





Programme of work for 2007

Village chief Feng Jancang works with farmers to maintain a terraced field near Linfang Village, Zhaisuo Township, Huinin County, Gansu Province, China. An IFAD-supported programme is working with villagers in remote mountain areas to boost food security and incomes.

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IFAD's programme of work continued five years of uninterrupted growth in 2007. The Executive Board approved new loans and grants for a total of US\$598.8 million. Disbursements also reached a record high of US\$399.1 million.

In April, the Executive Board approved IFAD's debt sustainability framework (DSF), replacing highly concessional loans with grant financing for poor countries that are unable to sustain debt (see page 58).

During the year, the Board approved 27 loans and 13 DSF grants in support of 35 investment programmes and projects. Over 90 per cent of the total amount approved was in the form of DSF grants and highly concessional loans.

At the end of the year, IFAD was financing a total of 197 effective programmes and projects in 80 countries and one territory. IFAD's investment in these activities was worth a total of US\$3.2 billion.

In December, the Executive Board approved IFAD's proposed results-based programme of work for 2008 for a total of US\$650.0 million, representing a 10 per cent increase over the proposed programme of work for 2007. This target comprises a financing programme for investment programmes and projects (loans and DSF grants) and a grant programme.

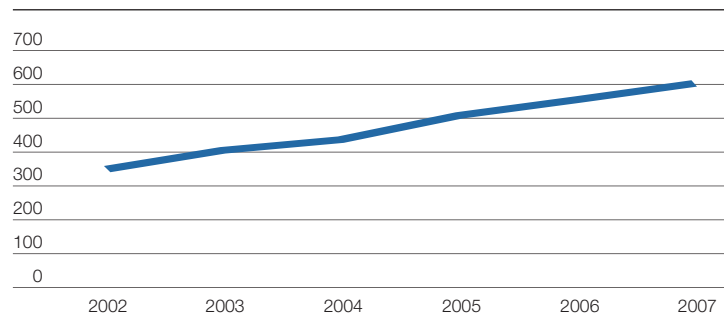
Western and Central Africa

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, the Niger, Nigeria, Sao Tome and Principe, Senegal, Sierra Leone and Togo

Portfolio management highlights

- 45 ongoing programmes and projects in 18 countries in the region at the end of 2007
- US\$578.6 million invested by IFAD in the region's ongoing portfolio
- 7 new programmes and projects in Burkina Faso, Gabon, Ghana, Guinea, Guinea-Bissau, Nigeria and Sierra Leone; 2 large grants also approved
- 4 new results-based country strategic opportunities programmes (COSOPs) for Burkina Faso, Cameroon, Mali and Mauritania

CHART 1
IFAD-approved loans and grants, 2002-2007^a
(amounts in US\$ million)



Source: Project and Portfolio Management System.

^a 2005 figures include a loan on highly concessional terms approved for Indonesia made up of unused proceeds of a loan approved in 1997 on intermediary terms. 2005 figures also 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 additional loans approved to cover financing gaps for the tsunami programmes (for a total of US\$35.0 million).

Overview

Western and Central Africa is one of the poorest regions in the world and is struggling to meet the Millennium Development Goals (MDGs). Only Cape Verde and Ghana look likely to reach the first MDG targets on hunger and poverty by 2015. Hence, the most important challenge in the region remains the high level of persistent chronic food insecurity and extreme poverty. Some 80 per cent of the population lives on less than US\$2 a day, and about 50 per cent on less than US\$1.

The region is also undergoing a rapid transformation that involves high rates of urbanization and migration. Yet, on average, more than 50 per cent of the population and more than 70 per cent of poor people are still living in rural areas. Agriculture remains the largest employer, and recent studies show that growth in the agricultural sector is a key factor in reducing poverty.

Overall economic growth has been robust. Growth in agricultural production in many countries has averaged more than 4 per cent. And with increased stability in the region, future prospects look good. However, population growth continues at a rapid pace constituting a challenge and also an opportunity as urban markets for agricultural products expand.

Despite positive trends, few countries have reached the 7 per cent national growth rate needed to lift Africa out of poverty by 2015. Although the number of violent conflicts in the region has diminished, and although stability has increased in the wake of elections that are undisputed and more transparent, the course of political progress is not smooth. Governance challenges continue to affect development interventions, while management capacity is often weak and transparency is lacking.

Activities

IFAD's goal in the region is to enable poor rural people to overcome poverty by:

- strengthening their capacities and their organizations and building sustainable institutions
- improving equitable access to productive natural resources and technologies
- increasing their access to financial services and markets

IFAD also works to reduce vulnerability to major threats to livelihoods and to address the causes of food insecurity. It focuses on improving the quality, results and impact of the programmes and projects it supports in the region. The organization made substantial investments in improving the quality of monitoring and supervision during the year and will directly supervise 12 projects in 2008.

Strengthening the capacity of poor rural people and their organizations

IFAD supports civil society in playing an increasingly important role in development policymaking and programming in the region.

In 2007, IFAD successfully completed the regional capacity-building programme for the Network of Farmers' and Agricultural Producers' Organisations of West Africa (ROPPA). ROPPA, supported by IFAD, also played a major role in the development of national and regional agricultural policies. IFAD continued to work with the Réseau Agricultures Paysannes et Mondialisation en Afrique network supporting farmers' organizations in the region. A regional consultation between IFAD and farmers' organizations was held in Cotonou, Benin, in March to prepare for the 2008 session of the Farmers' Forum.

Strengthening producers' organizations and civil society capacity was an important part of IFAD's work in countries emerging from instability. The newly approved activities in Guinea-Bissau and Sierra Leone (see pages 95 and 96) are key examples of this approach. At the country level, farmers' organizations continued to be involved in the development of the results-based COSOPs. IFAD developed mechanisms to increase their role in monitoring and evaluation.

Improving equitable access to productive natural resources and technologies

In Aguié, the Niger, IFAD supported a successful programme that fostered natural tree regeneration on more than 100,000 hectares of land. In the Tahoua region of the country, IFAD promoted the traditional *tassa* soil and water conservation technique.

The organization began work on an overview on climate change and IFAD's activities in the region, focusing on the key challenges facing the region and its farmers, on the impacts of climate change on rural livelihoods and on opportunities to support adaptation. IFAD also awarded a second grant to the West Africa Rice Development Association to boost smallholders' access to the improved New Rice for Africa (NERICA) rice variety (see page 111).

Increasing access to financial services and markets

The Agricultural Commodity Chain Support Project in Burkina Faso will start work in 2008. It will improve poor rural people's access to profitable markets, supporting five commodity chains: cowpea, sesame, goats and sheep, poultry and onions.

IFAD completed a stocktaking exercise evaluating successful financial services associations piloted in Benin. In Sierra Leone 30 associations are being established in the context of the Rural Finance and Community Improvement Programme. IFAD, the United Nations Development Programme (UNDP) and the United Nations Capital Development Fund developed a joint concept note on rural finance. It will be the basis for work in Maradi, the Niger, as part of the Strengthening Local Institutions and Promoting Local Development Programme.

Reducing vulnerability to major threats to livelihoods

The Agricultural and Rural Rehabilitation and Development Initiative Project started work in the Niger in 2007. The project is investing more than US\$36 million in vulnerable rural areas over a period of seven years, and it has established an innovative coordination framework with other donors and development actors in the area.

In the Central African Republic, where programmes have been suspended because of instability and arrears, IFAD met with the World Bank and the International Monetary Fund to resolve problems and make it possible to establish a new programme.

IFAD supported the development of the Sahel Agricultural and Rural Development Initiative (SARDI) initiated by the Permanent Interstate Committee for Drought Control in the Sahel, the Economic Community of West African States and the West African Economic and Monetary Union, with the participation of representatives of the private sector and ROPPA.

Policy and partnerships

In October IFAD took part in the Seventh Partnership Meeting on Rural Development in Western and Central Africa in Tunis, Tunisia, hosted by the African Development Bank (AfDB). The meeting focused on climate change and agriculture, transboundary agricultural water management, and knowledge management and innovation. It proposed FIDAFrique as the main forum for sharing information among donors in the region. IFAD and AfDB also agreed final details of a partnership agreement.

Following the 2006 United Nations MDG Africa Working Group Fertilizer Summit, IFAD prepared a grant to support the African Fertilizer Financing Mechanism. The AfDB coordinates the mechanism, which will become operational in 2008.

Under its strategic partnership with the United Nations Industrial Development Organization (UNIDO), IFAD took part in the high-level interactive forum in Vienna, Austria, in December. UNIDO participated in the design of the Rural Microenterprise Development Programme in Nigeria (see page 96). IFAD also contributes to the United Nations MDG Africa Working Group on Agriculture and Food Security.

The pilot phase of the Support to African Agriculture Project, a joint initiative with the participation of the Organisation for Economic Co-operation and Development (OECD) and France, was completed in 2007. The results of studies on the impact of agricultural policies on agricultural development and poverty reduction in Cameroon, Ghana and Mali were shared at the Global Forum on Agriculture in Rome, jointly organized by IFAD, FAO, the World Bank and OECD (see page 63).

The grant-funded Support Programme to the Poverty Reduction Strategy Process in the region was launched at a workshop in Senegal in October. Country teams and government representatives from Cameroon, Ghana and Senegal attended. IFAD also worked with the private sector, including farmers' organizations, and with public-private sector funds such as the African Enterprise Challenge Fund. Through these partnerships, IFAD harnessed private sector investment in pro-poor agricultural development.

Learning and sharing

Increasingly, knowledge management and innovation have become integral parts of country programmes and operations in the region. Thematic working groups backed by e-forums served as platforms for knowledge-sharing and pre-workshop consultations.

The Hub: Supporting Rural Development in Western and Central Africa enabled IFAD to foster stakeholders' engagement in regional integration and policy processes, and also to support knowledge management and capacity-building. The United Nations Development Fund for Women joined France and IFAD in funding the Hub. The Hub contributed to building regional capacity to analyse and negotiate the proposed Economic Partnership Agreements, and it launched strategic studies on land and trade agreements.

The grant-funded FIDAFrique network (www.fidafrique.org) continued to strengthen its role as an instrument for knowledge management and sharing innovation.

In June IFAD launched the Scouting and Sharing Innovations Initiative in Western and Central Africa. IFAD is implementing the initiative in partnership with the Technical Centre for Agricultural and Rural Cooperation, the West Africa Rural Foundation, OECD Sahel and the West Africa Club, the United Nations Development Fund for Women and FIDAFrique. More than 75 innovations were documented in the region. In December, IFAD launched the Programme for Support of IFAD-funded Projects Monitoring and Evaluation System in Western and Central Africa. The West Africa Rural Foundation coordinates the programme.

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

Portfolio management highlights

- 42 ongoing programmes and projects in 15 countries in the region at the end of 2007
- US\$682.3 million invested by IFAD in the region's ongoing portfolio
- 9 new programmes and projects in Angola, Burundi, the Comoros, Ethiopia, Kenya, Lesotho, Madagascar, Malawi and Uganda
- 3 new results-based country strategic opportunities programmes (COSOPs) for Kenya, Rwanda and the United Republic of Tanzania

Overview

Rates of economic growth vary considerably across the region. One-third of the countries have projected growth rates of over 5 per cent. But it is likely that only Mozambique and the United Republic of Tanzania will achieve growth rates of over 7 per cent, which is the level required in Africa to realize the Millennium Development Goals. The proportion of people living on less than US\$1 a day is declining only marginally, while the absolute number continues to increase. About 70 per cent of the population in the region, or some 230 million people, live in rural areas and more than half of them live on less than US\$1 per day.

In 2007, crop prospects improved in several countries in the region. But in East Africa heavy rains and floods in several countries caused the death of a number of people and displaced thousands. The severe weather also destroyed and damaged crops, making serious localized food shortages likely. In the region, Ethiopia and Uganda were hit the hardest. Supporting vulnerable groups as they worked to re-establish their capacity to produce food was a priority for IFAD throughout the year.

Activities

IFAD's work in the region revolves around principles of engagement set out in the Strategic Framework 2007-2010. These include:

- targeting
- empowering poor rural people
- supporting innovation, learning and scaling up
- establishing effective partnerships
- ensuring sustainability

These principles guide both the grant portfolio and the investment portfolio in the region.

Targeting

IFAD's target group is rural people living in poverty and food insecurity in developing countries. Within this group, the organization strives to reach extremely poor men and women who have the potential to take advantage of improved access to assets and of opportunities for agricultural production and rural income-generating activities.

In Malawi, the ongoing Rural Livelihoods Support Programme focuses on improving the livelihoods and quality of life of poor and extremely poor people in the country's southern districts. In 2007, building on this programme and on the need to

further define the target group, IFAD designed the Rural Livelihoods and Economic Enhancement Programme (see page 99). The new programme's goal is to improve the incomes of economically active poor rural households that produce and market selected agricultural and livestock commodities, by supporting their integration into an emerging commercial sector across the country.

Empowering poor rural people

Empowering poor rural men and women is a core principle of engagement. It is the basis of IFAD's work at the country level and is a prerequisite for sustainable economic development. In Eastern and Southern Africa, the Farmers Field Schools Programme develops and replicates a low-cost, sustainable model for farmer education and empowerment. It works with smallholders to improve their livelihoods by fostering participation, self-confidence, dialogue, joint decision-making and self-determination. At the schools, farmers work together to come up with solutions to farming problems. The programme is ongoing in Kenya, Uganda and the United Republic of Tanzania.

In Mauritius, the ongoing Rural Diversification Programme works to stimulate diversified and sustainable economic development in low-income households. More than 15,000 poor farmers, artisanal fishers and microentrepreneurs in the remote northern and eastern regions of Mauritius Island and on the Island of Rodrigues have taken part in the programme.

Supporting innovation, learning and scaling up

IFAD supports innovation in combination with learning and knowledge-sharing among projects, poor rural people and their organizations, and partner organizations. During the year, IFAD continued to support regional thematic networks and workshops on issues such as water, managing for impact and rural finance. The organization supported a regional implementation workshop in Swaziland and stepped up its participation in thematic working groups with development partners at the country level.

In the last quarter of 2007, IFAD developed a knowledge management action plan for Eastern and Southern Africa to implement the strategic objectives of the IFAD Strategy for Knowledge Management (see page 58). The plan focuses on the need to integrate knowledge management processes into project design and implementation in order to systematically document project impact and illustrate and share experiences and lessons learned.

In the United Republic of Tanzania, the Agricultural Marketing Systems Development Programme strengthened farmers' participation in innovative supply chains. The programme featured a link to the Rural Financial Services Programme through a warehouse receipt system. Under the system, farmers can deposit their produce in a warehouse at harvest time when prices are low, and sell later when prices rise. They can use the produce as collateral to obtain credit for investments in other activities. In the same country, the First Mile Project facilitates learning among local groups to improve market linkages. The project encourages people in isolated rural communities to use mobile phones, e-mail and the Internet to share market information, local experiences and good practices. Set up in 2005, the project has successfully linked farmers' groups with other actors along selected supply chains.

Establishing effective partnerships

Partnerships are fundamental to IFAD's work. Establishing effective partnerships with governments and organizations of all kinds is one of IFAD's core principles of engagement.

The World Bank and the AfDB remain IFAD's most important partners in Eastern and Southern Africa in terms of volume of cofinancing. IFAD has developed and will continue to develop strategic partnerships with other United Nations agencies, with governmental organizations and NGOs, including farmers' organizations, and with civil society organizations, in a number of areas. At the regional level, IFAD supports several agricultural research organizations, including the International Maize and Wheat Improvement Center and the Association for Strengthening Agricultural Research in Eastern and Southern Africa. IFAD is also working with the Alliance for a Green Revolution in Africa, which is supported by the Rockefeller Foundation and the Bill & Melinda Gates Foundation, on development of fertilizer procurement and distribution networks, and market development initiatives.

The Paris harmonization and alignment agenda guides much of IFAD's work with partners in the region. The organization uses various instruments to coordinate programme and project activities with those of other agencies, to streamline them and to align them with government systems and priorities. IFAD works with governments and partners to draw up results-based COSOPs. Sector-wide approaches (SWAPs) are being applied in Mozambique, Uganda and the United Republic of Tanzania. IFAD takes part in the One UN pilot initiatives in Mozambique, Rwanda and the United Republic of Tanzania (see page 62).

Ensuring sustainability

One of the greatest challenges facing IFAD is ensuring that institutions established or strengthened during the life of a project are sustainable and have a lasting impact on rural poverty. IFAD has had noteworthy success in building sustainable institutions in the region.

The Kenya Women Finance Trust, a microfinance institution established by IFAD in partnership with the Belgian Survival Fund, has grown steadily over the years in significance and impact. In 2007, the trust had 46 rural branches in eight regions of Kenya, compared with just 24 branches in four regions in 1998. At the end of the year, more than 100,000 low-income Kenyan women were running small businesses with loans from the trust, compared with fewer than 29,000 in 2000. At the regional level, the IFAD-supported Africa Rural and Agricultural Credit Association (AFRACA) works to improve poor rural people's access to financial services. AFRACA has successfully built a sustainable source of revenue that has a membership base of central and regional banks, development and commercial banks, and microfinance institutions. Starting in 2007, IFAD supported the association with a new round of funding.

Asia and the Pacific

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

Portfolio management highlights

- 44 ongoing programmes and projects in 15 countries in the region at the end of 2007
- US\$891.5 million invested by IFAD in the region's ongoing portfolio

- 8 new programmes and projects for Bangladesh, Cambodia, China, Maldives, Nepal, Pakistan and Viet Nam
- 1 new results-based country strategic opportunities programme (COSOP) for Cambodia

Overview

In 2007, as in 2006, the overall economic growth rate of developing countries in Asia was more than 8 per cent, and growth in China and India was well above that rate. High growth was facilitated by steady expansion of global output and trade, modest inflation, low interest rates, and the favourable impact on productivity of earlier reforms. At the same time there were formidable economic, social and environmental challenges. Vulnerability to natural disasters and the incidence of livestock diseases such as avian flu persisted. The rate of employment creation did not match the growing numbers of young workers entering the labour market. An estimated 500 million workers, or about 30 per cent of developing Asia's total labour force, were either unemployed or underemployed. Rising income disparity blunted the poverty-reducing impact of economic growth and led to social conflict in many countries.

There is a wide disparity among borrowers in the region. Soon countries like India and Viet Nam may no longer be eligible for highly concessional lending rates. But under IFAD's newly adopted Debt Sustainability Framework (see page 58) nine countries in the region became eligible for 100 per cent grant financing. They are Afghanistan, Bhutan, Cambodia, Kyrgyzstan, Lao People's Democratic Republic, Myanmar, Nepal, Solomon Islands and Tonga. And four countries became eligible for 50 per cent grant financing. They are Mongolia, Samoa, Tajikistan and Timor Leste.

Activities

During 2007 activities in the region were aligned with the objectives of IFAD's Strategic Framework for 2007-2010 (see page 2).

Natural resources and improved natural resource management and conservation practices

The IFAD-supported West Guangxi Poverty Alleviation Project in China is working to improve natural resource management. It has extended the country's programme for the production and use of biogas, which converts human and animal waste into a mixture of methane and carbon dioxide that can be used for lighting and cooking. More than 23,000 biogas tanks have been installed, saving 56,600 tons of firewood in the project area every year. This is the equivalent to the recovery of 7,470 hectares of forest. Contributing to knowledge management efforts to share the project's experience, IFAD and the BBC co-produced a 30-minute documentary that was broadcast on BBC World's *Earth report*.

In preparation for the International Year of Planet Earth in 2008, the 2007 issues of IFAD's electronic newsletter for Asia and the Pacific focused on themes related to natural resources and conservation. Articles prepared for the newsletter *Making a difference in Asia and the Pacific*, produced by IFAD and its partners, shared knowledge and experiences with more than 3,000 of the newsletter's readers in government, civil society and NGOs on themes such as bio-energy, water and forestry.

Improved agricultural technologies and effective production services

In March IFAD held a regional workshop to put pro-poor technology on policymakers' agendas. The workshop was held in Seoul, Republic of Korea, in partnership with

the National Agricultural Cooperative Federation and the Government. More than 50 representatives from national and international research organizations, governments and regional development agencies took part in the workshop. Ongoing IFAD-funded activities support a wide range of pro-poor technologies, from solar energy in India to technologies that stabilize shifting cultivation in the Lao People's Democratic Republic and technologies for managing coastal fisheries resources in the Philippines.

A broad range of financial services

Projects such as the Livelihoods Improvement Project in the Himalayas in India introduced innovative approaches to financial services. The Himalayan project set up social venture capital companies that provided capital and business services to small-scale entrepreneurs.

IFAD played a prominent role in the Second World Congress on Agricultural and Rural Finance sponsored by the Asia-Pacific Rural and Agricultural Credit Association and the Bank for Agriculture and Agricultural Cooperatives of Thailand. At the congress, the organization presented the results of rural financial service provision in the Microfinance for Marginal and Small Farmers Project in Bangladesh, together with results from similar experiences of other IFAD-supported projects in China, India, Indonesia, Pakistan and the Philippines.

In 2007, IFAD issued an occasional paper entitled *A methodology for assessment of the impact of microfinance on empowerment and vulnerability*. IFAD is already using the methodology to improve its understanding of how microfinance affects the poorest people.

Transparent and competitive markets for agricultural inputs and produce

The Matale Regional Economic Advancement Project in Sri Lanka, which closed in 2007, shows how IFAD-supported projects can improve poor rural people's participation in input and produce markets. Investments in increasing the availability of water during dry seasons enabled farmers to produce higher-value crops. A total of 85 per cent of the households involved in the project expanded the area they cultivated by 0.2 to 1.2 hectares and increased their outputs of higher-value crops. At the close of the project, women participants reported that they were now able to use for marketing activities the two hours they previously had to spend collecting water.

Opportunities for rural, off-farm employment and enterprise development

Several projects in the region have created opportunities for off-farm employment and enterprise development. In 2007, the Western Uplands Poverty Alleviation Project in Nepal took an innovative approach to this activity. It signed a four-year memorandum of understanding with a private firm that provides assistance in identifying, harvesting and marketing organic plants that yield essential oils for export. Under the agreement, the firm shares the cost of a processing facility and arranges for organic certification. The activity has led to the development of household-level enterprises that supply outputs for processing. It has created employment in processing and better marketing options for producers.

IFAD also approved a grant of US\$870,000 to the International Labour Organization for the Skills Enhancement for Employment Project in Nepal. The project will work to reintegrate young people affected by the recent conflict, including ex-combatants, into their communities. It will provide training in subsectors where there are job opportunities for rural, off-farm employment and enterprise development and will also take into account employment opportunities abroad.

Local and national policy and programming processes

Activities such as the Rural Poverty Reduction Project in Prey Veng and Svay Rieng in Cambodia have been successful in negotiating new ways to empower local communities. The project helped the government establish new procedures to implement its decentralization policies, channelling funds through the national treasury to the provinces where local councils open accounts for infrastructure development.

Other, higher-level efforts helped make national policy and programming more effective in reaching poor rural people in the region. IFAD took part in the One UN pilot initiatives in Pakistan and Viet Nam, which included a joint programming mission with FAO and WFP in Pakistan. In addition, IFAD provided training in financial administration and management for government staff who plan and implement rural poverty programmes in South East Asia.

In partnership with the International Development Research Centre, IFAD provided training in moderation skills for national stakeholders who facilitate rural poverty reduction programmes in 12 countries. The training activities were part of the programme for Knowledge Networking for Rural Development in the Asia/Pacific Region (ENRAP). ENRAP also contributed to IFAD's policy dialogue with the network's members, including partners, programmes and projects across the region, through an e-discussion on the sustainability of poor rural people's organizations. It sponsored the discussion with partners across the region to review the conclusions of IFAD-funded research done by the Asian NGO Coalition (ANGOC) in 2006. The study found that many IFAD programmes and projects had successfully formed or strengthened community-based organizations, but that few had progressed to develop federations of those organizations, which are generally needed to ensure their sustainability. The programmes and projects that had developed federations were predominantly in South Asia. The topic was selected for further debate at IFAD's yearly knowledge-sharing meeting with the World Bank South Asia Division, which was held in Bangkok, Thailand, in November.

Latin America and the Caribbean

32 countries: Antigua and Barbuda, Argentina, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, 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

Portfolio management highlights

- 28 ongoing programmes and projects in 17 countries in the region at the end of 2007
- US\$502.7 million invested by IFAD in the region's ongoing portfolio
- 5 new projects in El Salvador, Guyana, Honduras, Nicaragua and Peru
- 4 country strategic opportunities programmes (COSOPs) for Bolivia, Honduras, Mexico and Panama

Overview

Despite continued rapid economic growth in Latin America and the Caribbean, poverty persisted at high levels during 2007, particularly in rural areas. According to an estimate of the Economic Commission for Latin America and the Caribbean of the United Nations, poverty affected more than 54 per cent of the rural population. Income inequality in the region remains among the highest in the world, and is one of several

factors that make it more difficult to meet the challenge of reducing rural poverty. The other factors include institutional weaknesses, climate change and inadequate levels of social expenditure. Unequal levels of development across the region continue to drive large numbers of people to migrate.

Yet the changing international context offers opportunities to reduce poverty in the region. The negotiation of free trade agreements by many countries, the growing demand for agricultural products and the emergence of niche markets such as organics and fair trade offer small farmers new outlets for their produce. Although it is not easy for poor rural people to take advantage of these opportunities, several IFAD-supported programmes and projects have successfully helped smallholders improve the quality of their products as a first step towards reaching new domestic and foreign markets.

The region as a whole is on track to meet the first MDG. But some countries, including Argentina, Bolivia, Honduras, Nicaragua, Paraguay and Uruguay, look set to fall short.

The majority of borrowers in the region are classified as middle income countries, which are eligible for IFAD loans on ordinary and intermediate terms. The specificity of their development agendas has led to calls for new instruments of international cooperation to meet their special needs and enable them to take advantage of their opportunities. The calls were repeated at the Intergovernmental Conference on Middle Income Countries, held in Madrid, Spain, in March and at the International Conference on Development Cooperation with Middle Income Countries in San Salvador, El Salvador, in October.

Activities

IFAD's priorities in Latin America and the Caribbean take into account the specific features of rural poverty in the region and build on the organization's experience. IFAD's main priorities in the region are to:

- empower poor rural people and promote demand-driven participatory approaches to development
- enable poor rural people to take advantage of market opportunities
- support indigenous populations
- support gender mainstreaming
- promote policy dialogue, engaging direct stakeholders, governments and the donor community
- build partnerships and coalitions
- learn from experience and share and disseminate knowledge

IFAD is committed also to promoting innovation in the region: scouting for successful innovations, replicating them and scaling them up.

Empowering poor rural people

IFAD works to strengthen the economic and social assets of poor rural people. The Rural Microenterprise Development Programme (PADEMÉR) in Colombia, which completed its work in June 2007, is a good example of this approach. The programme helped increase the assets of rural microenterprises and the families participating in them. About 21,000 families of microentrepreneurs who received technical assistance saw their earnings rise by an average of 23 per cent. The microenterprises developed by the programme created more than 43,000 jobs, significantly exceeding the target of 25,000. The Colombian Government has identified PADEMÉR as a 'flagship programme' in microenterprise development.

Market access as a tool for poverty reduction

IFAD's commitment to promoting market access continued in 2007. In November, it organized the Regional Workshop on Market Access for the Rural Poor in Guatemala. The participants included representatives of governments, IFAD's Regional Unit for Technical Assistance (RUTA), the private sector, IFAD-supported programmes and projects and rural organizations linked to them.

In the Dominican Republic, the ongoing South Western Region Small Farmers Project – Phase II (PROPEUR) has successfully promoted the production of high-quality coffee. It has also supported the creation of strategic export partnerships with fair trade organizations. In Guatemala, the ongoing Programme for Rural Development and Reconstruction in the Quiché Department (PRODERQUI) has established commercial agreements between small farmers' organizations and national exporters.

Supporting indigenous peoples

IFAD continued its advocacy work to support indigenous peoples in the region. It also promoted innovative activities such as strengthening indigenous tourism in the Andean and Amazon regions, and opening new partnerships for market access and rural poverty reduction. These activities increase the value of indigenous peoples' ecological and cultural heritage, strengthen their access to land and enable them to generate additional sources of income. Participants in the IFAD-supported project Strengthening Indigenous Tourism in the Andean and Amazon Region built facilities to increase communities' income from tourism.

During the year, IFAD completed a desk review of its investment portfolio in the region as it relates to indigenous peoples. The review showed that about 38 per cent of ongoing programmes and projects are working with indigenous peoples to some extent, and that about 22 per cent of IFAD's regional loan portfolio is related to indigenous peoples. The review assessed IFAD's approaches to their development and made recommendations for future work.

Gender mainstreaming

IFAD continued to make the empowerment of poor rural women one of its main priorities, and the organization supported a regional competition called Women Against Poverty, held in Bolivia in November. More than 100 groups of women from five Andean countries participated in the event. The participants learned from each other, developed their self-esteem and self-reliance and won cash prizes to be spent on their small rural businesses. IFAD organized the competition in partnership with other cooperation institutions, such as the Andean Development Corporation and the German Agency for Technical Cooperation.

Policy and partnerships

During 2007, IFAD continued to support RUTA, a unique joint effort of the Central American countries and seven partner agencies that work to achieve sustainable rural development and poverty reduction.

IFAD also continued to work with the Inter-American Development Bank (IDB) within the framework of the IDB-IFAD Programme for Poverty Reduction in Latin America and the Caribbean. As part of this programme, work started under two new projects in Ecuador and Haiti. During the year IFAD signed cooperation agreements with:

- the Center for International Forestry Research, to provide specialized support for developing expertise in natural resource and community-based forestry issues

- the Economic and Social Development Bank of Venezuela (BANDES), to provide cofinancing
- the Government of Brazil, to strengthen family agriculture through establishment of a multi-donor trust fund

Innovation, learning and knowledge-sharing

IFAD continued to support FIDAMERICA, an Internet-based network that facilitates learning, knowledge management, innovation and communication between IFAD-supported rural development programmes and projects. IFAD and FIDAMERICA also created new inter-institutional learning and knowledge-sharing communities of practice through partnerships with consortia formed by a broad range of relevant institutions – government institutions, academia, civil society, the private sector and others. The consortia carried out various activities such as linking communities to emerging markets in Guatemala and promoting small rural producers' access to markets in the Dominican Republic.

IFAD continued to implement the regional programme Promoting Market Access for Small-scale Producers, supported by the Initiative for Mainstreaming Innovation (IMI) (see page 45). The programme's key outputs were:

- an assessment of IFAD best practices in strengthening market access in the region and a stocktaking exercise of service providers with expertise in market access issues
- support for implementation of the Learning Route on Market Access in Ecuador and Peru. A learning route is an innovative alternative to top-down learning. It is a programme that takes participants to a number of communities so they can directly observe and share the communities' development experiences, problems and solutions.

Four new IMI projects were approved in the region during the year:

- Lessons arising from innovations and young talents in the rural world
- Strengthening access to markets for small poor agricultural producers in Latin America: Technical assistance for self-management
- El Salvador – Building rural businesses by leveraging migrants' remittances
- Searching for healthy alternatives to tobacco cultivation

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, Libyan Arab Jamahiriya, Malta, Moldova, Morocco, Oman, Qatar, Romania, Saudi Arabia, Somalia, The Sudan, Syrian Arab Republic, The former Yugoslav Republic of Macedonia, Tunisia, Turkey, United Arab Emirates and Yemen

Portfolio management highlights

- 38 ongoing programmes and projects in 15 countries and Gaza and the West Bank in the two regions at the end of 2007
- US\$550.5 million invested by IFAD in the regions' ongoing portfolios
- 6 new programmes and projects in Armenia, Azerbaijan, Djibouti, Morocco, the Syrian Arab Republic and Yemen
- 3 results-based country strategic opportunities programmes (COSOPs) during the year, for Jordan, Moldova and Yemen

Overview

A single division in IFAD covers two distinct regions: the Near East and North Africa (NENA) and Central and Eastern Europe and the Newly Independent States (CEN).

In the NENA region in 2007, increased job creation and declining unemployment accompanied high economic growth. Yet low labour productivity rates and high levels of youth unemployment remain serious concerns. The region's longer-term growth trends will hinge on its ability to sustain reform efforts to achieve:

- greater openness to trade and outward orientation
- a better business and regulatory environment to attract private-sector investment and promote the growth of small and medium-sized enterprises
- improved governance at the local and national levels

The NENA region is one of the most water-scarce regions in the world. The annual average availability of water in the region is 1,200 cubic metres per person, compared to a world average of about 7,000 cubic metres. Although agriculture and the rural economy are important in the NENA countries, agriculture's relative contribution to overall GDP in most countries is low and has been declining. Yet agriculture is by far the biggest user of water, consuming an average of 85 per cent of all available water resources. Improved management of water resources will become increasingly important in the future in mitigating the impact of water scarcity on the region's rural economies.

Countries in the CEN region face the difficult tasks of reforming their financial sectors, developing trade links outside the former Soviet Union, and building effective institutions. Romania joined the European Union in 2007 and no longer borrows from IFAD. The former Yugoslav Republic of Macedonia is a candidate for European Union accession in the near future, and in 2007 Albania signed a stabilization and association agreement, which is the main pre-candidate status instrument. In Armenia, Georgia and Moldova, migrant remittances, mainly from Russia and the European Union, give a major boost to national economies.

Activities in the Near East and North Africa

The four priorities that guide IFAD's work in the NENA region are:

- expanding poor rural people's access to rural finance
- tackling youth unemployment in rural areas
- linking small growers of non-traditional crops with domestic and international markets
- improving management of land and water resources and reducing vulnerability to climate change

Assisting countries in conflict is also an important axis of IFAD's work in the region.

Expanding poor rural people's access to rural finance

During the year, IFAD substantially revised its approach to rural finance in the region and continued to build strategic partnerships with leading organizations. IFAD's new approach to rural finance is characterized by a move away from the traditional state-owned bank credit-line towards alternative models and instruments to bring financial services to poor rural people. Examples include:

- supporting village credit funds in The Sudan and the Syrian Arab Republic
- working with intermediary institutions, such as the Social Fund for Development in Egypt and Yemen, that can provide wholesale financial services to rural microfinance institutions and NGOs

- expanding the outreach of existing microfinance institutions to previously unserved rural areas, for example in Morocco
- working with the National Bank of Egypt to establish a microfinance service company delivering financial services directly to the poor rural people, in partnership with ACCION International

Tackling youth unemployment in rural areas

IFAD-supported operations in NENA increasingly address rural unemployment, particularly among young people. The newly approved North-Eastern Region Rural Development Project in the Syrian Arab Republic and the newly effective Upper Egypt Rural Development Project will create sustained employment for poor smallholders, tenant farmers, landless people and unemployed young people in the project areas. Both projects will work to increase the incomes of the target groups through activities to develop the private sector, such as marketing, developing small enterprises and microenterprises and improving access to financial services. IFAD is also addressing rural unemployment in Morocco and Yemen through activities that promote small and micro enterprises to generate employment opportunities.

Linking small growers of non-traditional crops with domestic and international markets

Investments in non-traditional crops represent a promising economic development opportunity for IFAD-supported interventions in the NENA region. The crops include fruits, vegetables, herbs and medicinal and aromatic plants. They have greater water-use efficiency, give higher economic returns and have a greater potential to add value through processing and marketing.

In partnership with the International Center for Agricultural Research in the Dry Areas (ICARDA), IFAD held two regional workshops on non-traditional crops in Aleppo, the Syrian Arab Republic. The first focused on developing domestic and export marketing of horticultural commodities to address rural unemployment and reduce poverty in the NENA region. The second focused on promoting the production and export of herbs and medicinal and aromatic plants cultivated by small-scale growers. Both workshops paved the way for a more detailed value-chain analysis of selected commodities that are relevant to poor rural people. Projects approved during the year for Morocco and the Syrian Arab Republic include activities promoting non-traditional crops for smallholders (see pages 107 and 108).

Managing land and water resources and reducing vulnerability to climate change

Throughout 2007, IFAD continued to support sustainable natural resource management by empowering community-based resource management groups. In Morocco, the Rural Development Project for Taourirt-Taforalt improved land use and productivity by applying techniques such as rangeland resting, reseeding, small-scale irrigation and derocking. Progress was noteworthy and encouraged local farmers to join water users' associations. Twenty associations were formed. In The Sudan, projects in North and South Kordofan and in western Sudan work to empower rural communities to better manage natural resources and adapt to more extreme climatic variations.

Assisting countries in conflict

During 2007, with the collaboration of FAO, IFAD conducted an assessment of war damage and its impact on poor rural people in Lebanon, and an assessment of livelihoods and gender in southern Sudan. The assessments will serve as the basis for IFAD-supported programmes in the countries in 2008. In Iraq, IFAD provided a grant of US\$1.2 million to improve the livelihoods of small producers through integrated pest management and organic fertilization. In Gaza and the West Bank, IFAD's programme continued to support women's groups, small farmers and communities affected by the separation wall.

Activities in Central and Eastern Europe and the Newly Independent States

IFAD has three closely interlinked priorities in the CEN region:

- establishing market linkages for poor rural smallholders
- developing the non-farm rural economy through support to small and medium-sized enterprises
- promoting rural financial services

IFAD continued to support the establishment of competitive and financially sustainable agrifood supply chains in Albania, Bosnia and Herzegovina, and The former Yugoslav Republic of Macedonia through the Facility for Farmers' Access to Markets Programme, which is financed by the Government of Italy. In Moldova, IFAD supports the establishment of market linkages by raising awareness of the importance of higher quality standards in production, processing and packaging. In Armenia, the Rural Areas Economic Development Programme is refinancing on-farm and off-farm enterprises through the Rural Finance Facility. In countries like Albania, Armenia and Moldova, IFAD is working with private financial institutions and banks to deliver financial services to target groups.

Policy, partnerships and knowledge management

The President headed an IFAD delegation that visited Kuwait and the United Arab Emirates in February to step up cooperation with governments and regional development institutions (see page 73). New opportunities for technical and operational partnership emerged during a visit to IFAD headquarters by a high-level delegation from Saudi Arabia in February. The dialogue identified a number of areas for further cooperation, including capacity-building.

During 2007, KariaNet, the knowledge-management network in NENA, organized several face-to-face regional events and training sessions for project staff in video documentation. Nine KariaNet members now operate a local area network (LAN) or wide area network (WAN) and six have websites.

IFAD launched a quarterly newsletter, *Rural echoes in the Near East and North Africa*. It also produced thematic studies and reviews for the purpose of guiding staff and country-level partners in the design and implementation of country programmes. They include:

- Impact of trade liberalization on agriculture in the Near East and North Africa, with the International Food Policy Research Institute (IFPRI)
- Status of rural poverty in the Near East and North Africa, with FAO
- IFAD thematic priorities in the Near East and North Africa
- Guiding framework for rural finance in the Near East and North Africa
- Approaches for the promotion of high value crops and plant products for poverty reduction in the Near East and North Africa

- Mobilizing migrants' savings for employment generation in Armenia and Moldova
- Framework for mobilizing migrants' savings and remittances for productive investments in rural development in the CEN

IFAD organized several knowledge-sharing activities, including:

- a regional programme implementation workshop held in Amman, Jordan, focusing on monitoring and evaluation systems and rural finance operations in the Mashreq countries
- the first steering committee meeting for the Programme for Capacity-building in Managing for Results and Impact held in Amman, Jordan
- the Morocco Country Programme Evaluation workshop held in Marrakech, Morocco in June

Quality enhancement and assurance

Under IFAD's Action Plan for Improving its Development Effectiveness (see page 42) the organization developed a quality enhancement system that features a strengthened internal review process during project design. The review process now includes quality enhancement guidelines for design work in countries, peer review and management review. The guidelines include six key success factors. IFAD piloted the new quality enhancement system in 21 new project designs between March and September. Feedback regarding the pilot phase was positive, and the organization is now mainstreaming the system.

IFAD also developed a separate quality assurance system for project review after design. The quality assurance system draws on similar experiences and requirements in comparable institutions. In IFAD, the system will provide the last internal check of the quality and readiness of a project before IFAD negotiates it with the country's government and presents it to the Executive Board. The Office of the Vice-President will be responsible for the quality assurance system, and it will operate 'at arm's length' from the Programme Management Department, which is responsible for project development. IFAD will pilot the new quality assurance review process in February 2008 on a number of projects to be submitted to the Executive Board in April 2008.

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 2007 the unit developed the IFAD/GEF-4 engagement strategy, following the implementation of GEF-4 corporate policies and strategies. These shift interventions addressing environmental degradation from project-based initiatives to programme-based approaches, and introduce a new and more efficient and effective project cycle.

In June the GEF Council recognized that IFAD had developed the capacity to work in other GEF areas of intervention outside land degradation. The council broadened the organization's comparative advantage to include:

- sustainable forest management
- biodiversity, with particular focus on production landscapes and seascapes
- climate change, with particular focus on biomass for energy

IFAD's GEF Unit continued to develop a diversified and growing portfolio of programmes and projects. At year-end, the value of the current portfolio of six project grants was US\$25.8 million. The portfolio directly cofinanced IFAD loans and associated investments of approximately US\$200.0 million. Despite the suspension of the GEF pipeline in 2006 and early 2007, two project grants worth US\$3.0 million were being formulated and 11 preparatory grants worth US\$2.8 million were under implementation, formulating project grants worth a total of US\$55.8 million. IFAD's GEF Unit was directly executing three of the 11 preparatory grants, which are related to the following programmatic approaches.

- Through the Strategic Investment Program for Sustainable Land Management in Sub-Saharan Africa – a regional partnership led by the World Bank and GEF – IFAD secured US\$25.2 million under the GEF-4 land degradation window and the biodiversity and climate change Resource Allocation Framework. This will support activities in six countries: the Comoros, Eritrea, Ethiopia, Mauritania, the Niger and Swaziland. At the request of the country, in Mauritania IFAD was appointed lead agency in the development of the Country Strategic Investment Framework and the Sustainable Land Management country framework, along the principles of TerrAfrica. In addition, IFAD was developing a US\$4.5 million grant for The Gambia in collaboration with AfDB.
- Through the UNDP Country Programme Partnership in Burkina Faso, IFAD secured a US\$2.0 million grant to address land degradation.
- In the Asia and Pacific region, IFAD secured grants through two programmes. It secured a biodiversity-land degradation grant associated with the Asian Development Bank programme, the GEF Partnership on Land Degradation in Dryland Ecosystems. The US\$4.9 million grant includes a US\$2.9 million biodiversity resource allocation framework allocation. The second grant secured in this region was for US\$4.9 million in four countries of South East Asia under the GEF Strategic Forestry Management framework. This regional grant also contains biodiversity and climate change components, financed by US\$2.2 million under the biodiversity and climate change Resource Allocation Framework.

During 2007, the GEF Chief Executive Officer appointed IFAD as the lead agency for MENARID, a multi-agency regional programming framework on integrated natural resource management in the Middle East and North Africa region.

The IFAD GEF Unit was actively engaged in climate change activities in 2007. In May the unit organized the inter-agency IFAD/GEF Adaptation to Climate Change Workshop in collaboration with the GEF Secretariat. The workshop explored ways of accessing funding under the GEF-managed programmes. The unit identified five new opportunities to support the implementation of the National Adaptation Programmes of Action under the GEF-managed Least Developed Country Fund.

The unit contributed to defining IFAD's position and policy on climate change through:

- participation in the IFAD brainstorming round-table meeting on climate change and in international conferences, not only to define IFAD's position but also to promote its comparative advantage in the climate change arena
- active membership in IFAD's climate change policy reference group and the multi-agency GEF Adaptation Task Force

The GEF Unit produced two fact sheets.

- *IFAD: A key player in adaptation to climate change* was presented at the eighth session of the Conference of the Parties (COP 8) to the United Nations Convention to Combat Desertification in Madrid, Spain. It explains the GEF adaptation to climate change programme and highlights IFAD's comparative advantage, expertise and role as they relate to adaptation.
- *IFAD/GEF partnership on climate change: Fighting a global challenge at the local level* is a technical paper on climate change that the unit presented at the United Nations Framework Convention on Climate Change Thirteenth Conference of Parties in Bali, Indonesia (see page 63).

During the year IFAD's GEF Unit continued to build strong partnerships with other United Nations agencies, including the Global Mechanism, the United Nations Environment Programme and the United Nations Industrial Development Organization, and with other multilateral bodies such as the Asian Development Bank, the AfDB, the World Bank and the European Commission. The unit also took part in GEF consultations ensuring IFAD's upstream presence in the GEF arena through membership in various task forces and in the GEF Executive Committee.

Country presence

In 2007, the Office of Evaluation completed a corporate-level evaluation of IFAD's three-year Field Presence Pilot Programme. On the basis of the findings of the evaluation, the Executive Board approved the integration of the programme into IFAD's regular planning and budgeting processes. The programme will be renamed the IFAD Country Presence Programme to better reflect its scope.

The Executive Board agreed that IFAD's country presence would continue to focus on 15 countries, including three in each region. Some changes from the countries covered by the Field Presence Pilot Programme were made in order to make more strategic use of this limited resource. In response to the evaluation findings, IFAD will increase the number of country programme managers outposted within the 15 initiatives.

IFAD set up an interdepartmental coordination committee to ensure that the organization promptly addresses issues related to the country presence programme. The organization will carry out a self-assessment of the programme in 2010, and it will develop IFAD's country presence policy on the basis of the results.

Performance-based allocation system

The performance-based allocation system (PBAS) allocates IFAD's loan and country grant resources, including grants under the new Debt Sustainability Framework (see page 58), to country programmes. The system bases allocations on population, per capita gross national income (GNI) and country performance, which includes broad policy framework, rural development policy and the performance of IFAD's portfolio. Under the PBAS, IFAD makes annual resource allocations in three-year cycles and administers them within a six-year time frame.

The first allocation exercise covered the period 2005 to 2007. The current exercise covers 2007 to 2009, the same period as the Seventh Replenishment. During 2006, the regional divisions identified the 'active' countries for 2007-2009. Active countries are Member States in which IFAD expects to conduct lending or country grant operations

during the allocation period. On the basis of the identification, the organization decided on final country scores and allocations for 2007 and set provisional figures for 2008 and 2009, making an overall country allocation for the three-year allocation period.

All loans and country-specific grants presented to the Executive Board for approval in 2007 were within the performance-based allocation system for the countries. For the overall programme of work in 2007, projections show that about 96 per cent of resources available for commitment would be allocated according to performance-based allocation system guidelines. For sub-Saharan Africa IFAD has allocated a share of about 45 per cent of its resources (subject to the final list of programmes and projects to be submitted to the Executive Board).

Learning and knowledge-sharing

Communication

IFAD stepped up its media and advocacy outreach in 2007, raising awareness about rural poverty and successful approaches in the fight against it. The organization obtained wide press coverage around the world with the publication of more than 500 articles and reports. Global broadcasters distributed documentaries and short television features created by IFAD to audiences in nearly 200 countries and territories.

Advocacy highlights included participation in the eighth session of the Conference of the Parties (COP 8) of the United Nations Convention to Combat Desertification, the African Development Bank annual meeting, the African Green Revolution Conference 2007, the United Nations Climate Change Conference, in Bali, Indonesia, the Web2forDev 2007 conference and the Global Forum on International Migration and Development. During the United Nations Conference to Combat Desertification COP 8 in Madrid, Spain, in September, IFAD sponsored a session for the training of environmental journalists from the developing world on issues of land degradation and desertification.

A press event at the Dubai Press Club was attended by regional and international media representatives, who were briefed on IFAD's activities in the Middle East and North Africa. The briefing was covered by most of the major regional news organizations including CNBC Arabiya, Asharq Alawsat, CNN Arabic, BBC Arabic and Al-Hayat.

In October press conferences were organized in Washington D.C. and Rome for the release of an IFAD-supported study on migrants' remittances worldwide (see page 72). The study received extensive coverage in media outlets including the Financial Times, the Washington Post, the Guardian, the Miami Herald, Reuters, the Hindustan Times, Il Sole 24 Ore, the Gulf News, Jeune Afrique and La Prensa Libre.

An interview with IFAD's President on the impact of climate change on the poor was broadcast on BBC World. Germany's Deutsche Welle television also interviewed the President to coincide with a discussion forum of development experts on climate change organized by the German Federal Ministry for Economic Cooperation and Development and InWEnt.

In May, IFAD's Vice-President delivered a public lecture on African agriculture at the University of Tokyo. The lecture also covered New Rice for Africa (NERICA), of which Japan is a strong supporter. The event was covered in the Mainichi Shimbun, the Japan Journal, the Japan Times and the Journal of International Development. The Vice-President also gave a lecture on New Challenges in Combating Rural Poverty at Bioforsk, the Norwegian Institute for Agricultural and Environmental Research.

In China, the Vice-Minister of Finance Li Yong and the President of IFAD launched a book commemorating 26 years of IFAD's partnership with the country. It was reported in the major Chinese newspapers including the China Daily, People's Daily and the Xinhua News Agency. Media outreach in Italy was also well covered by national press.

IFAD created long and short videos highlighting the impact of programmes and projects it supports in Bolivia, China, El Salvador, Jordan, Madagascar, the United Republic of Tanzania and Yemen.

The organization continued to build partnerships with media NGOs such as the Television Trust for the Environment (TVE), the AllAfrica Foundation and Dev.tv. It managed a small grant programme supporting work by these organizations to raise global awareness about rural poverty issues on television, radio and the Internet. One successful outcome of this programme was a debate called *Failing the farmer?* produced by TVE for BBC World. The debate featured 14 panellists – among them the leaders of small farmers' organizations from around the world and representatives from the European Union, the World Trade Organization, Oxfam and IFAD – who considered some of the most salient issues confronting small farmers today. With support from TVE, replica debates were broadcast in Malawi, New Zealand and the Philippines.

IFAD worked to forge new broadcasting partnerships in 2007, the most notable being with Deutsche Welle Television (DW-TV), which reaches a potential audience of 240 million households worldwide. IFAD also continued to build an effective corporate video programme. The organization's video productions were screened and distributed at nearly two dozen international events, workshops and presentations. IFAD's documentary films continued to receive international recognition during the year. Jurors at the Columbus International Film and Video Festival gave IFAD's documentary *Cash flow fever* an honourable mention at its fifty-fifth annual festival – the oldest and largest of its kind in North America. The IFAD documentary *Villages on the front line: Jordan* was selected by jurors for screening at the We the Peoples film festival in London, and at the Stories from the Field United Nations film festival in New York.

Learning notes

Learning notes cover key issues in programme and project design and implementation. They provide concise reminders of core issues, key tasks, sources of information and examples of good practice for designing, implementing and evaluating pro-poor investment projects. Learning notes are part of IFAD's wider framework for institutional learning and knowledge management. They are used systematically by those involved in the design, implementation and supervision of investment projects.

Twenty learning notes are available on IFAD's website and intranet. They cover a wide range of topics such as project targeting, pro-poor institutional transformation, technology change, environment and natural resource management, rural finance, and sustainability. New learning notes include one on reconciling IFAD's quality enhancement requirements with projects designed in cooperation with cofinanciers, and another on marketing and poor rural people. These were developed in 2007, and will be published in 2008.

Technical advisory notes

Technical advisory notes are tools for promoting pro-poor technologies and sharing knowledge. They bridge the gap between research and practice by providing information for inclusion in the design of programmes and projects. IFAD has been expanding dissemination of IFAD-financed grants results by developing an improved technical advisory note format. In 2007, 55 notes were available and IFAD was developing nine

additional notes in the new format, adopting a consultative process. The organization is applying the same approach to learning and knowledge-sharing from non-technical grants, which focus on subjects such as capacity-building and methodological research. The grant agreement includes a standard clause to ensure that all new grants provide information on results in a manner that corresponds to the new format.

IFAD's Technical Advisory Division

Human and social assets

In the area of human and social assets, during the year the Technical Advisory Division continued to support the application of the IFAD Targeting Policy approved in 2006. Use of a checklist on targeting to improve design and compliance with policy is now a systematic feature of project review. Technical Advisory Division members working in the area of human and social assets provided practical guidance and backstopping to design and mid-term review missions when they carried out target group and poverty analysis and assessed targeting performance.

The interdepartmental thematic group on gender organized a major workshop in May 2007 (see page 64). Members of the Technical Advisory Division who were involved in the area of human and social assets continued to spearhead IFAD's collaboration with the World Bank and FAO on production of the Gender in Agricultural Livelihoods Sourcebook, leading to the production of the module on rural finance in 2007. In relation to food security and nutrition, IFAD, FAO and WFP jointly organized the 2007 annual session of the United Nations Standing Committee on Nutrition, which had the theme of Working Together to Achieve Freedom from Child Hunger. Technical Advisory Division members involved in the area of human and social assets also contributed to the development of guidelines for measuring second-level results for loan projects as part of the IFAD results and impact management system.

Productive assets and technology

In 2007, members of IFAD's Technical Advisory Division involved in the area of productive assets and technology focused on four major activities:

- Supporting country programme managers and their design and implementation agendas in the areas of land and water, farming systems, rural infrastructure and environmental issues; and in rural water and sustainable sanitation, following a multiple use system concept that builds upon IFAD loan and Belgian Survival Fund (BSF) grant experiences.
- Developing funding proposals for projects financed by the Initiative for Mainstreaming Innovation (IMI) (see page 45) on communities of practice, community mapping and climate change adaptation. Funding proposals were also developed for climate change in Egypt, in collaboration with the United Nations Country Team and Spain; eco-sanitation and agriculture, in collaboration with the Bill & Melinda Gates Foundation; restoring neglected indigenous land and water knowledge, in collaboration with Spain; and work on rural water, health and sanitation issues, in collaboration with Italy.
- Performing knowledge management through: continuation of ongoing IMI projects; further development of IFAD-wide thematic databases; elaboration of learning notes on several related themes – such as Roads, travel and transportation; Mainstreaming UNCCD objectives; Water fees; Rural water, health and sanitation; and Land tenure – and the contribution of information and backstopping to the Rural Poverty Portal and IFAD's Intranet.

- Further developing corporate products such as operational statements relating to the environment and natural resource management, updating of IFAD's environmental assessment procedures, quality enhancement and assurance and management of grants related to productive assets and technology.

Financial services and access to markets

In 2007, members of the Technical Advisory Division involved in the area of financial services and access to markets worked on the following initiatives:

- increasing poor smallholders' access to insurance by supporting the efforts of the Microfinance Centre and the MicroInsurance Centre to design and test a standard partnership framework between microfinance providers and private insurers
- developing and piloting an index-based weather insurance product in rural China to reduce the vulnerability of poor farmers, in collaboration with WFP
- building the capacity of rural finance institutions that use participatory approaches, through support to the Participatory Microfinance Group for Africa
- enhancing the financial sustainability and social impact of IFAD's rural finance partners in collaboration with the Imp-Act Consortium
- supporting the International Conference on Rural Finance Research, which was held at FAO in March and which brought together over 300 participants
- organizing training sessions for IFAD staff on rural and agricultural finance, in partnership with Development Alternatives, Inc. and the United States Agency for International Development
- updating and revising the *IFAD decision tools for rural finance*
- mainstreaming value chain development to assist poor rural people through an IMI-financed study
- preparing and finalizing a learning note on marketing and poor rural people (see page 34)
- working on an IFAD-supported report entitled *Sending Money Home*, presented to the International Forum on Remittances held in Washington D.C. (see page 72)

IFAD evaluation activities in 2007

Overview of the fifth Annual Report on the Results and Impact of IFAD Operations

In 2007 the Office of Evaluation prepared the fifth Annual Report on the Results and Impact of IFAD Operations (ARRI). The report synthesizes results and impacts from the 15 IFAD-funded projects evaluated by the Office in 2006. It also draws on the conclusions of three corporate-level and three country programme evaluations. Building on a similar presentation of data in previous ARRIs, this year's report includes a five-year block analysis of IFAD's results and impact for the period from 2002 to 2006, based on the set of ratings for the 73 projects evaluated by the Office of Evaluation since 2002.

The 2007 ARRI presents the following key results:

- Eighty per cent of the projects evaluated in 2006 showed satisfactory overall achievement.
- Sustainability continues to remain a challenge, with a need for improvement in this area in 47 per cent of the projects evaluated in 2007. The report recommends that IFAD develop a specific approach for increasing sustainability in the operations it supports.

- IFAD's performance in introducing innovations in areas such as on-farm and off-farm technologies, institutions and social engineering has been satisfactory on the whole. But past performance in replicating and scaling up successful innovations has been weak.
- Relevance of projects to the needs of poor rural people and to the policies and strategies of governments and of IFAD remains a strong point, as does positive impact on human assets, institutions, environment and agricultural productivity. IFAD-funded projects have made their strongest contributions in the impact domains of physical and human assets, followed by those of food security and financial assets.
- The 2007 ARRI identified weaknesses to be addressed by IFAD. These included difficulties in reaching poorer groups and in promoting gender equity. Corporate and country evaluations also show that there is scope for improving non-project activities such as policy dialogue, partnership-building and knowledge management.

This year's ARRI provided a comprehensive account of the results and impact of IFAD operations evaluated in the period from 2002 to 2006. It also devoted more attention than previous reports to the key themes of sustainability and innovation, harvesting the knowledge generated in the evaluations of the 73 projects. The ARRI also highlighted three themes that emerge repeatedly in evaluations and that IFAD needs to address energetically in the future:

- country context
- monitoring and evaluation
- weaker impact areas such as marketing

IFAD management responded to the report. They noted that the 2006 ARRI had introduced a number of changes that have improved the quality of the report and made it more relevant to the needs of IFAD-supported operations.

Most of the ARRI's findings are in line with IFAD management's portfolio performance report 2006/07. Management appreciated the emphasis the report placed on learning, particularly in connection with sustainability and innovation. And they found that the consolidation of data over the period from 2002 to 2006 gave more robust and reliable results for the five-year period than previous ARRIs had been able to do.

Management noted that in some cases the ARRI applied current standards to projects that were designed in the past to different standards. Care should be taken in assessing such projects.

Management also agreed with the ARRI finding that sustainability requires 'concerted attention'. Management had already identified sustainability as a key measure of performance both in the Action Plan and in the Results Measurement Framework (see page 44). It also agreed with the ARRI that all development agencies face the challenge of sustainability. Both the ARRI and the portfolio performance report found some improvement in IFAD's performance in the area of sustainability, but management recognizes that further improvement is a top priority.

Management agreed with the conclusion drawn by a statistical review carried out by the Office of Evaluation that analysis of trends year by year in the ARRI is unreliable because of the limited number of evaluations conducted in any given year.

Evaluation activities in 2007

In 2007, the Office of Evaluation carried out its fourth work programme. It completed the corporate level evaluations of IFAD's Field Presence Pilot Programme and IFAD Rural Finance Policy. It also started a joint evaluation with AfDB.

The Field Presence Pilot Programme and IFAD Rural Finance Policy evaluations produced far-reaching results and recommendations. The former found that IFAD's performance was better in countries where the organization had some form of field presence. This was particularly true of implementation support, policy dialogue, partnerships and knowledge management. The evaluation concluded that the key question is not whether field presence is needed, but rather what form of country presence is most appropriate for an organization like IFAD in order to maximize its development effectiveness.

The evaluation of the IFAD Rural Finance Policy concluded that the policy's introduction in 2000 was a useful step in systematizing rural finance activities. It noted that IFAD was a leader in terms of the volume of rural finance provided, but that it could improve the performance of its operations by ensuring better project design. The evaluation also found that a number of rural finance operations are not aligned with the policy. It noted that the policy itself is largely well designed, but that there is room for improvement. IFAD could more closely define the target group, focus more strongly on women and develop clear standards and targets for outreach and demand-driven financial services.

During the year the Office of Evaluation started working with the AfDB on a joint evaluation. This will assess the results of AfDB's and IFAD's policies and operations in agriculture and rural development in Africa. On 16 July in Tunis, Tunisia, AfDB and IFAD signed a memorandum of understanding capturing the broad scope and the administrative and financial arrangements related to the joint evaluation. An inception report was prepared in December and desk work started immediately. After preparation of an interim report early in 2008, the team of consultants working on the evaluation will visit a number of countries.

The Evaluation Committee held four sessions during the year. The committee discussed project evaluations undertaken in Colombia, the Philippines and the United Republic of Tanzania. It also discussed other key documents such as the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) and the IFAD Innovation Strategy (see page 57). This year the Evaluation Committee annual field trip visited Mali. Eight Committee members and five Executive Board members made the trip. They visited IFAD-funded projects in the country and took part in the national round-table workshop for the country programme evaluation.

During the year, the Office of Evaluation continued working on its new evaluation manual, which will be issued in 2008. This will set out country programme and project evaluation methodologies and processes that build on experience and it will further align IFAD's independent and self-evaluation methodologies. Office of Evaluation staff, evaluation consultants and other professionals engaged in evaluation activities will use the manual.