

President's foreword



2007 was a landmark year for IFAD. It was the year in which IFAD completed 30 years at the frontline of eliminating rural poverty and hunger. It was also the year in which the importance of agriculture for development found new recognition. For IFAD, it was a year that reaffirmed the importance of our mandate and underscored its urgency.

During 2007, IFAD achieved a programme of work of US\$598.8 million, the highest in its history. The level of loan disbursements, at US\$399.1 million, was also a record. Partners contributed US\$1.25 to IFAD projects for every dollar of IFAD's own resources.

IFAD is both an international financial institution and a United Nations specialized agency. It is the only such organization dedicated exclusively to reducing rural poverty in developing countries. In the years since our first loan was approved in 1978, we have empowered more than 300 million poor rural people in Africa, Asia and Latin America to grow more food, better manage their land and other natural resources, learn new skills, start small businesses, build strong organizations and gain a voice in the decisions that affect their lives.

In recent years, the overall number of people living in extreme poverty has declined significantly, but progress is extremely uneven. A good deal of this progress is due to the impressive record of poverty reduction in China and other Asian countries. Elsewhere, progress is slow, and in some areas of sub-Saharan Africa the number of people living in abject poverty continues to rise. Today, nearly one billion people still suffer from desperate poverty and hunger. About 75 per cent of them live in rural areas and depend on agriculture and related activities for their livelihoods. These are the men, women and children we must reach if we are to achieve the Millennium Development Goals.

In 2007, there was a strong revival in interest in agricultural development, following the release of the World Bank's *World Development Report 2008: Agriculture for Development*. The report, to which IFAD contributed both intellectually and financially, reinforced what we at IFAD have known all along: that agricultural development is extremely effective in overcoming poverty. The report stated, unequivocally, that agriculture must be placed at the centre of the development agenda. For the world's poorest people, growth originating in agriculture is up to four times more effective in raising incomes than growth originating outside the sector.

Unfortunately, despite the growing consensus on the importance of agriculture for growth and poverty reduction, actual support to the sector remains disappointingly low. Government spending on agriculture in most developing countries has declined. This is reflected in the pattern of overseas development assistance to agriculture, which fell from 18 per cent in 1979 to 3.5 per cent in 2004.

In the past year, new elements have emerged that are making the challenge of overcoming poverty and hunger – and IFAD's work – even more crucial. Rising commodity prices and the increasing demand for biofuels are bringing risks as well as opportunities to the poorest rural populations. Some may benefit from these developments, but rising prices will deprive others of their basic means of survival, and expanding biofuel plantations will compete with food crops.

Climate change is an even bigger concern. Agriculture is the main source of livelihood for most poor rural people, and the human activity most directly affected by climate variability. Climate change will hit the poorest and most vulnerable people hardest, imperilling their homes and sources of livelihood. I believe we have an economic, social and moral imperative to help poor rural people respond to these challenges.

Because we have stuck firm to our focus on agricultural development at a time when some donors and governments turned their attention elsewhere, we are well placed to help the world's poorest people respond to the challenges of our changing world.

IFAD's comparative advantage lies in our experience and our track record. The decision to create IFAD was taken in the wake of the food shortages and rising prices that struck Africa and Asia in the preceding years. We work mainly in marginal, rainfed areas, which is why adaptation to climate variability and strengthening resilience to environmental stress have always been part of our work.

In 2007, we implemented reforms throughout the institution that will set the stage for IFAD to be even more effective in the years ahead. The deliverables under IFAD's Action Plan for improving its development effectiveness were completed on time and on budget. The Action Plan agenda is already shaping IFAD's daily operations, making us more focused, more effective and better able to monitor our results.

We also presented the first consolidated report on our development effectiveness. It found substantial improvement in IFAD's programme and project performance since the independent external evaluation in 2003. IFAD's relevance continues to be high, and there have been improvements in effectiveness and efficiency, as well as in innovation and impact on rural poverty.

Underlying all the reforms is our commitment to work effectively, and in partnership. We are living up to the principles of the Paris Declaration on Aid Effectiveness and performing well on the declaration's partnership commitments. We are also an active participant in the eight One UN pilot countries, and we are strengthening our collaboration with the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP), our sister agencies in Rome. We are developing strategic and operational partnerships with institutions such as the African Development Bank, the World Bank, the International Food Policy Research Institute and the OPEC Fund for International Development.

I am also happy to note that in 2008 IFAD will expand its programme of work for a sixth consecutive year. In December, the Executive Board approved a 10 per cent increase in IFAD's programme of work for 2008 to reach US\$650 million.

At the Governing Council in February, we plan to launch negotiations on the Eighth Replenishment of IFAD's Resources. This replenishment will set our course in the run-up to 2015, and will be decisive in IFAD's ability to contribute to meeting the Millennium Development Goals. Together with our partners, we will continue to work to enable millions of poor rural people to lift themselves out of poverty.



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