investment portfolio
- publication of *Community-based natural resource management: how knowledge is managed, disseminated and used*, which highlights the importance of local institutions
- documentation of 'live learning' processes on natural resource conflict management, acquired with and from local institutions in the Gash Sustainable Livelihoods Regeneration Project in the Sudan
- contribution to the United Nations World Water Development Report II, in which IFAD co-authored two chapters and helped shift the focus on water for agriculture from a production-only approach to a people and livelihoods approach
- contributions to various conferences and training events

Financial Services and Access to Markets

Enabling poor rural people to gain sustainable access to financial services and markets is a priority for IFAD, but the organization faces a number of challenges in the area of rural finance. The corporate level evaluation of IFAD's Rural Finance Policy commissioned by the Office of Evaluation in 2006 clearly highlighted these challenges (see page 40). The Rural Finance thematic group was consulted by the evaluation team. To address challenges related to rural finance, IFAD's action plan on the theme proposed concrete solutions to improve impact in the field. The four objectives set out by the action plan are to:

- develop partnerships with rural finance centres of excellence
- develop stand-alone thematic grants to promote innovation
- improve performance monitoring through the Microfinance Information Exchange (MIX)
- develop in-house technical training and knowledge management

New initiatives developed by the Financial Services and Access to Markets thematic group this year included:

- the Funding Facility on Remittances, established by IFAD with funds from the European Commission and the Consultative Group to Assist the Poor; through a competitive selection process, the facility supports innovative approaches to improve poor rural people's access to remittances and maximize their development impact in Africa, Asia, Eastern Europe and the Near East
- technical papers on rural finance, published in 2006, the International Year of Microcredit; they covered remittances, agriculture and rural finance, governance, social performance and commercialization of the village banking model with FINCA International, and also shaped the organization's own learning agenda
- training materials; the thematic group used the Rural Finance Learning Centre, a web-based facility hosted by FAO, to promote access to training materials on rural finance capacity-building

IFAD evaluation activities in 2006

Overview of the fourth annual report on the results and impact of IFAD operations

In 2006, the Office of Evaluation prepared the fourth annual report on the results and impact of IFAD operations. The report synthesizes the findings of 16 project, country programme, corporate-level and thematic evaluations conducted in 2005. It also compares this year's composite ratings with findings from the 29 projects evaluated between 2002 and 2004. A new feature of the report is the introduction of proposed target scores for each evaluation criterion, which are used by the Office of Evaluation to compare against performance and results management.

The report shows results that reflect generally improved performance.

- Compared with a figure of 59 per cent for 2002-2004, 78 per cent of projects in 2005 were rated moderately successful or better. The figure was even higher for IFAD's directly supervised projects, where there is improved follow-up and there can be a sharper focus on the organization's broader objectives, such as policy dialogue, improved targeting and gender equality.
- In two impact domains – physical and financial assets and human assets – project performance exceeded the benchmarks proposed by the Office of Evaluation. Performance in ensuring food security was close to the target score. It was below the target score in the six remaining domains.
- Relative to 2002-2004, however, performance in 2005 improved against all domains.
- Many projects did not benefit the poorest people because during implementation higher priority was given to enhancing implementation progress. Lack of an appropriate monitoring system also played a role.
- Overall, sustainability after projects are closed remains a major challenge.

In terms of project performance, 79 per cent of the 2005 cohort of projects showed high or substantial performance against the Independent External Evaluation's (IEE) finding of 70.7 per cent. Performance ratings were 100 per cent for relevance, 78 per cent for effectiveness (against the IEE's finding of 67 per cent) and 59 per cent for efficiency (against the IEE's finding of 45 per cent). There has thus been significant improvement in performance.

The report concluded that there remain three underlying reasons for weak performance by projects: limited ownership by stakeholders and participants; unforeseen developments in and effects of country contexts; and weak project design and implementation.

The report recommended that IFAD should:

- make project designs more realistic, setting goals and objectives that are achievable
- develop a risk management assessment process to determine ways of handling matters such as project size and complexity, as well as a degree of supervision
- develop a management checklist to ensure that project designs address all key success factors
- hold a broad-based discussion on sustainability issues to arrive at a better understanding of how to resolve the problem

IFAD management responded to the report. They stressed that while it was not entirely representative, the findings and trends presented were valuable in highlighting portfolio management issues. The management team broadly agreed with the key findings and recommendations of the report. Many of the issues raised are being addressed by IFAD's Action Plan for Improving its Development Effectiveness (see page 44).

The new Targeting Policy (see page 54) fills the gaps identified in the report by clearly defining IFAD's target groups. This year's portfolio review process significantly strengthened the portfolio-at-risk analysis. In the future improved risk assessment at the design stage will be complemented by a more rigorous analysis of the risks present in projects in the ongoing portfolio.

The management team reserved its decision with regard to the targets proposed by the report. The targets would be set taking into account the development effectiveness targets that IFAD is committed to under its Action Plan. IFAD management will draw up a system of target scores and present them to the Executive Board.

Management agreed with the report's proposal of a broad-based discussion on sustainability issues. Management also said that the findings of the annual report on results and impact could be used more effectively to foster learning by IFAD staff, and will work with the Office of Evaluation to ensure that independent evaluations are used in this way.

Evaluation activities in 2006

In 2006, the Office of Evaluation implemented its third work programme. Among other things, it completed the corporate level evaluations of:

- IFAD's Rural Finance Policy
- IFAD's regional strategy in Asia and the Pacific

The evaluations produced far-reaching results and recommendations. The evaluation of IFAD's Rural Finance Policy concluded that its introduction in 2000 had resulted in a positive but modest improvement in the performance of IFAD-assisted rural finance operations. It also found that many such operations are not aligned with the policy, partly as a result of the inadequate internal quality assurance system. The evaluation noted that the policy itself is largely well designed, although there is room for further improvements.

The evaluation of the regional strategy in Asia and the Pacific found that regional portfolio performance and impact were good but that performance in policy dialogue, partnership building and donor coordination had been generally weak during the

evaluation period (1996-2005). While endorsing the recommendations contained in the agreement at completion point, the Executive Board noted that the usefulness of developing a new regional strategy required further consideration by management.

During the year, the Office of Evaluation also began evaluating IFAD's regional strategy for the Near East and North Africa, the IFAD Field Presence Pilot Programme (see page 34) and the Morocco country programme. These evaluations will be finalized in 2007. The Mali country programme evaluation, completed in 2006, found that IFAD's strategy had evolved by adjusting project design to take into account the ongoing decentralization process. Among other issues, it also found that IFAD will have to reinforce its engagement in policy dialogue processes, in strengthening partnerships and in knowledge management activities.

In April, the Office of Evaluation and the Programme Management Department signed an agreement to harmonize the independent evaluation and the self-evaluation systems at IFAD. The agreement was in response to requests from the Evaluation Committee and the Executive Board that the same criteria and ratings be used to ensure that the systems generate comparable information.

During the year, the Office of Evaluation continued working on a comprehensive evaluation manual. It will contain a new country programme evaluation methodology that will enable the office to assess the performance of individual projects in a given country. The methodology will also allow for the generation of lessons learned at the project level on systemic and cross-cutting issues.

The office introduced an improved internal quality assurance system with three key features.

- The Deputy Director is mandated to review all evaluation approach papers and draft final reports to ensure their compliance with the office's methods and standards.
- Internal peer reviews are conducted for all corporate level, thematic and country programme evaluations and selected project evaluations.
- For these evaluations the office increasingly seeks the advice of external senior advisors who provide their inputs at key stages of the process to ensure overall quality.

Evaluation Committee activities

Four sessions of the Evaluation Committee were held during the year. In March, the committee visited Mexico in connection with the national roundtable workshop for the country programme evaluation. Twelve Executive Board Directors took part in this visit. At its forty-fourth session, the Committee elected Mexico as Chairperson from September 2006 to August 2007.

During the year, the Evaluation Committee also discussed:

- the Office of Evaluation work programme and budget proposal for 2007
- the evaluation of IFAD's regional strategy in Asia and the Pacific
- the fourth annual report on the results and impact of IFAD Operations
- the corporate-level evaluation of the IFAD Rural Finance Policy
- IFAD's Policy on Supervision and Implementation Support, and the Office of Evaluation's comments on it