

ANNUAL REPORT 2014



Investing in rural people

IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided nearly US\$16.6 billion in grants and low-interest loans to projects that have reached about 445 million people.* IFAD is an international financial institution and a specialized United Nations agency based in Rome – the UN's food and agriculture hub.

* As at time of press, June 2015

Ongoing IFAD-supported programmes and projects and IFAD country offices at end 2014



Latin America and the Caribbean
42 projects

Argentina	2
Belize	1
Bolivia (Plurinational State of)	3
Brazil	6
Colombia	1
Cuba	1
Dominican Republic	2
Ecuador	2
El Salvador	3
Grenada	1
Guatemala	2
Guyana	1
Haiti	2
Honduras	4
Mexico	2
Nicaragua	3
Panama	1
Paraguay	1
Peru	2
Uruguay	1
Venezuela (Bolivarian Republic of)	1

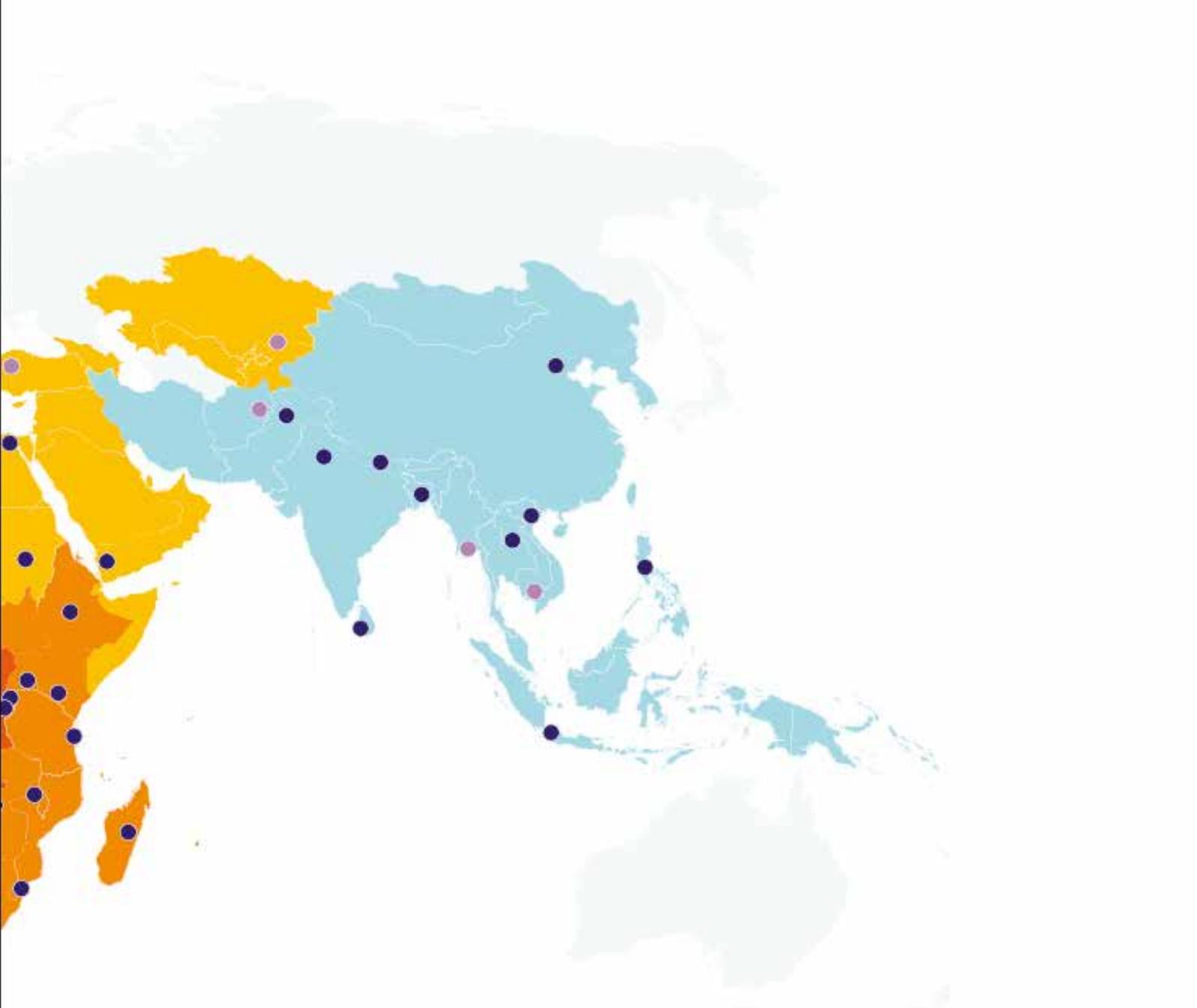
West and Central Africa
47 projects

Benin	2
Burkina Faso	3
Cabo Verde	1
Cameroon	2
Central African Republic	1
Chad	2
Congo	2
Côte d'Ivoire	2
Democratic Republic of the Congo	2
Gabon	1
Gambia (The)	2
Ghana	3
Guinea	2
Liberia	2
Mali	3
Mauritania	2
Niger	2
Nigeria	3
Sao Tome and Principe	2
Senegal	3
Sierra Leone	3
Togo	2



East and Southern Africa
43 projects

Angola	1
Botswana	1
Burundi	3
Eritrea	2
Ethiopia	5
Kenya	3
Lesotho	2
Madagascar	4
Malawi	2
Mozambique	4
Rwanda	3
Seychelles	1
South Sudan	1
Swaziland	1
Uganda	3
United Republic of Tanzania	4
Zambia	3



Near East, North Africa and Europe
36 projects

- Armenia 1
- Azerbaijan 1
- Bosnia and Herzegovina 1
- Djibouti 1
- Egypt 3
- Gaza and the West Bank 1
- Georgia 1
- Jordan 1
- Kyrgyzstan 2
- Lebanon 1
- Morocco 3
- Republic of Moldova 2
- Sudan 5
- Syrian Arab Republic 2
- Tajikistan 2
- Tunisia 2
- Turkey 2
- Uzbekistan 1
- Yemen 4

Asia and the Pacific
56 projects

- Afghanistan 2
- Bangladesh 5
- Bhutan 1
- Cambodia 2
- China 5
- India 10
- Indonesia 3
- Kiribati 1
- Lao People's Democratic Republic 3
- Maldives 2
- Mongolia 1
- Myanmar 1
- Nepal 4
- Pakistan 2
- Papua New Guinea 1
- Philippines 3
- Sri Lanka 3
- Timor-Leste 1
- Tonga 1
- Viet Nam 5

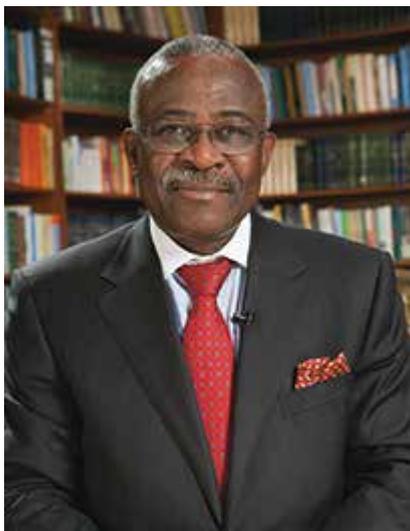
IFAD country offices

- 2014
- planned as at 31 January 2015

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President's foreword



2014 was a milestone year for IFAD, marking significant progress along the road to rural transformation. We continued to mobilize resources from our Member States and a growing range of partners to fund our investments in rural people. During the year, we successfully concluded the Consultation for IFAD's Tenth Replenishment (IFAD10). Member States agreed a target of US\$1.44 billion in new contributions to fund work over 2016 to 2018 (see page 47).

Our Members' support and commitment is also evident in the continued high level of domestic cofinancing for IFAD-funded projects: over 70 per cent of cofinancing for projects approved in 2014 was in the form of domestic contributions (see page 51).

The target for IFAD10 will allow us to maintain the US\$3 billion programme of loans and grants achieved during IFAD8 and IFAD9. It will also enable us to expand our reach to up to 130 million rural people. Some 40 to 50 per cent of these new resources will be channelled to sub-Saharan Africa.

To deliver on a programme of work of about US\$1 billion annually, the institution needs to be agile, but with firm foundations. Today's IFAD has four pillars that distinguish it from the organization as it was in 2009, when I took office. The first pillar is the new business model in which we are more country-focused and less Rome-centric. We now

have 40 functioning country offices, with 10 more fully approved and opening soon.

The second pillar of the new IFAD is internal reform of our processes, management and structure, and of human resources. The third pillar involves the establishment of IFAD's Strategy and Knowledge Department to enable us to articulate and share fresh ideas, evidence and tools to transform rural areas and the lives of their people.

The fourth and final pillar is a significant renewal of our financing modalities. Over recent years, we have been working to broaden our base by developing new financing instruments that enable us to benefit from sovereign loans, in addition to the traditional grant contributions made by Member States.

In 2014, we reached an innovative agreement with Germany's KfW Development Bank under which IFAD has access to up to €400 million of sovereign borrowing in 2014 and 2015. These funds will be made available to finance loans on ordinary terms, thus allowing more of IFAD's regular resources to be allocated on highly concessional terms to those countries that are eligible.

Sovereign borrowing transforms our business model: where we once had one financing source of grants from our Member States, which was limited by countries' fiscal constraints, we now have an additional source of funding. Although grant contributions remain the core, sovereign

borrowing gives us flexibility, added credibility to operate as an international financial institution and, most importantly, it increases our ability to invest in rural transformation.

Today's challenges and rural people

Two very different major challenges faced by the world today affect poor people in rural areas particularly severely: Ebola and climate change. At the time of writing, the Ebola epidemic continues to cause devastating loss of life, although there are signs the worst may be over. The disease and its indirect effects are also having a calamitous impact on economies and on the livelihoods of smallholders. Guinea, Liberia and Sierra Leone have been the focus of the epidemic. In addition to the heavy loss of life and human suffering caused by the outbreak, the movement of people, goods and money has been restricted, severely reducing trade, incomes and food availability.

IFAD-supported projects are continuing work in all three countries, although staff cannot visit affected areas. Project activities are being refocused to help producers meet their most pressing needs. For example, in Guinea trade restrictions have cost farmers an estimated US\$6.5 million and many of them are having difficulties repaying loans. An IFAD-supported value chain project is therefore making funds available to enable them to buy inputs for the next planting season.

In Liberia, the epidemic has resulted in a near collapse of the economy. Over 80 per cent of farmers surveyed said that their harvest was smaller in 2014 than in the previous year, mainly as a result of the virus. IFAD currently has two ongoing programmes in the country and is cooperating with other donors to limit the spread of the disease.

In Sierra Leone, where IFAD funds three programmes, the disease has taken hold in all districts and in the capital, Freetown. We have provided farmers and project staff with protective gear and are working with partners to give hygiene training. IFAD is also working with the Ministry of Agriculture to develop a plan to boost the recovery of the agriculture sector once the Ebola crisis is over.

Climate change hit the headlines repeatedly throughout 2014, which was subsequently officially declared the hottest year on record. The largest global financing source dedicated to supporting the adaptation of poor smallholder farmers to

climate change is run by IFAD. The Adaptation for Smallholder Agriculture Programme (ASAP) approved a total of US\$83 million in grant financing in 2014 – more details of which are given in the Programme of Work chapter (see page 6). The total value of ongoing ASAP-funded work at the end of 2014 was US\$190.9 million.

Impact evaluation

Accurate measurement of the impact of our work is essential to our ability to demonstrate development effectiveness and accountability and to drive ongoing learning in the organization. Twenty-six retrospective impact evaluations are currently being conducted as part of our commitments under IFAD9 (see page 39). In a separate initiative, baseline studies are being completed for ASAP-funded activities to ensure that impact can be comprehensively measured (see page 39).

We also welcome external evaluations that enable us to improve our performance. In 2014, Canada carried out a Development Effectiveness Review of IFAD, which complements the assessments done in 2013 by the Multilateral Organisation Performance Assessment Network (MOPAN) and the United Kingdom's Department for International Development (DFID). The Review endorses IFAD's alignment with Member States' development goals, and recognizes the success of IFAD-supported programmes in meeting stated objectives. It also notes improvement in performance in the areas of gender equality, and natural resource management and climate change. Room for further progress was noted in several areas and we look forward to continued collaboration with Canada and other partners as we move forward.

International Years, advocacy and new Member States

2014 was the International Year of Family Farming and IFAD played a key role throughout the year in raising awareness of family farmers' vital contribution to global food security. We funded work to make national policies more supportive of smallholder farmers to enable them to make a decent living (see page 29). IFAD also played an important part in advocacy work surrounding the agreement on the post-2015 Sustainable Development Goals (SDGs), successfully highlighting the need to include investment in rural transformation in the

new goals (see page 29). In addition, we hosted the Chief Executives Board spring session, which discussed the SDGs and the transition to the post-2015 development agenda, among other things.

Small Island Developing States were also the focus of an International Year in 2014. These countries face unique and significant economic and environmental challenges, including the collapse of capture fisheries and climate change. IFAD currently supports 19 projects in these island nations with funding worth US\$139 million, reaching about 5 million people (read the Fiji story from the field on page 18). At the 38th session of the Governing Council in February 2015, we welcomed two new Pacific island Member States to IFAD – the Federated States of Micronesia and the Republic of Palau. A total of five Pacific island nations have applied for and been granted IFAD membership since 2013, demonstrating our commitment to their special needs. The small southeastern European state of Montenegro also joined IFAD in February 2015, bringing the total number of Members to 176.

In closing, I would like to underline two themes that run through the 2014 Annual Report: IFAD’s commitment to young people and to gender equality. With youth unemployment a huge global challenge, we are funding many activities tailored to the needs of young people (see page 33). In the field of rural women’s empowerment, IFAD is a recognized leader. This year’s report spotlights household mentoring – a successful new approach to gender equality that transforms dynamics within the home. Read Ninsiima and Kasija’s story and find out why Ninsiima says “Our relationship has changed too We have goals for our future” (see page 13).



KANAYO F. NWANZE
President of IFAD



GRAIN RWANDA

50 KGS

Programme of work in 2014

West and Central Africa

24 countries: Benin, Burkina Faso, Cabo Verde, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, 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, Togo

Overview

According to many indicators, West and Central Africa has made major strides. Across much of the region, exports are booming, foreign investment is rising, living standards are increasing, poverty rates are declining, and education and health outcomes are improving. At the same time, governance reforms are slowly advancing democracy, transparency and accountability, creating more opportunities for Africans to influence decisions that affect their lives.

However, poverty rates remain high, especially in rural areas. In fact, while the share of people living in extreme poverty (on less than US\$1.25 a day) has fallen steadily over the past two decades – from 58 per cent in 1990 to 48 per cent in 2012 – because of population growth, the number of

extremely poor people has actually increased. Thus, the region has not progressed fast enough to reach the first Millennium Development Goal (MDG) target of halving poverty by 2015.

Some 500 million people live in West and Central Africa, with the majority living and working in rural areas as smallholder farmers. In Burkina Faso, Guinea, Guinea-Bissau, Mali and Niger, 80 to 90 per cent of the working-age population lives and works on family farms where yields and returns are significantly below their potential. In the region, agriculture is becoming increasingly vulnerable to world price fluctuations and climate change. Minimum temperatures are rising at a faster pace than they are globally, and rainfall is declining and becoming increasingly unpredictable.

Overall, there is substantial room for progress in the areas of inclusion, gender equality and environmental sustainability. Exclusion from and unequal access to economic and social opportunities continue to inhibit progress on human rights, livelihood improvement and enhancement of the productive capacities of broad segments of the population, particularly women and young people. Environment-related challenges – climate change, depletion of natural resources and limited access to energy – also hinder sustainable human development. The recent outbreak of Ebola in Guinea, Liberia and Sierra Leone is putting a huge extra strain on West African economies.

Portfolio management highlights

- 47 ongoing programmes and projects in partnership with 22 recipient governments in the region at the end of 2014
- US\$1,076.5 million invested by IFAD in the region's ongoing portfolio
- US\$157.8 million in new approvals in 2014: 6 new programmes and projects in Cameroon, Chad, Côte d'Ivoire, Ghana, Sao Tome and Principe, and Togo

Our work and results in 2014

In 2014, our work in West and Central Africa focused on:

- market access and value chain development
- rural finance
- natural resource management and climate change
- young people.

Market access and value chain development

Inclusive value chains are essential if the agriculture sector in West and Central Africa is to create jobs and stimulate economic growth in rural areas, both on and off the farm. More inclusive value chains would also reduce inequalities, integrating young people and women into the social and economic lives of their communities.

In Ghana, the IFAD-supported Northern Rural Growth Programme has enabled about 50,000 smallholder farmers to benefit from contracts with private buyers and processors of their produce. Technical support has helped increase productivity significantly, with maize and soybean yields growing by well over 200 per cent. Since the programme started work in 2008, smallholder farmers have produced and marketed more than 30,000 tons of crops, including sorghum, shea, millet, maize and soybean. Participating communities have also benefited from new feeder roads, warehouses and irrigation schemes that are helping to attract further private investment (see the story from the field on page 9).

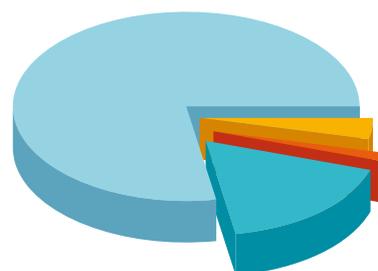
In selected areas of the groundnut basin in Senegal, an IFAD-funded project has been supporting some 32,000 households. Extension

services and high-quality seed and other inputs have boosted smallholders' productivity, increasing their food security and improving their quality of life. In addition, support to poultry-raising and the revival of small vegetable gardens have enabled women to earn their own incomes. Based on the positive results seen so far, IFAD is expanding activities to the entire groundnut basin.

In Liberia, a partnership between IFAD, the Ministry of Agriculture and a private-sector exporter of cocoa and coffee has benefited about 1,000 smallholder farmers. The project has rehabilitated rural road networks to give local people better access to markets. It has strengthened links between smallholders and the private sector to increase both the quantity and the quality of produce, and it has enabled three agricultural cooperatives to improve their bargaining power. The partners are now planning to rehabilitate an additional 15,000 hectares of cocoa and coffee plantations, which will benefit another 15,000 smallholders.

CHART 1a
IFAD loans by lending terms and DSF grants,
1978-2014^a

Share of total of US\$2 857.9 million

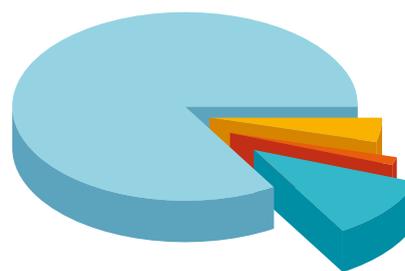


- Highly concessional loans
US\$2 267.0 million - 79.3%
- Intermediate loans
US\$105.2 million - 3.7%
- Ordinary loans
US\$21.3 million - 0.7%
- DSF grants
US\$464.4 million - 16.2%

^a Any discrepancy in totals is the result of rounding.

CHART 1b
Loan disbursements by lending terms
and DSF disbursements, 1979-2014^a

Share of total of US\$1 557.8 million



- Highly concessional loans
US\$1 312.1 million - 84.2%
- Intermediate loans
US\$60.3 million - 3.9%
- Ordinary loans
US\$16.8 million - 1.1%
- DSF grants
US\$168.6 million - 10.8%

^a Loan disbursements relate solely to Regular Programme loans and exclude the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification. Any discrepancy in totals is the result of rounding.

Rural finance

In many rural areas, smallholders struggle to obtain access to savings and loans. However, microloans at low interest from rural financial institutions can provide farmers with the means to invest in their businesses while avoiding the exorbitant terms of black-market lenders that only drive them deeper into debt.

In Nigeria, IFAD and partners are building the capacity of rural financial institutions to offer deposit, loan and money transfer services to 345,000 poor rural families, particularly households headed solely by women, young people or physically challenged people. The seven-year programme, which involves 36 local governments, has established about 7,000 village savings groups to date. In the 12 participating states, as a result of better access to financial services, the programme has lifted more than 27,000 participants out of poverty.

When the civil war in Sierra Leone ended in 2002, lack of access to credit was recognized as a major obstacle to rural recovery and development. Between 2008 and 2014, an IFAD-supported project helped set up about 50 financial service associations and 17 community banks, enabling people in rural communities to invest in farming or other small businesses. More than 50,000 households benefited directly, and community banks and financial service associations are now fully integrated into national policy.

Natural resource management and climate change

As mentioned in the Overview, climate change and environmental degradation are major challenges for the region. Through both the Global Environment Facility (GEF) and IFAD's Adaptation for Smallholder Agriculture Programme (ASAP), ten countries in the region, mostly in the Sahel, are benefiting from specific climate and environment financing. During 2014, ASAP grants worth US\$22.0 million were approved, bringing the total value of ASAP financing in the region to US\$46.9 million at the end of the year. GEF grants worth US\$7.3 million were also approved, bringing the total value of GEF financing to US\$36.7 million.

In the Maradi region of Niger, an IFAD-supported project focusing on food and nutrition security is building on previous project experiences and scaling up land rehabilitation activities. More than 6,000 hectares of degraded silvopastoral land has been rehabilitated, and invasive weeds have been eliminated from more than 5,000 hectares, benefiting more than 13,000 households since 2012. The project has also successfully scaled up assisted natural regeneration of young trees, working with more than 21,000 farmers who have adopted the technique on about 55,000 hectares. These interventions have had demonstrated impacts on agricultural productivity, income generation, resilience and environmental sustainability. The IFAD-supported Ruwanmu Small-Scale Irrigation Project is building on these experiences through close collaboration with the project in the Maradi region.

A recently closed IFAD-supported project to develop oases in Mauritania focused on dune fixation, which was executed in two steps. First, the dunes were mechanically protected by building fences and palm-leaf wattle to stop the sand from encroaching. Then, perennial trees and herbaceous species were used as biological protection ultimately to fix sand progression. In 2014, dune fixation works were implemented on about 154 hectares, bringing the total area fixed to more than 240 hectares. Dune fixation has protected more than 600 hectares of palm fields with more than 117,000 palm trees, exploited by about 3,500 producers.

The islands of Sao Tome and Principe are a haven for biodiversity, but poverty often forces farmers to cut down trees, either for fuelwood or to create land for crops. An IFAD-funded programme has been supporting farmers in producing cocoa, coffee and pepper in more sustainable conditions – under the shade of trees – and in accordance with ethical, organic and Fairtrade schemes.

These improvements have been made possible thanks to a partnership brokered by IFAD between local cooperatives and four European-based private operators, which purchase farmers' produce according to agreed conditions and provide invaluable know-how, technology and financial support. As a result, cooperatives created

Story from the field

Helping women connect to value chains in northern Ghana

Women in northern Ghana earn income by producing and selling shea butter. Also known as *karité*, the butter is used for food preparation in Africa and in cosmetics elsewhere. The women's earnings used to be marginal because of the low quality of the butter and the lack of markets. The IFAD-supported Northern Rural Growth Programme, which works to improve rural livelihoods and empower women, adopted the goals of helping the women improve the quality of their butter and developing markets.

The first step was assisting the women – who account for two thirds of the programme's participants – in becoming part of an agricultural value chain. The programme helped the women form cooperatives and linked them to markets and financial services.

Rose Zang, a widow with five children, is part of the Zuwonye Vielong Women's Group. The group is registered as a cooperative and is part of the village savings and loan association through which Zang obtained loans to support her shea butter business.

"When I started I used to process one bag of shea nuts a week," she says. "Now, with support from the programme, I am able to process five bags of shea nuts. Now I am able to look after myself and my children."

Roy Ayariga, the programme coordinator, points out that collaborating with existing structures is crucial. "We have been working with the district assemblies and the traditional authorities, the chiefs, because they control the economic assets," he says. "And the assemblies can enact by-laws that will protect and unleash the potential of women." The programme won an IFAD Gender Award in 2013 for its innovations in empowering women.

Support from the initiative has allowed women to move beyond their traditional roles. One of these women is Hamida Iddrissu, who is now an agrochemical input dealer, a role predominantly held by men.

"Because of the value chain I am popular," she says. "I have been meeting with all the farmers, officers and directors. Sometimes I am the only woman. But I can speak. I can answer any questions without fear."

Planting a shea tree – with links to markets, women farmers now make good money from shea butter
Ghana: Northern Rural Growth Programme

©IFAD/Amina Alhassan Bin Salih



by the programme are now sustainably producing about 50 per cent of all the cocoa beans traded by Sao Tome and Principe on international markets, and 100 per cent of coffee beans and pepper. This has significantly increased incomes for domestic producers.

IFAD has also supported the establishment of a pilot biogas plant in the Monté Café region, to transform animal waste into gas for cooking – a technology that protects the environment, reduces women’s labour burden and improves living conditions in the home.

Young people

Finding work for the growing numbers of young people in rural areas is a priority in West and Central Africa, as in other regions worldwide. In recent years, many young rural people have migrated to cities in search of better living standards, but an increasing number are now staying in their home villages to become rural agroentrepreneurs. To support this movement, IFAD has invested heavily in creating an environment for young people to flourish in rural areas.

In Senegal, where a massive 47 per cent of the population is under 15 years of age, IFAD is working through village sport and cultural associations to enable young people to develop proposals for agriculture-related activities. To date, more than 4,000 young women and men in 45 associations have received funding to become agroentrepreneurs in their own communities, helping to stem the tide of migration.

The Creating Opportunities for Rural Youth Consortium, launched in 2014 with support from IFAD, is planting seeds for the next generation of women and men entrepreneurs in Benin, Cameroon, The Gambia and Nigeria. The three-year project aims to provide training in entrepreneurship, mentoring, business development services and microcredit to some 2,800 young rural agroentrepreneurs and more than 43,000 young entrepreneurs.

East and Southern Africa

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

Overview

Together with sub-Saharan Africa as a whole, the countries of East and Southern Africa continued to show good economic growth in 2014. According to the International Monetary Fund, GDP growth in sub-Saharan Africa was almost 5 per cent in 2013, and was expected to increase further in 2014.

However, as in other regions, the benefits of growth are unequally distributed, and rising levels of GDP have not translated into strong poverty reduction. The past decade of strong growth in sub-Saharan Africa has decreased extreme poverty by only 7 per cent since 2002 – 20 percentage points below the MDG target and far less than in other regions. Economic growth has also done little to reduce hunger: malnutrition levels are only 5 percentage points lower than in 1990. Sub-Saharan Africa will fall short on five of the MDG targets.

Agriculture has not played a large part in regional growth. Since the 1990s, there has been little change in either the percentage of people engaged in farming or agriculture’s modest contribution to GDP. Obstacles impeding improvements in agricultural productivity in sub-Saharan Africa include poor soil fertility, erosion-prone soils, climate variability and low potential for irrigation. Geographic isolation, lack of roads and electricity, low education levels, insufficient investment in agriculture and governance issues have all exacerbated the region’s competitive disadvantage, particularly in rural areas.

Sub-Saharan Africa as a whole is entering a period of “demographic dividend”. The population of working age is expected to almost double, from 460 million workers in 2010 to 800 million in 2030. If jobs are not available for this increasingly young workforce, the result could be social instability.

Over the past five years, several countries in East and Southern Africa have instituted social safety-net programmes, including cash transfers, public work programmes, paid apprenticeships and medical insurance schemes. The World Bank reports a growing body of evidence demonstrating the benefits of these programmes.

Our work and results in 2014

IFAD's programme of work in East and Southern Africa focuses on:

- agricultural productivity and food security
- building human and social capital
- natural resource management and climate change
- market access and value chain development.

Agricultural productivity and food security

Improving agricultural productivity and food security is a major focus of IFAD's work in the region, accounting for a quarter of our regional financing. We support efforts to strengthen extension services, develop technologies and improve access to input markets, along with seed production and multiplication initiatives.

Since 2008, for example, we have funded training in crop and livestock production practices for more than 2 million people. An IFAD-supported project in eastern Rwanda focused on participatory restoration of degraded watersheds, trained 10,000 farmers and reported an increase in rice yields of 200 to 300 per cent, from 2-3 tons per hectare to 6-8 tons.

In the United Republic of Tanzania, an IFAD-funded programme is helping farmers to increase livestock production and improve marketing. Working through farmer field schools, the initiative has trained more than 227,000 people in crop and livestock management practices, including proper variety selection, land preparation, plantation techniques, proper spacing and use of organic manure. Rice producers in the programme area have increased production fivefold, from less than 1 ton per hectare to 5 tons. Cassava yields have increased from four 50 kg sacks per acre to 26, and banana yields from 5-8 kg to 30-40 kg per bunch.

Building human and social capital

Skills-building is fundamental to the advancement and resilience of people and communities. IFAD concentrates on community-driven development approaches and local capacity-building in the region.

In the Kirihe district of southeastern Rwanda, an IFAD-supported initiative is promoting the participation of both community leaders and farmers in the preparation of watershed management plans. The project also supports investments that aim to develop value chains and intensify crop and livestock production through local management and supervision committees. More than 90 per cent of project participants are members of community-based groups or farmer organizations, thereby strengthening existing connections that support lasting development. The project won an IFAD Gender Award in 2014 for its innovative work to ensure that women are reached and empowered. It uses a gender-balance support strategy, and as a result women make up more than 40 per cent of participants in all activities.

Another IFAD-supported project in Rwanda trained more than 28,000 people in financial services, functional literacy and management and business skills. And in Kenya, an IFAD-funded project supported the construction of more than 100 learning centres serving more than 6,000 people. As a result, literacy rates have increased by 20 percentage points, to 75 per cent among participants.

Portfolio management highlights

- 43 ongoing programmes and projects in partnership with 17 recipient governments in the region at the end of 2014
- US\$1,212.9 million invested by IFAD in the region's ongoing portfolio
- US\$94.9 million in new approvals in 2014: 4 new programmes and projects in Burundi, Lesotho, Uganda and Zambia
- 1 new results-based country strategic opportunities programme (RB-COSOP) for Madagascar

Natural resource management and climate change

Sustainable management of natural resources is a crucial component of improving livelihoods among poor farmers. Its importance is growing given that poor farmers are often the hardest hit by impacts of climate change. IFAD is supporting several projects – mainly in irrigation – that encourage responsible management of resources.

Since 2008, IFAD has funded construction or rehabilitation of irrigation schemes on almost 32,000 hectares of land in the region. During the same period, more than 126,000 hectares have benefited from improved land management practices. More than 100,000 people have been trained in natural resource management.

IFAD's ASAP is financing initiatives in Mozambique and Rwanda to increase the climate resilience of value chains. ASAP also aims to reduce the impact of climate change on smallholder productivity and profitability by promoting best practices and technologies. Work in Mozambique includes installing weather stations to improve climate risk information and forecasting, and introducing small-scale infrastructure such as low-cost greenhouses to help farmers produce with fewer agrochemicals during the increasingly hot season.

During 2014, ASAP grants worth US\$17.0 million were approved, bringing the total value of ASAP financing in the region to US\$28.8 million at the end of the year.

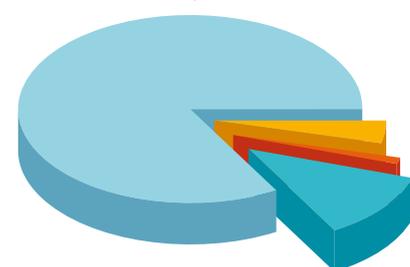
Promising outputs and outcomes have emerged from several projects funded by GEF in the region. These projects have a total value of US\$20.9 million. In Comoros, a sustainable land management initiative has trained more than 6,000 farmers in hedging techniques. More than 500 hectares of land has been hedged to keep animals away and minimize disturbance of reforestation efforts. An additional 350-plus hectares of degraded land has been reforested.

In Eritrea, a landscape management project we support has led to the adoption of community-based natural resource management planning. Almost 2 million tree seedlings were distributed to reforest degraded communal rangelands that had been closed to encourage regeneration. Erosion control activities in the communally held lands have included almost 1,500 kilometres of terracing and construction of 19,000 cubic metres of check dams to slow the velocity of storm water run-off.

An IFAD-supported project in Ethiopia has encouraged communities to use off-farm soil and water conservation techniques to control erosion and rehabilitate damaged areas. Major investments

CHART 2a
IFAD loans by lending terms and DSF grants, 1978-2014^a

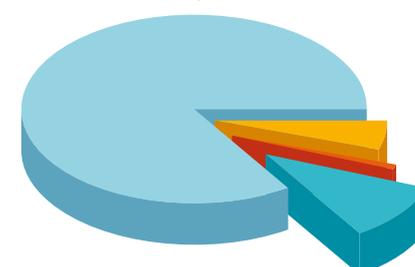
Share of total of US\$2 970.4 million



^a Any discrepancy in totals is the result of rounding.

CHART 2b
Loan disbursements by lending terms and DSF disbursements, 1979-2014^a

Share of total of US\$1 987.9 million



^a Loan disbursements relate solely to Regular Programme loans and exclude the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification. Any discrepancy in totals is the result of rounding.

Story from the field

Reaching the poorest through household mentoring

The poorest of the rural poor are always difficult to reach on a large scale. In Uganda, however, IFAD has piloted an effective tool for bringing development to the most vulnerable households. As part of the District Livelihoods Support Programme, household mentoring has enabled poor families to make rapid and substantial improvements in living conditions.

Household mentors are volunteers who visit selected poor families regularly for up to three years. Mentors pass on knowledge and skills for better household management, improved farming practices and income generation. Their aim is to ensure that households are food-secure and generate surpluses for extra income.

Mentors also encourage a shift in mindset towards sharing and joint decision-making. Women and men are encouraged to join savings and other common interest groups and develop household goals. The programme received an IFAD Gender Award in 2013 in recognition of its work to empower women.

Imaculata Ninsiima and her husband William Simon Kasija farm in Kamwenge district and were living in extreme poverty. Their mentor advised them to increase the land they were cultivating and grow coffee to boost their income. With new skills and a small grant, the couple have moved from

subsistence to earning income from surplus crops. They have joined a local savings and credit group.

“Our relationship has changed too,” says Ninsiima. “Now we plan together and we know how much we each earn. We have goals for our future. We want to build a brick house, finish paying for the children’s education, and then buy some cattle.”

“Mentoring initiates a process of social inclusion,” says Judith Ruko, rural sociologist for the programme. “Isolated households begin to move into more mainstream activities within the community, and from there can be linked to a variety of supports and services.”

The mentoring tool is now being scaled up in other IFAD-supported projects in Uganda, and by local governments. Household methodologies for gender equality and social inclusion have also been used by other organizations in Ethiopia, Nigeria, Rwanda and Zambia, and by IFAD-supported programmes in Malawi and Sierra Leone, with promising results. (Read more: <http://www.ifad.org/story/feature/household.htm>)

A young family who took part in household mentoring outside their home in Luwero district
Uganda: District Livelihoods Support Programme
©IFAD/Clare Bishop Sambrook



by participating communities have resulted in about 2,300 kilometres of hillside terracing, among other improvements. More than 70,000 hectares of arable land is now under improved management.

Market access and value chain development

Given the rural nature of this region, lack of access to profitable markets has long been an impediment to improving livelihoods and food security. IFAD is thus supporting activities that aim to increase access and help smallholder farmers enter competitive agribusiness value chains. In particular, we are supporting improved transport and infrastructure, market studies and training, and construction or rehabilitation of marketing infrastructure.

In Uganda, this work involves supporting government decentralization efforts. Hundreds of kilometres of roads have been built or rehabilitated, along with 15 marketing facilities. IFAD has also aided the formation or strengthening of more than 1,200 marketing groups with almost 60,000 smallholder members.

In Rwanda, we are helping farmers involved in export-driven value chains, including tea, coffee, horticulture and silk. This help involves increasing the quantity and quality of production and improving the marketing efforts and functioning of farmer organizations. More than 20,000 farmers have been organized into marketing groups to date. Tea farmers are seeing higher incomes, particularly in Nshili, where they are receiving dividends for their equity stakes in the tea factory.

Asia and the Pacific

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

Overview

Strong economic growth in Asia and the Pacific has brought substantial reductions in rural poverty, which has fallen from 59 per cent to 31 per cent in the past two decades. Between 1990 and 2011, the proportion of people living on less than US\$1.25 a day across the region – in urban and rural areas – dropped from 52 per cent to 18 per cent, exceeding the first MDG target on poverty reduction. Education has been another bright spot, with achievement of gender parity at all levels of schooling.

However, the region continues to face major challenges. Overall economic growth rates have declined in recent years to about 6 per cent in 2012/2013, from about 9 per cent in 2010 and 7 per cent in 2011. Income inequality is rising in many countries. Asia is home to two thirds of the world's poor, with about 750 million poor people. It also has 568 million undernourished and hungry people, about 65 per cent of the global total.

Climate change is a looming threat. One fifth of the region's rice-growing areas are prone to drought, and yields are also vulnerable to rising average temperatures and the emergence of new pests and diseases. Extreme weather poses major risks to food and livelihood security for rural people who rely on natural resources for their livelihoods. A substantial proportion of the rural population falls in and out of poverty owing to shocks from droughts, civil strife and increases in food and fuel prices.

The region is home to more than 60 per cent of the world's young people and, as in other regions, youth unemployment is a major challenge. Many young people in rural areas are either jobless or forced into informal, insecure and low-wage employment. Women's participation in the labour force is among the lowest in the world. Women

earn less than men, and have little control over their earnings and poor access to extension services, credit and production assets. Indigenous people face similar disadvantages, and the income gap between them and the majority population is widening in many countries.

Our work and results in 2014

In 2014, we focused our support in Asia and the Pacific on:

- access to services
- natural resource management and climate change
- employment generation
- building human and social capital and rural institutions.

Access to services

If smallholders are to convert subsistence farming into small agribusinesses that diversify incomes and take advantage of market opportunities, they need access to business services such as banking, credit, affordable remittance services, market information and improved technologies. Geographic isolation, lack of collateral and poor access to services have left smallholders at a disadvantage. Addressing these challenges is a major aspect of IFAD's assistance in the region, and we focus particularly on linking smallholder farmers to value chains and commercial agriculture through partnership with the private sector.

For flax growers in Ulanqab prefecture of Inner Mongolia, IFAD's first step in helping expand access to markets was to form the Xin Hai oil market association in 2010. The association organized training courses on flax cultivation and processing, which quickly improved the quality and quantity of the oil produced. As a result, farmers are now able to sell their oil for good prices to restaurants in Beijing and other cities.

Next, having noticed that products with organic certification fetched higher prices, association members worked to get their flax oil certified, which raised both sales and prices. As of June 2014, the initiative had benefited more than 170,000 poor rural people across nine counties.

In Cambodia, rice farmers are reaping the benefits of technology. IFAD has teamed up with Grameen Intel Social Business to develop a simple, step-by-step computer program that provides advice on soil, seeds and fertilizer and how to deal most effectively with pests and diseases.

Local people who have been trained to use the software sell their services to farmers, enabling the farmers to improve their practices. Prompted by the software, farmers analyse conditions on their farms and the program gives advice on what to do. The locations of nearby suppliers are also provided. The software is being launched in 500 locations across Cambodia and is expected to reach about 25,000 farming families.

The Programme for Increasing Sustainable Microfinance (PRISM) in Pakistan tailored its activities specifically to address women's needs. It provided dedicated financial services, including deposit and insurance products, such as weather index-based crop insurance and live-weight livestock insurance. Both farm and non-farm enterprises have boosted their productivity thanks to the expanded access to credit facilitated by the initiative. In addition, PRISM has supported low-cost schools that have a high proportion of female students and staff. It introduced family loans for the purchase of solar energy appliances that help reduce women's workload. It has also supported the development of pro-poor value chains in activities that give women some financial independence, such as poultry-raising and embroidery. The programme won an IFAD Gender Award in 2014.

Portfolio management highlights

- 56 ongoing programmes and projects in partnership with 20 recipient governments in the region at the end of 2014
- US\$1,752.8 million invested by IFAD in the region's ongoing portfolio
- US\$269.5 million in new approvals in 2014: 8 new programmes and projects in Bangladesh, Cambodia, China, India, Kiribati, Myanmar, Nepal and Viet Nam, and additional financing for ongoing projects in India and Papua New Guinea
- 1 new results-based country strategic opportunities programme (RB-COSOP) for Myanmar

Natural resource management and climate change

Scientists foresee that climate change in Asia will bring more unpredictable and more intense weather events such as heat waves, cyclones and heavy rainfall. Resource degradation is another major concern. Farmers and other rural residents who are on the frontline of these challenges desperately need to develop their resilience. Our work in the region focuses particularly on countries with vulnerable coastlines and mountainous regions.

Bangladesh is one of the most vulnerable countries. Risks are especially high in the coastal and estuarine landmasses in the south, known as charlands, where some of the country's poorest people live. IFAD is developing infrastructure and providing other support to help people adapt their livelihoods to climate change. To promote sustainable practices, more than 20,000 women and men in the charlands have joined natural resource management groups, engaging in activities such as social forestry and water management.

The construction of infrastructure is helping protect people in vulnerable areas from weather extremes. So far, more than 1,200 kilometres of all-weather roads have been built, along with cyclone shelters for 40,000 people and 22 livestock refuges. Almost 10,000 hectares of land has been reclaimed

with dykes, and 17 kilometres of coastal area has been planted with trees to protect the shoreline.

During 2014, grants from IFAD's ASAP worth US\$30.0 million were approved, bringing the total value of ASAP financing in the region to US\$57.0 million at the end of the year.

Employment generation

With the demand for food projected to increase by about 60 per cent between 2005 and 2050, it is crucial to make food-producing rural areas desirable places to live and work, especially for young people. Our work therefore focuses on helping countries create decent work opportunities in rural areas and on strengthening young people's abilities to influence development in their communities.

An IFAD-supported project in Viet Nam is helping young women and men join forces to create common interest groups that specialize in agriculture, small industries and services. Our aim is to help the young people improve their abilities to influence activities financed by the project and to negotiate mutually beneficial contracts with other stakeholders and partners. Recent results show that about 2,200 members of these groups are producing, processing or offering a broad range of foods, goods and services – from cultivating ginger and maize and raising pigs to weaving, making brooms and drying fish.

CHART 3a
IFAD loans by lending terms and DSF grants,
1978-2014^a
Share of total of US\$4 881.8 million

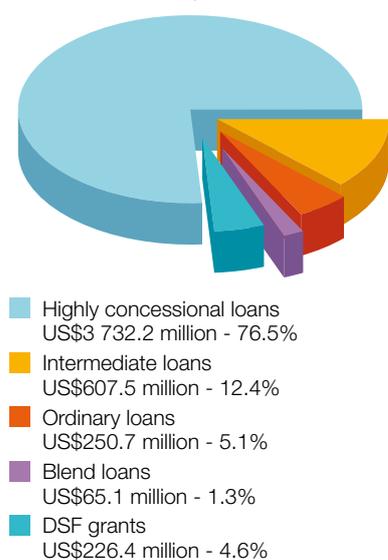
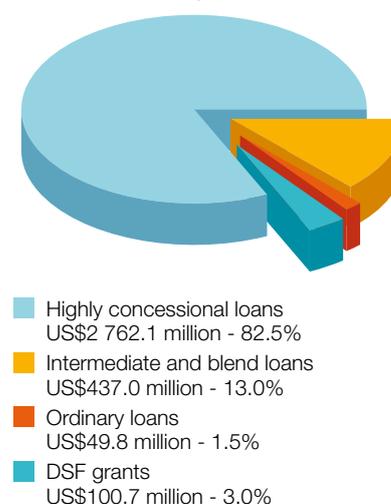


CHART 3b
Loan disbursements by lending terms
and DSF disbursements, 1979-2014^a
Share of total of US\$3 349.6 million



^a Loan disbursements relate solely to Regular Programme loans. Any discrepancy in totals is the result of rounding.

^a Any discrepancy in totals is the result of rounding.

In Bangladesh, through IFAD-supported labour-contracting societies, women and men are finding employment in the construction of much-needed roads and buildings under contract to the government. More than 2,200 women and about 300 men have been employed in infrastructure work, which has generated about 240,000 person-days of employment. In addition to earning wages, participants have developed basic skills in construction and contract administration. The wages have enabled women and men to invest in other income-generating activities, such as leasing land for farming and buying livestock. This project won a Gender Award in 2013 for its work in support of women's empowerment.

Building human and social capital and rural institutions

Institutions such as market associations and self-help groups help rural women and men to obtain affordable inputs, negotiate better prices for their produce and connect to external markets. Enabling rural people to establish sustainable institutions also plays a major role in empowering them economically and socially. Functioning, inclusive institutions are key to rural transformation and especially important to marginalized groups, such as indigenous people, young people and women of all ages.

In India's Odisha State, indigenous peoples make up 22 per cent of the population. Although laws have been enacted to safeguard their interests, the tribal economy of these people remains underdeveloped. Since 2004, IFAD has been supporting a tribal empowerment and livelihoods programme aimed at modernizing the economy and raising incomes. Self-help groups and village development committees encourage collaboration, and training courses provide technical and community mobilization skills that enable communities of indigenous people to manage their own development.

So far, agricultural productivity has increased by 69 per cent, and more than half of participating farmers are growing high-value crops in addition to staple crops. Nearly 70 per cent of participating households have access to financial services, and 80 per cent to safe water. At least half of the 58,000 households have secured legal tenure to their land.

At the national level, Indonesia has reduced poverty significantly, but remote areas such as Papua and West Papua lag behind, with percentages of households living below the poverty line that are twice the national average. Women typically have low status and immense workloads and are excluded from education and decision-making, even at the household level.

To help address these issues, IFAD is a partner in Indonesia's massive National Programme for Community Empowerment, which reaches 30 million people nationwide. The programme provides training and financing for agricultural activities proposed by farmer organizations and women's groups, with the goal of improving food security. We provide investment resources to support communities in preparing proposals, with a particular focus on women.

In the fishing village of Andai, the process of preparing a development proposal helped the women identify a major challenge: how to make a profit when fish prices were low. The women came up with a strategy for converting excess fish into spicy dried *abon* (tuna) and received a grant from the programme to start up the business.

The women make *abon* when market conditions dictate, and divide the profits among themselves at a meeting every three weeks. A local supermarket has agreed to sell their *abon*, and the women are working on obtaining hygiene certification from the government to improve the marketability of the spicy fish. In addition to earning money and the respect of their families, the women have learned useful new skills such as bookkeeping.

Story from the field

Small islands face big challenges with innovation

Even before climate change became a reality, Small Island Developing States were facing enormous challenges. These include the collapse of capture fisheries, dependence on costly food imports, coastal erosion and diminished availability of freshwater. Rates of migration stand at about 30 per cent, the highest in the world. To draw attention to the dire situation, the United Nations declared 2014 the International Year of Small Island Developing States.

IFAD works with islanders to build sustainable responses to challenges. We are currently supporting 19 projects in 14 Small Island Developing States, for a total of US\$139.0 million and benefiting 5 million people.

In Fiji, the niche market concept has been given a new level of importance. In 2013, the elders of Cicia Island declared it an organic island; producing organic goods is now on the high school curriculum.

“We are very much involved with agricultural activities, especially since the organic declaration,” says student Milika Waqavuni. “We take care of the environment, and likewise the environment will provide what we need.”

Virgin coconut oil is widely used in food preparation on Cicia. It is also in demand internationally, including as a massage oil. Learning

that the oil commands high prices when produced organically, the women of Cicia were keen to obtain access to the organic oil market, but were unable to afford international organic certification. Now, with support from IFAD and the Pacific Organic and Ethical Trade Community (POETCom), the oil farmers are certifying themselves.

While an external certifier would make one annual visit, the organic farmers of Cicia inspect each other’s production records every two weeks, and meet monthly to decide if certification should be granted.

“The certification is done to a standard,” says Stephen Hazelman, organic systems extension officer for POETCom. “The documentation, the paperwork, everything is identical to a third-party certification.”

The work is paying off: an international spa that sampled the coconut oil has ordered 600 litres, and an exporter recently met the women to see whether they can supply her clients in the Republic of Korea. (Read more: <http://www.ifad.org/english/sids/>).

A group of women cut open coconuts to prepare organic virgin coconut oil on Cicia Island
Fiji: Development and Pilot Implementation of Integrated Pacific Island Organic/Ethical Trade Initiatives

©IFAD/Joanne Levitan



Latin America and the Caribbean

33 countries: Antigua and Barbuda, Argentina, The Bahamas, Barbados, Belize, Bolivia (Plurinational State of), 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, Venezuela (Bolivarian Republic of)

Overview

Latin America and the Caribbean is a highly diverse region in terms of ethnicity, human development and income distribution. Although most countries in the region are now classified as middle-income, many of the region's 611 million people are poor. Some of the most marginalized population groups can be found among the region's 125 million rural people. In rural areas, rates of poverty and extreme poverty continue to be alarmingly high, at 53 per cent and 30 per cent respectively of the total rural population.

Latin America and the Caribbean has made remarkable progress in reducing overall poverty. During the period 2005-2012, the region almost halved the percentage of poor and very poor people, thereby achieving the first target of the MDGs. This success was made possible by the macroeconomic stability enjoyed by much of the region, together with government policies and programmes designed to reduce poverty and inequality, such as conditional cash transfers. The figures for rural poverty, however, tell a different story: over the period 2000-2010, rates of poverty and extreme poverty in rural areas decreased by only 10 per cent and 8 per cent respectively.

The region's GDP is expected to increase by a modest 1.3 per cent in 2014 as terms of trade have deteriorated for some countries and exports are falling short of expectations. Furthermore, some economies in the region are suffering from supply bottlenecks and/or political uncertainties, both of which have put the brakes on business confidence and investments. It is essential to continue investing in rural people in this context of economic uncertainty.

Our work and results in 2014

In 2014, IFAD's work focused on:

- market access and value chain development
- promoting family farming through policy dialogue
- young people and gender equality.

Market access and value chain development

Access to markets where smallholder families can sell their produce for fair prices is a fundamental building block for inclusive rural development. In El Salvador, IFAD and the Ministry of Agriculture and Livestock have made market access a priority, focusing on farmers targeted by the country's Family Agriculture Plan, which aims to support more than 300,000 small producers. Working through three IFAD-supported projects, one initiative aims to strengthen horticultural production chains, particularly for tomatoes, onions, sweet peppers and cucumbers. As a result, small farmers from across the country are now selling to El Salvador's second largest supermarket – Súper Selectos.

In Paraguay, the government is working to integrate family farmers into agricultural value chains. To further this goal, IFAD is supporting community-based organizations to target some 14,500 families in the country's eastern region. Members of the organizations range from family farmers with reasonably stable access to markets, to more vulnerable groups such as landless farmers, women heads of households, young people and indigenous communities. The IFAD-funded Inclusion of Family Farming in Value Chains Project aims to increase job opportunities, particularly for women and young people. It also helps family

Portfolio management highlights

- 42 ongoing programmes and projects in partnership with 21 recipient governments in the region at the end of 2014
- US\$617.4 million invested by IFAD in the region's ongoing portfolio
- US\$4.0 million approved in 2014 for a new project in Uruguay
- 2 new results-based country strategic opportunities programmes (RB-COSOPs) for Ecuador and Mexico

farmers obtain access to credit for working capital, and enables them to enter value chains and to increase productivity through improved technology.

IFAD is also supporting market access initiatives at the regional level. Working with the Economic Commission for Latin America and the Caribbean, we are fostering the participation of small rural producers and their organizations in inclusive value chains throughout the region by engaging in policy dialogue, capacity-building of implementing institutions and the development of new analytical tools for rural productive policies.

Promoting family farming through policy dialogue

2014 was the International Year of Family Farming (see page 30). Activities and dialogue throughout the year highlighted the significant contribution made by family farmers to global food security, and the potential for increasing this contribution and reducing poverty by meeting small producers' needs more effectively. Many countries in Latin America and the Caribbean have specific policies for supporting family farmers; during 2014, efforts were increased to scale up effective approaches.

In Brazil, IFAD has been working with smallholders to enable them to take advantage of government policies, such as institutional purchase programmes through which farmers can sell their produce to local public institutions

including schools and hospitals. In its first phase, the IFAD-supported Dom Hélder Câmara Project empowered smallholders by facilitating access to government markets.

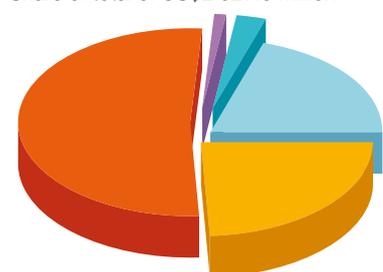
As a result of these efforts, public policies were revised to address the need to strengthen the organizational, managerial and technical capacities of family farmers. The project's successful experiences have been integrated into five ongoing projects at the state level in Bahia, Ceará, Paraíba, Piauí and Sergipe. The second phase of the project will help the poorest and most isolated family farmers obtain access to existing public programmes. It will also scale up innovations. Lessons learned and best practices from this phase will be incorporated into state-level projects.

Mexico's new rural poverty reduction programme, Prospera, aims to improve the lives of more than 6 million poor families – about 23 million people. In 2014, IFAD supported Prospera in designing a pilot project known as "Productive Territories", which will be launched in 2015. The pilot targets 10,000 rural people in five Mexican states.

IFAD also fosters policy dialogue and capacity-building at the regional level to support the family farming sector. Since 2011, for example, an IFAD grant to the Latin American Centre for Human Economy has helped tap the huge reservoir of knowledge and expertise in policies to promote

CHART 4a
IFAD loans by lending terms and DSF grants, 1978-2014^a

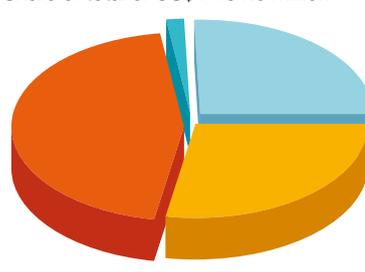
Share of total of US\$2 027.3 million



- Highly concessional loans
US\$424.5 million - 20.9%
- Intermediate loans
US\$488.0 million - 24.1%
- Ordinary loans
US\$1 062.3 million - 52.4%
- Blend loans
US\$14.3 million - 0.7%
- DSF grants
US\$38.1 million - 1.9%

CHART 4b
Loan disbursements by lending terms and DSF disbursements, 1979-2014^a

Share of total of US\$1 461.0 million



- Highly concessional loans
US\$374.1 million - 25.6%
- Intermediate and blend loans
US\$408.5 million - 28.0%
- Ordinary loans
US\$654.3 million - 44.8%
- DSF grants
US\$24.0 million - 1.6%

^a Loan disbursements relate solely to Regular Programme loans. Any discrepancy in totals is the result of rounding.

^a Any discrepancy in totals is the result of rounding.

family farming generated in countries of the Common Market of the South (MERCOSUR). Work funded by a second-phase grant to the Latin American Center for Rural Development began in 2013. This aims to enhance pro-rural poor strategies, policies and investments at the national and subnational levels in four countries: Colombia, Ecuador, El Salvador and Peru.

Young people and gender equality

Significant progress has been made in integrating gender equality and women's empowerment into IFAD-supported projects, especially those that focus on income generation and entrepreneurship. Most projects also target young people, including projects that promote small rural businesses, better access to markets and skills acquisition.

Ecuador's Development of the Central Corridor Project, an initiative to promote and strengthen rural entrepreneurship and businesses, reached more than 16,000 families, with women accounting for 40 per cent of participants. In some activities, including access to credit and business training, women made up more than half of all participants. Several activities focused on creating business opportunities for women in rural and indigenous communities and on strengthening women's organizations. These efforts, which have benefited about 6,800 women, are enabling women to market their agricultural products more profitably and to sell artisanal goods and make money out of tourism. The project won an IFAD Gender Award in 2014 in recognition of its achievements.

In the Caribbean, young people have been hit particularly hard by the lingering impacts of the global economic crisis. Consequently, they risk being trapped in the lower-paid end of the labour market – if they can find work at all. In 2014, IFAD approved a new three-year programme for improving the entrepreneurial skills of 1,000 young women and men in Belize, Cuba, the Dominican Republic, Grenada, Guyana and Haiti. Through the development of a common strategy for rural youth employment shared by selected governments and partners, the initiative also aims to increase allocations of public resources to rural youth employment, which will indirectly benefit several thousand young people.

Building on a workshop held in 2013 and involving 15 countries, IFAD selected Brazil, Colombia, El Salvador, Haiti and Venezuela for pilot initiatives on fostering the inclusion of youth in rural development projects. During 2014, El Salvador held a workshop that led to the development of a national plan for youth and creation of a network of young people. While the plan targets democratic participation, capacity-building and entrepreneurship, the network will focus on advocacy, exchange of experiences, knowledge management and support to economic enterprises.

Story from the field

Reviving an ancient tradition in rural Mexico

In the rugged southern state of Oaxaca in Mexico, rural communities have been producing silk since the sixteenth century. With plentiful timber from the forests, however, the practice lost some of its lustre in the twentieth century. Today, in the face of growing deforestation, IFAD, Mexico's National Forestry Commission (*Comisión Nacional Forestal*) and GEF are helping rural women revive the tradition of silk production through the Community-based Forestry Development Project in Southern States (Campeche, Chiapas and Oaxaca).

In Santo Domingo Xagacia, the craft of silk production is handed down from mother to daughter. Training offered through the project complements and expands this traditional transfer of knowledge. While many older women prefer to spin silk by hand, loans and grants are enabling the younger generation to use electric spinners and floor looms.

The project's most important contribution is its provision of mulberry trees, which feed the silk worms. "This is the main thing," says Irma Hernández García, a silkworm producer. "If we don't have the plant, we can't raise the worms."

The women weave most of the silk into shawls known as *rebozos*, which are then coloured with natural dyes. The community has begun to market

its products in Oaxaca City and Mexico City, as well as to local tourists.

In addition to silk production, the project is helping to create new systems for sustainable forestry and carbon sequestration. Through ecotourism, for example, communities are exploiting forests in a sustainable way. Drawn to the area for adventure, tourists become a natural market for artisans selling traditional wood and clothing products.

The project started work in 2011 and is due to be completed in 2016. It aims to reach 18,000 families in Campeche, Chiapas and Oaxaca. The mid-term review carried out in 2014 found significant achievements at the community level: more than 120 agroforestry modules had been established, combining agriculture and forestry under sustainable management; about 60 community greenhouses had been built; more than 30 knowledge exchanges had taken place among communities; and more than 30 microenterprises had been legally set up.

Zapotec indigenous women in Oaxaca are in charge of silk production, from raising the worms to producing the garments Mexico: Community-based Forestry Development Project in Southern States

©IFAD/Carla Francescutti



Near East, North Africa and Europe

36 countries and Gaza and the West Bank: Albania, Algeria, Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, Cyprus, Djibouti, Egypt, Estonia, Georgia, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Republic of Moldova, Romania, Russian Federation, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tajikistan, The former Yugoslav Republic of Macedonia, Tunisia, Turkey, United Arab Emirates, Uzbekistan, Yemen

Overview

A mixture of progress and instability characterized 2014 in this diverse region. As a whole, the region faces a wide range of long-term development challenges, including an unprecedented "youth bulge" in demographics, high unemployment, gender inequality, water scarcity, natural resource degradation, climate change risks, food insecurity, conflict and displacement.

The population of the region, which spans North Africa, the Near East, Central Asia and Eastern Europe, is nearly 550 million people. More than 40 per cent of the overall population lives in rural areas. Although most countries in the region are classified as middle-income, a large share of the population lives only marginally above the poverty line.

In addition to the challenges listed above, countries in Eastern Europe and the Commonwealth of Independent States continued to suffer from the persistent economic weakness of the eurozone during 2014, compounded by economic difficulties in the Russian Federation. In some countries these challenges affected remittance flows, which are a major lifeline for poor households in rural areas. In others, remittances remained buoyant and continued to be major drivers of the economy.

Many countries in the Near East and North Africa faced political and economic disturbances, including the arrival of an estimated 11.3 million refugees and displaced people. As a result, agricultural productivity fell throughout the subregion, which is highly reliant on imports of staple foods. According to a survey conducted by the International Food Policy Research Institute, people in several countries face moderate to severe food insecurity. In most Arab countries, rates of

chronic malnutrition among children are higher than expected given the countries' per capita GDPs.

Young people make up 23 per cent of the total population of Central Asia and Eastern Europe and 28 per cent in the Near East and North Africa. Unemployment rates among young people aged 15-24 years stand at 28 per cent in the Near East and 29.5 per cent in North Africa – more than double the global average of 13 per cent. Because of this, migration has become an important coping strategy for young people.

Our work and results in 2014

Our programme of work in the Near East, North Africa and Europe focuses on:

- natural resource management and climate change
- agricultural productivity and food security
- rural finance and support for entrepreneurs
- market access and value chain development
- young people and gender equality.

Natural resource management and climate change

Smallholder producers are highly dependent on natural resources for their livelihoods, but many lack the skills, services and inputs to manage resources productively and sustainably. Often farming on degraded or marginal lands, smallholder producers are also the first to feel the impacts of climate change and the most severely affected. IFAD works with rural communities to help them address these complex challenges and build their resilience.

Portfolio management highlights

- 36 ongoing programmes and projects in partnership with 19 recipient governments in the region at the end of 2014
- US\$698.2 million invested by IFAD in the region's ongoing portfolio
- US\$187.3 million in new approvals in 2014: 7 new programmes and projects in Armenia, Egypt, Georgia, Jordan, Morocco, Sudan and Tunisia, and additional financing for an ongoing project in Sudan

IFAD channels climate finance to smallholder farmers through ASAP and GEF. During 2014, ASAP grants worth US\$14.0 million were approved, bringing the total value of ASAP financing in the region to US\$40.2 million at the end of the year. GEF grants worth US\$20.4 million were also approved, bringing the total value of GEF financing to US\$36.1 million. The aim is to facilitate smallholders' access to information, tools and technologies that help build resilience to climate change and other production-related stresses. These funds are blended into regular IFAD-supported programmes and projects to ensure innovative, relevant and sustainable approaches.

The contribution of environment and climate financing to the region's portfolio is increasing. At the end of 2014, ASAP and GEF were supporting 13 projects in nine countries. These efforts are building rural communities' resilience to the effects of climate change and improving management of natural resources.

ASAP funding for climate adaptation has also driven innovations in project design. During the development of a project in Yemen, for example, climate modelling experts conducted studies using historical data sets and satellite imagery that identified areas more vulnerable to flooding, erosion and declining crop yields because of changing climate patterns.

In Kyrgyzstan, six climate models were used to generate climate scenarios for the design of the second phase of an IFAD-supported livestock and market development programme. Findings were analysed by season and altitude to help identify risks, vulnerabilities and future opportunities for new pasture areas.

In Egypt and Sudan, climate financing is contributing to the development of a dynamic agricultural information and response system, which will deliver early warning of extreme events such as heat waves, frosts, cold spells, storms, and epidemic outbreaks of pests and diseases. The system will also provide advice on irrigation scheduling, thus reducing costs and minimizing water use. In addition, it will forecast incidence of pests and diseases and accurately predict sowing and harvest dates to maximize production.

Agricultural productivity and food security

IFAD supports investments in infrastructure, capacity-building and technologies that help smallholders boost productivity and incomes, and strengthen food security for smallholders' families and communities.

In Albania, we funded several development programmes in mountainous areas that have invested in capacity-building, small and medium-sized businesses, new technologies,

CHART 5a
IFAD loans by lending terms and DSF grants, 1978-2014^a
Share of total of US\$2 402.0 million

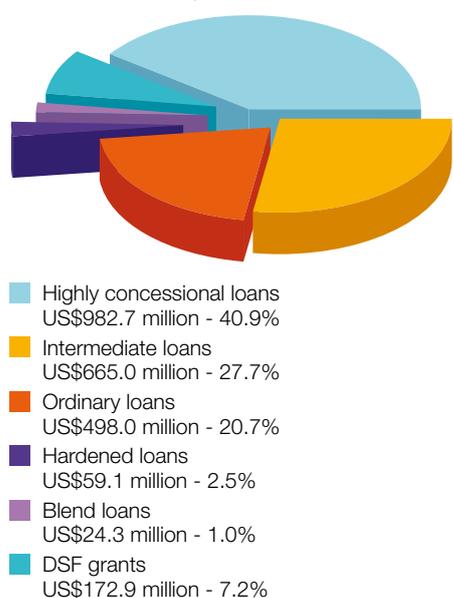
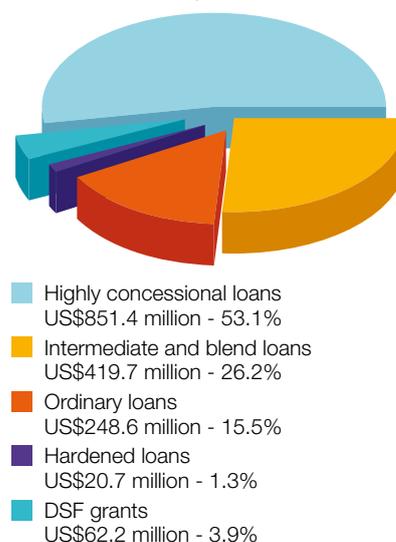


CHART 5b
Loan disbursements by lending terms and DSF disbursements, 1979-2014^a
Share of total of US\$1 602.6 million



^a Loan disbursements relate solely to Regular Programme loans. Any discrepancy in totals is the result of rounding.

^a Any discrepancy in totals is the result of rounding.

irrigation and processing equipment, cold storage facilities, and rural roads. An intermediary impact survey found that more than 70 per cent of participants credited these investments with increasing the productivity of vineyards, fruit trees, vegetables, fodder crops and livestock. The survey also reported a 30 per cent increase in production of fruits and a 34 per cent increase in vineyard yields.

Similar investments in gravity-pressurized irrigation systems by an IFAD-supported initiative in the Turkish provinces of Sivas and Erzincan led to reduced production costs and major increases in water-use efficiency, farmers' incomes and yields. Production of wheat and tomatoes increased two- to threefold compared with rainfed conditions (see the story from the field on page 27). A recent impact study showed that improved irrigation resulted in increases in annual net income of an estimated TRY 6,000 (about US\$2,500) for wheat and TRY 60,000 (about US\$25,000) for tomatoes. The net income from irrigated wheat tripled, while that from tomatoes increased twentyfold.

Rural finance and support for entrepreneurs

In order to sustain their livelihoods and invest in their businesses, rural people need access to financial services, including credit. Through the projects we fund, we develop innovative financial services that address the complex needs of poor smallholders and rural entrepreneurs.

One such project in Georgia aimed to support the development of rural financial services, agricultural supply chains, and legal, regulatory and institutional structures. The project invested in microloans for farmers, with the aim of reviving crop and livestock production. About 10,000 microloans were provided, totalling nearly US\$10.0 million, with 27 subloans to 25 beneficiaries accounting for an additional US\$5.7 million. Half the total loans went to women borrowers. Some 42 credit officers and 16 service centre managers of microfinance institutions participated in financial management training. In activities related to hazelnut and citrus value chains, women accounted for nearly 70 per cent and 80 per cent of participants respectively.

Since 2007, more than 100,000 rural people have benefited from the IFAD-supported Upper Egypt Rural Development Project. Microfinance operations have been an essential element. So far, more than 39,000 loans have been disbursed – of which about 42 per cent went to households headed solely by women – generating LE 196 million (about US\$28.0 million) of investments in poor rural areas across Assiut and Qena governorates and creating more than 30,000 jobs.

The micro-investments in Upper Egypt are concentrated in livestock, particularly dairy production; commercial activities such as microtrade and village shops; and a range of rural services. The repayment rate of 99 per cent testifies to the success of the microfinance activities.

Market access and value chain development

Regardless of productivity, smallholder farmers cannot raise their incomes without access to inclusive value chains and markets. In recent years, we have been focusing increasingly on this goal with an emphasis on Fairtrade and organic markets, which pay farmers a premium for sustainable production.

The successful IFAD-supported Fund for Rural Economic Development in Armenia (FREDA) invests in small and medium-sized enterprises that work in value chains relevant to poor rural people. An impact study showed that companies in which FREDA had invested increased their sales by an average of 42 per cent, their exports by 136 per cent and their annual profits by 62 per cent. The impacts on IFAD target groups came through the value chains, as the companies sourced increased quantities of fruits, vegetables, meat and milk from smallholder suppliers across the country.

An IFAD-supported project in Kyrgyzstan focused on improving livestock productivity and the marketability of livestock products, and enhancing the climate resilience of pastoralist communities. More than 500,000 livestock farmers in Kyrgyzstan saw the value of their livestock and livestock products increase by 25 per cent. Their families also experienced improved nutrition and food security from increased consumption of meat and dairy products.

Young people and gender equality

As mentioned in the Overview, youth unemployment is a major challenge in the region. IFAD prioritizes work with rural communities to help them create fair employment opportunities that allow young people to fulfil their potential. In Egypt, more than 70 per cent of the unemployed are young people, who often lack skills, training and access to finance. From 2005 to 2013, IFAD supported a rural development project in West Noubaria, targeting unemployed youth and small-scale farmers.

More than 250,000 people (including more than 150,000 young graduates) each received 1 or 2 hectares of farmland in reclaimed desert land. Value chain development and contract farming gave the farmers access to markets. A new project to scale up the successes in West Noubaria is now being designed. Once again the focus will be on young people and women, with training, apprenticeships and job placements.

In the Republic of Moldova, an IFAD-supported initiative is helping provide financial services for young people in rural areas. The objective is to stem migration by encouraging young women and men to stay in their rural home regions. To date the project has financed 64 small and medium-sized enterprises for a total of US\$6.0 million, and about 440 young entrepreneurs for a total of US\$5.5 million.

Women's empowerment is a key part of our work. In western Sudan, an IFAD-supported programme promotes community participation as a driver of sustainable development. The programme has formed nearly 700 solidarity-based, self-sufficient savings and credit groups; more than 90 per cent of the groups' members are women.

Since the programme started work in December 2005, the groups have fostered a strong savings culture among rural women. They have also enhanced women's confidence in undertaking new economic activities, and increased their decision-making power within their communities.

In addition, the savings and credit groups have created a platform that attracts sustainable flows of commercial funds into rural areas. The programme received an IFAD Gender Award in 2013 for its success in empowering women through community initiatives and savings and credit groups, and by improving domestic water supplies.

Story from the field

Improving irrigation helps save water and increase incomes in rural Turkey

Like many other farmers in the Erzincan province of eastern Turkey, Vahdettin Adiyaman grows walnuts to sell in the markets of Istanbul. He also cultivates vegetables and fodder crops for his cows, chickens and sheep.

Although the name of his village – Kardere – is Turkish for “snow creek”, water has long been a problem here.

Traditionally, farmers used flood irrigation to water their crops, but this technique was costly and inefficient. It raised groundwater levels and created salinity and alkalinity problems. The inefficiency resulted in less irrigated land, and this decreased farmers’ incomes.

Now all this has changed. The IFAD-supported Sivas-Erzincan Development Project worked with farmers and the Turkish Government from 2005 to 2013 to modernize irrigation technology. Thanks to investments in systems such as drip irrigation and communal hydrants, some 320 people in Kardere now have better access to water. Water-use efficiency for irrigation had increased from an average of 40-50 per cent to 90 per cent when the project finished work.

“Without the project, the trees would have dried up,” says Adiyaman. “There was not enough water. With the new irrigation scheme, we were able to irrigate the entire area and save the trees.”

Following the work in Kardere, farmers reported that yields of tomatoes, green beans, walnuts, apples and cherries had more than doubled, while the labour required to produce the crops had decreased. More than 48,000 farmers across Sivas and Erzincan provinces have benefited from access to modern technologies for irrigation, agricultural production and marketing.

The positive results have led to other initiatives in Kardere, such as training for women who make copper craftwork. Implemented as a social support programme of the Turkish Ministry of Development, this initiative aims to give people an alternative to migration. To date, 30 young women have attended the six-month training, and so far they have earned a total of TRY 40,000 (about US\$16,700) between them.

“We’ve stopped migration for now,” Adiyaman says. “There are 70 young people in our village, and they all stayed.”

Vahdettin Adiyaman grew about 100 kg of eggplants in three months thanks to the new drip irrigation system
Turkey: Sivas-Erzincan Development Project

©IFAD/Nabil Mahaini





Major initiatives and new programmes

Major initiatives

IFAD and the global context

The year 2014 saw IFAD stepping up advocacy to build support for greater investment to propel a transformation of rural areas. In particular, the International Year of Family Farming (IYFF) and the consultative process regarding new, post-2015 Sustainable Development Goals (SDGs) provided opportunities for us to highlight our mission of investing in rural people to improve food security and nutrition and combat poverty. A year-long process of supporting Member States in incorporating the need for rural transformation into the design of draft SDGs led to positive results, including strong references to the role of smallholder agriculture in the draft goals prepared by the Open Working Group (OWG) on the SDGs.

The concept of rural transformation recognizes that for development to be sustainable and inclusive it requires more than just economic growth. Development efforts must support social change, the empowerment of the most disadvantaged and marginalized, and the creation of an enabling environment for smallholders and other rural people. IFAD has consistently advocated for this holistic, people-centred approach both in policy forums and in our work on the ground.

Rural transformation and the post-2015 agenda

In February, IFAD issued four policy briefs articulating four key entry points through which a new, universal agenda for sustainable development may help bring about sustainable and inclusive rural transformation:

- leveraging the rural-urban nexus for development, promoting better connectivity and the flow of services, finance and goods between rural and urban areas, thus reducing rural-urban inequalities

- empowering poor rural women and men, both as individuals and through their organizations
- increasing investment in smallholder agriculture
- raising the resilience of poor rural households, particularly to climate change and market-related shocks and stresses.

IFAD injected these messages into our engagement with Member States and other stakeholders around the post-2015 agenda, particularly in the OWG. Especially influential was a joint effort by the United Nations Rome-based agencies, which was initiated by IFAD to identify possible targets and indicators to help address food security, nutrition and sustainable agriculture in a holistic manner. This proposal received strong support among Member States and influenced the work of the OWG, which proposed an SDG on food security, nutrition and sustainable agriculture, largely echoing the Rome-based agencies' proposal. All other target areas identified in IFAD's post-2015 policy briefs were also more or less directly reflected in the outcome of the OWG. Emphasis on the importance of smallholder farmers in achieving food security through the proposed second goal of the SDGs is an important achievement not just for IFAD and the Rome-based agencies but also, and more importantly, for smallholders themselves.

IFAD provided a US\$500,000 grant over 18 months to the International Institute for Environment and Development to explore rural-urban transformations and food systems. A successful launch event was held in London in December.

The International Year of Family Farming

During 2014, IFAD engaged actively in the International Steering Committee for the International Year of Family Farming (IYFF) while directly supporting the advocacy work of selected partners at the country and regional levels. An IFAD grant of US\$500,000 to the World Rural Forum supported civil society engagement in IYFF-2014, the creation of IYFF national committees and tracking of their work in more than 50 countries. A further grant to the Food and Agriculture Organization of the United Nations (FAO) supported global facilitation and monitoring of the IYFF; organization of a global dialogue building on the regional dialogues held in 2013; establishment of a knowledge platform on family farming; and collation of information on national-level progress in policy change in favour of family farming. The knowledge platform has been retained as a resource after the end of the international year to maintain momentum.

A number of opportunities were leveraged to draw attention to the role of smallholder family farmers in feeding the world, and the need to direct more support towards helping them to meet a range of challenges. The 37th IFAD Governing Council (held in February 2014) brought together high-level participants from government, civil society, farmer organizations and the private sector to address the theme of “investing in smallholder family farmers for the future we want”.

The fifth global meeting of the Farmers’ Forum, held in conjunction with the Governing Council, brought together more than 80 farmers’ leaders representing millions of smallholders and rural producers from all over the world. Forum participants explored opportunities for new operational partnerships between producer organizations, governments and IFAD, and renewed their commitment to work together.

IFAD actively participated in the Global Forum and Expo on Family Farming in Budapest hosted by the Hungarian Ministry of Rural Development in March; International Encounters on Family Farming and Research held by the International Cooperation Centre of Agricultural Research for Development in Montpellier, France, in June; the IYFF event hosted by the M.S. Swaminathan

Research Foundation in August in Chennai, India; and the Global Dialogue on Family Farming organized by FAO in October in Rome. In addition to actively participating itself, IFAD also sponsored the participation of farmers’ leaders from developing countries in the IYFF closing event in Manila, the Philippines, which endorsed the IYFF legacy and way forward document.

During the year, IFAD published a major comparative analysis of family farming in Latin America, *La agricultura familiar en América Latina*. This publication was launched at two major events, in Mexico (July) and Brazil (November), and broadly discussed by different audiences – farmer organizations, governments, academia, development practitioners and others.

As a contribution to the IYFF, IFAD launched the AgTalks online lecture series to present the human face of family farming by sharing the latest policy research and findings and different viewpoints on smallholder agriculture. The aims of AgTalks are to influence policy frameworks in favour of family farmers and to generate global and national support to promote scaling up of successful policies and programmes. The first two sessions were held in October and December, focusing on trade and fertilizers respectively.

The Committee on World Food Security

The Rome-based agencies work together on a continuous basis in the Committee on World Food Security (CFS) Secretariat and the CFS Advisory Group. The CFS aims to guide conceptual and technical work and help achieve convergence among the various stakeholders on policy development to improve food security and nutrition. IFAD stepped up its engagement in this global policy forum by doubling our annual contribution towards the Secretariat costs to US\$400,000 for the 2014-2015 biennium.

At the CFS forty-first session in October 2014, the voluntary Principles for Responsible Investment in Agriculture and Food Systems were endorsed. This was the culmination of a two-year consultation and negotiation process in which we played an active role. IFAD was a member of a technical team set up under the CFS Secretariat to support elaboration

of the principles. We focused on bringing our operational experience to bear in helping produce a document of practical value for investors at all levels, including institutional investors such as IFAD and many of our partners. The principles provide a comprehensive map of the key areas where stakeholders involved in investment in agriculture and food systems should focus their attention, to maximize the positive impact of their activities on food security and nutrition.

IFAD also contributed to another ongoing CFS process: development of an Agenda for Action for Addressing Food Insecurity in Protracted Crises, which began in 2012. After intensive regional and global consultations, it is hoped that the CFS plenary will endorse a final version in 2015.

IFAD's work with indigenous peoples

A recent report published by two major indigenous peoples' organizations in Asia called IFAD "a global pioneer" among United Nations agencies, citing our sustained dialogue with indigenous communities on securing their rights. That dialogue advanced in 2014, with much of the effort centred on the first World Conference on Indigenous Peoples (WCIP), held in September at United Nations headquarters in New York as a high-level meeting of the General Assembly. The outcome document called on the Secretary-General to develop a system-wide action plan for implementing the United Nations Declaration on the Rights of Indigenous Peoples, and underscored the right to free, prior and informed consent regarding all decisions that affect the lives, culture and identity of the world's 370 million indigenous people. The document makes reference to the IFAD Indigenous Peoples Assistance Facility, encouraging Member States, the private sector and other institutions to contribute.

IFAD provided significant support for indigenous peoples' representatives, including a grant of about US\$1.0 million to cover their travel to preparatory meetings, the conference itself and country-level activities facilitating implementation of the outcome document and the United Nations Declaration on the Rights of Indigenous Peoples. The grant was administered in partnership with the International Work Group for Indigenous Affairs and the Indigenous Global Coordinating Group. In a keynote address to WCIP delegates, IFAD

President Kanayo F. Nwanze noted that the Fund has financed some US\$1.8 billion in loans and US\$38.0 million in grants for participatory rural development initiatives with indigenous women and men.

IFAD also co-sponsored a WCIP side event on land and natural resource rights, which highlighted the deep cultural and spiritual significance of lands, territories and resources, and the need to protect indigenous peoples' rights to the lands they have traditionally occupied, owned or used. The momentum of the WCIP will be taken forward at the second global meeting of the Indigenous Peoples' Forum at IFAD in February 2015, in conjunction with the Governing Council. In preparation for the Forum, four regional workshops were held in Africa, Asia, Latin America and the Caribbean, and the Pacific during the last quarter of 2014. These workshops focused on indigenous food systems and sustainable livelihoods as the selected overall theme of the global meeting in February. This theme falls within the framework of the SDGs of the post-2015 development agenda, which aims to "end hunger, achieve food security and improved nutrition, and promote sustainable agriculture".

Policy engagement, scaling up and South-South and triangular cooperation

IFAD's agenda for mainstreaming policy engagement into the country programme and project cycle was further advanced in 2014. Design documents for projects and country strategic opportunities programmes (COSOPs) were reviewed and structured to maximize the possibility of their contributing to policy processes at the national level. Support in the policy area was provided to missions in Indonesia, Sri Lanka and Sudan, specifically in developing proposals that will enable IFAD-supported programmes and projects in these countries to facilitate national policy processes.

In addition, resources provided under the Initiative for Mainstreaming Innovation financed by the United Kingdom's Department for International Development were directed towards six policy-related activities under implementation: support to the National Assembly of the Lao People's Democratic Republic in developing an approach for

public policy consultations; strengthening of rural civil society organizations in the wool and mohair sector in Tajikistan; analysis of the rice development strategy in Côte d'Ivoire; public consultations around a proposed regional cooperatives act in Kenya and Uganda; support to the Government of Mexico for the design of a national programme to reduce rural poverty; and assistance to the Government of Viet Nam in revising the policy framework for the National Target Programme on New Rural Development.

Processes for learning lessons and stocktaking were completed, with the aim of improving understanding of the range, extent and main thematic areas of policy engagement currently being pursued by country programme managers. Externally, partnership-building for enhanced policy impact was pursued with a number of agencies, including FAO. IFAD's institutional capacity in policy engagement was increased with the recruitment of a senior technical expert.

South-South and triangular cooperation is another tool for sharing knowledge, resources and technology between countries in pursuit of their development goals. In 2014, IFAD continued to support a broad range of initiatives that bring together people from different countries at all levels, and to expand the pool of solutions and lessons learned.

Since 2011, a jointly funded IFAD-China grant programme has organized workshops that bring together participants from around the world for capacity-building and knowledge-sharing. The sixth workshop, held in Maputo, Mozambique, in August 2014, was attended by senior officials from Africa, Asia and Latin America. It focused on Chinese agricultural policy and impacts, agribusiness reform and mechanization, and research and development. The workshop produced a number of conclusions on how Africa could better take advantage of South-South and triangular cooperation.

Among the many actions supported by IFAD to promote South-South and triangular cooperation was a seven-day "learning route" during which officials from the Lao People's Democratic Republic visited the Republic of Korea as a model for good practice in participatory policy development. In the Near East, North Africa and Europe region, an

IFAD grant is supporting an initiative on South-South and Triangular Cooperation for Agricultural Development and Enhanced Food Security, in partnership with the United Nations Office for South-South Cooperation. The initiative supports sharing of innovative agricultural practices among young people and women in Algeria, Egypt, Morocco, Turkey and Uzbekistan.

Nutrition-sensitive agriculture

In 2014, IFAD began to scale up its approach to nutrition, which has been increasingly prominent on the international development agenda. More than three quarters of undernourished people live in low-income, rural areas, meaning that the people who grow food are often the very ones who go hungry.

Nutrition has always been an integral part of IFAD's mandate. After building a core nutrition team, we raised awareness of our renewed focus on nutrition at the global staff meeting and through high-level corporate communications. Subsequently, we built capacity through joint training workshops and seminars. Two videos on IFAD-supported nutrition projects in Bangladesh were produced. The videos were picked up by global television news agencies including Reuters, the Associated Press and the *Agence France Presse*, and distributed to thousands of broadcasters worldwide.

Nutrition-sensitive agriculture can lead to more diverse production and improved diets. It also takes other underlying causes into consideration, such as "caring capacity" (including gender aspects) and "environmental health" and the impact they have on nutrition.

Funding from Germany will allow IFAD to research nutrition-sensitive value chains to provide better guidance for projects. Canadian support has enabled IFAD to continue mainstreaming nutrition by building nutrition-sensitive teams to develop programmes, incorporate explicit objectives related to nutrition and ensure an enabling policy environment. In further demonstrating our commitment to nutrition, IFAD has undertaken to specify in each country strategy how the strategy will contribute to improving nutrition. One third of IFAD-supported projects will be nutrition-sensitive by the end of IFAD's Tenth Replenishment

(IFAD10). We have also established a separate thematic window for complementary contributions for nutrition interventions.

IFAD's work with youth

Young women and men can play key roles in rural transformation, socio-economic progress and community stability. However, young people generally have inadequate access to the inputs they need to succeed: knowledge and information, decent jobs, land, financial services, markets and representation in policy dialogue. IFAD continues to promote approaches for tapping the energy, creativity and desires of young people as part of rural development.

In West and Central Africa, IFAD's focus is on encouraging young people to stay in rural areas by supporting agroentrepreneurship, such as through the Creating Opportunities for Rural Youth Consortium (see page 10).

Peer-to-peer learning allows young people to learn lessons from others living in similar circumstances. In August, 20 IFAD field staff from nine countries in Africa, Europe and Latin America met through an IFAD-supported learning route in Kenya, which focused on innovative ideas and approaches for integrating rural youth into agriculture. At the end of the visit the participants developed action plans for specifically targeting young rural people in their projects, giving value to good practices learned during the route.

In the Near East and North Africa, where youth unemployment is the highest in the world, IFAD works with communities to ensure fair employment opportunities. In Egypt, for example, young people have been given reclaimed land to farm, along with training and access to finance. In Europe, IFAD is supporting work in the Republic of Moldova on providing financial services for young people to enable them to stay in their rural home regions (see page 26).

Strengthening young people's abilities to influence development in their communities is a major focus in Asia and the Pacific. In Viet Nam, an IFAD-supported project is helping young people create common interest groups specializing in agriculture, small industries and services (see page 16).

Most IFAD-supported projects in Latin America and the Caribbean target young people, focusing on income generation and entrepreneurship. In 2014, IFAD launched an entrepreneurship programme targeting young people in six Caribbean countries that had been hit especially hard by the global economic crisis (see page 21).

The Platform for Agricultural Risk Management

In 2014, the Platform for Agricultural Risk Management (PARM) focused on three of the nine sub-Saharan selected countries: Ethiopia, Niger and Uganda. PARM is a G8 and G20 initiative hosted by IFAD and designed to build on existing agricultural risk management initiatives in each country.

Following a national workshop on integral agricultural risk management in Niger, co-organized with the World Bank in June 2014, PARM is collaborating with the New Partnership for Africa's Development (NEPAD) on leading the next steps of the process in Niger. In Uganda, the PARM Secretariat, in collaboration with NEPAD, held a workshop in Kampala to finalize its risk assessment work and identify capacity-building needs. In Ethiopia, at a kick-off workshop held in November and led by FAO with the participation of NEPAD and PARM, a Steering Committee was established to guide the next steps in supporting PARM.

During the year, a PARM Secretariat was established at IFAD headquarters and a Steering Committee meeting was held to discuss ongoing activities and the action plan for 2014-2017. An Advisory Committee was also established, composed of technical and private-sector partners, and beneficiaries. The German Ministry for Economic Cooperation and Development is committed to contributing to PARM in 2016 and is currently an observer on the Steering Committee.

The Financing Facility for Remittances

In 2014, more than 230 million migrants sent a total of US\$435.0 billion home to their developing countries through formal channels, with 40 per cent going to rural areas. This was more than four times official development assistance, and exceeded foreign direct investment inflows in most of the countries.

Since 2006, IFAD's multi-donor Financing Facility for Remittances (FFR) has been pioneering innovative instruments to provide migrants, their families and their countries with better options for economic and social development. Nearly 50 projects have been piloted in more than 40 countries. The FFR has brought many largely unknown constraints to the attention of governments and development institutions, and is now recognized as a leading actor in the area of migration and development.

In 2014, the Facility strengthened its scaling-up approach by mainstreaming remittances into IFAD-supported operations and addressing larger innovative programmes in close cooperation with our regional divisions. As a result, IFAD's first loan with a strong remittance component – the innovative Rural Enterprises and Remittances Project in Nepal – has been designed.

In the Philippines, the FFR financed the second phase of Scaling up Initiatives in Mobilizing Migrant Resources towards Agriculture Development, one of its most successful pilot projects. It also designed the large grant-funded Regional Programme on Remittances and Diaspora Investment for Rural Development, which will be financed by IFAD and implemented in Nepal, Pakistan, the Philippines and Sri Lanka.

The FFR launched its first country-specific call for proposals, encouraging the Haitian diaspora to support local entrepreneurship and local community development opportunities in Haiti. Other activities included fostering diaspora investment in agriculture in Djibouti and Somalia, and promoting the role of postal operators in leveraging remittances for development in Africa.

In 2014, IFAD joined the G20's Global Partnership for Financial Inclusion as an implementing agency of the Markets and Payment Systems subgroup. A process was also begun to proclaim an International Day of Family Remittances in order to recognize and raise global awareness of the fundamental contribution of migrant workers to the well-being of their families and communities back home, and towards the sustainable development of their countries of origin. The proposal to establish this observance was approved by IFAD's Executive Board in December 2014.

The International Land Coalition

The International Land Coalition (ILC) is a global alliance of civil society and intergovernmental organizations hosted by IFAD. In 2014, the ILC mobilized more than 300 organizations in 20 countries to promote land governance with and for people. Bringing together various stakeholders to debate policy, through its National Engagement Strategy, the ILC assists civil society and policymakers in working directly with communities to implement land-related laws.

In 2014, the ILC held training sessions that led to the adoption of a gender evaluation tool by five African, three Asian and five Latin American countries. It also helped to obtain approval of a gender justice charter for ILC Africa, with commitments to developing action plans across ILC operations and organizations. Through the Land Policy Initiative, civil society encouraged the African Union's member states to develop and implement land policies that respect women's rights. The ILC worked in partnership with IFAD, the Government of the United Republic of Tanzania and a wide range of civil society organizations in the Sustainable Rangeland Management Project, which successfully piloted new approaches for securing land and resource rights for communities in semi-arid rangelands.

The ILC also continued to promote open access to data on land governance through the Land Portal and the Land Matrix, which have both entered a second phase of implementation. The Land Portal presents comprehensive country and thematic pages with linked open data on land governance from diverse sources around the world. The Land Matrix Global Observatory recorded about 1,000 large-scale land deals during the year, up by 27 per cent since June 2013.

New programmes and projects West and Central Africa

Harnessing the pride of youth in Mali

Every year in Mali, nearly 180,000 young rural people enter the labour force. Many leave their communities, gravitating to urban areas in search of better opportunities. However, decent work with decent pay is hard to find.

In 2014, IFAD launched the eight-year Rural Youth Vocational Training, Employment and Entrepreneurship Support Project known as "FIER" (which translates as "proud" in English) to provide vocational training and microenterprise development to 100,000 young people in rural areas. The project aims to give young women and men the skills they need to find well-paid jobs in agriculture and related enterprises in their own communities, and to create their own small businesses. It gives priority to young people, particularly women, who lack technical skills and access to financing for income-generating activities.

Local agricultural producers are active partners in all aspects of the project, from governance to facilitation and training. Their involvement will help ensure that training provides the skills needed by potential employers and the marketplace. At the same time, a cohort of well-trained rural youth will help modernize the agriculture sector and strengthen its resilience to climate change. The project will be piloted in two regions before being expanded across the country.

East and Southern Africa

Facing climate change and cutting post-harvest losses in Rwanda

Rising agricultural productivity has driven growth and poverty reduction in Rwanda over the past ten years, but progress has been hampered by post-harvest losses amounting to 30 per cent of important commodities. These losses are expected to increase as a result of the country's dependence on rainfed agriculture and its vulnerability to climate change. Improved post-harvest processing and storage techniques are therefore needed.

The IFAD-supported Post-Harvest and Agribusiness Support Project, begun in March 2014, responds to this challenge. It aims to improve the viability of the country's agricultural businesses and make them more resilient to climate change. Initially targeting 32,000 households in ten districts, it will support development of financial incentives and policies to bring climate risk management investments to scale.

The project will aid cooperatives, farmer organizations, small businesses and micro-enterprises in developing skills in marketing and value chain development. First, it will help participants to identify and address gaps in their business management and financial skills. Once these gaps have been filled, participants will develop business plans for managing their services more profitably.

The initiative will also promote and demonstrate climate-resilient innovations. It will facilitate investments in low-carbon post-harvest procedures, drying, processing and value addition, storage and distribution. The objective is to reduce product losses and increase smallholders' incomes. The project will continue until 2019.

Asia and the Pacific

Establishing best agricultural practices in Myanmar

The first IFAD-supported project in Myanmar started work in 2014 as the country emerged from 50 years of isolation. Through the Fostering Agricultural Revitalization in Myanmar project, we are working to create a sustainable agricultural development model for the central dry zone, which is home to many of the country's poorest people. The overall goal is to improve the economic status of these people.

In an area with exceptionally low rainfall, the project aims to provide more equitable access to irrigation water while also enabling farmers to diversify their crops. The initiative will help rural women and men to obtain access to agricultural inputs, technologies, services and markets, and create business and employment opportunities for them. Landless households and farmers whose crops are rainfed are also being supported.

The initiative introduces several innovations for Myanmar. These include a participatory approach to land development, and the provision of a range of services and knowledge resources for smallholders and landless people. The project focuses on building institutional, technical and operational capacity at the community, township and state levels. It is expected to reach more than 37,000 households, with a total of more than 180,000 people.

Latin America and the Caribbean Helping coffee producers in Nicaragua adapt to climate change

Smallholder coffee and cocoa producers in Nicaragua already suffer from lower productivity than producers in other countries in the region. To make matters worse, studies show that expected temperature increases will shrink the area suitable for coffee cultivation. Farmers must adapt to the changing climate by producing coffee at higher altitudes, at higher temperatures, and with less water during critical periods.

In 2014, IFAD launched the Adapting to Markets and Climate Change Project (NICADAPTA), a new initiative that will work with 40,000 smallholder families to improve productivity and enable them to adapt to changing conditions. In addition to providing technical assistance to farmers and strengthening relevant public institutions and policies, the project will also improve weather information systems and help the public sector develop incentives for smallholder farmers.

The project, which is a partnership between IFAD, the Government of Nicaragua and the Central American Bank for Economic Integration, will benefit about 200,000 people, many of whom are from indigenous communities or of Afro-Caribbean descent.

Near East, North Africa and Europe Innovative partnerships in Sudan

Scaling up the results of an earlier project in Sudan, IFAD approved the Livestock Marketing and Resilience Programme in 2014. The new programme will help the government modernize the country's livestock industry and expand the rural economy in project areas as the key to reducing rural poverty.

It will also help increase beneficiaries' resilience to natural and other shocks. While IFAD is the core funder, the programme is expected to mobilize significant cofinancing of about US\$79.0 million from various public- and private-sector partners.

The initiative integrates several lessons learned from earlier IFAD-supported projects in Sudan. It also introduces some important innovations, including a direct approach to involving the private sector and developing public-private-producer partnerships. While it will benefit primarily poor rural producers, the programme will also seek to develop investment opportunities for private-sector partners in major livestock value chains.

Among its goals, the programme aims to double the average incomes of poor rural households, reduce chronic undernutrition in children by 25 per cent, help 60,000 rural people move out of poverty for good, and strengthen the climate resilience of 60,000 households.

For a complete list of programmes and projects approved in 2014, see <http://www.ifad.org/pub/ar/2014/e/8.pdf>.



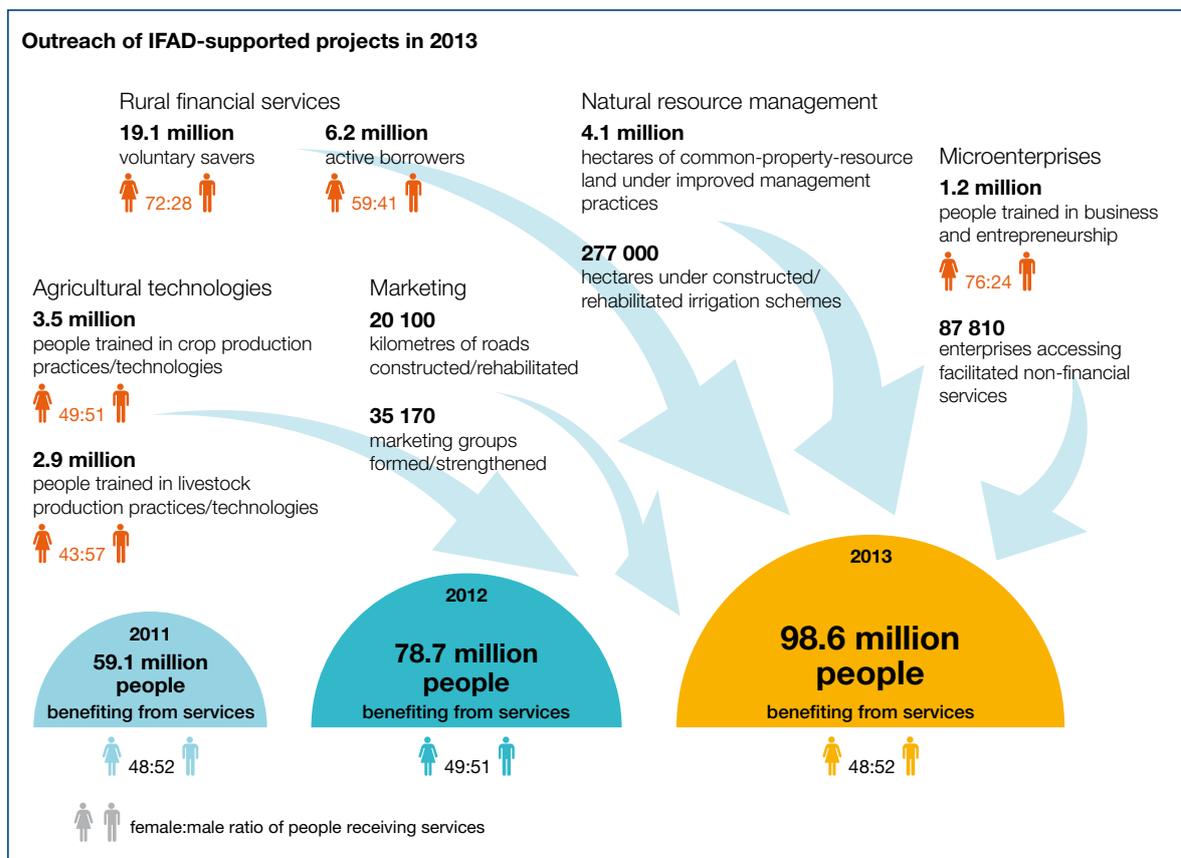
Measuring and improving results

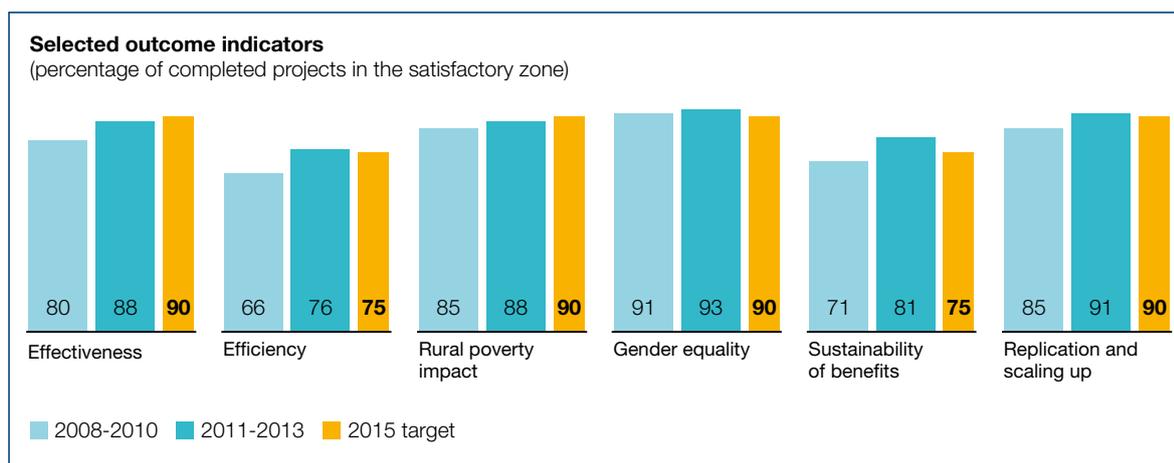
Report on IFAD's Development Effectiveness

The principal focus of the Report on IFAD's Development Effectiveness (RIDE) is to report on performance against development and organizational effectiveness indicators in the IFAD9 Results Measurement Framework and on the implementation of IFAD9 commitments. The 2014 RIDE reports results from 2013/2014 and shows IFAD-supported programmes performing at their highest level ever, with some targets for 2015

already met. This is particularly true of indicators of rural poverty impact, sustainability, gender equality, innovation and learning, replication and scaling up, and efficiency.

A total of 98.6 million people benefited from the services of programmes supported by IFAD in 2013, with women making up 48 per cent of the total. The full 2014 RIDE is available at: <https://webapps.ifad.org/members/eb/113/docs/EB-2014-113-R-11-Rev-1.pdf>.





Impact evaluation

As part of our Ninth Replenishment commitments, IFAD has embarked on an Impact Evaluation Initiative to demonstrate improved accountability and development effectiveness, and to facilitate learning within the organization. To this end, 26 rigorous retrospective (or ex post) impact evaluations are currently being conducted on projects either completed or close to completion and for which baseline surveys were undertaken at the time of project start-up. The ex post evaluations employ quasi-experimental designs to improve understanding of the causal chain and measure attribution to IFAD. Where possible, they employ mixed-methods designs. The impact evaluations will be completed in time for findings to be reported to the Executive Board in 2015.

The initiative also includes five studies using experimental designs (randomized controlled trials) in a total of 31 ongoing evaluations. The experimental designs were incorporated at project inception. Given the time involved and the experimental nature in the field of agricultural and rural development, baseline results are expected during the IFAD9 period.

All evaluations are currently undertaken in partnership with universities and international organizations that specialize in developing impact evaluation methods.

The evaluation initiative should improve our understanding of the impact of IFAD-supported programmes in terms of poverty reduction, as shown by the effectiveness of IFAD's interventions in lifting poor rural households above a defined poverty line. It will also highlight the other

intended and unintended impacts that affect the lives of direct and indirect beneficiaries, including gender equality and women's empowerment.

In addition, the initiative will strengthen IFAD's ability to communicate the results of the programmes we support to our stakeholders and to share evidence-based knowledge on reducing poverty and hunger in rural areas with our partners.

Baseline studies for ASAP-funded activities

In a separate initiative, for projects with financing from IFAD's ASAP, comprehensive baseline studies are being designed, procured and finalized before implementation gets under way. The baseline surveys will generate enough data to ensure that impacts on poverty, income generation, malnutrition and vulnerability can be accurately measured. During 2014, baseline studies were carried out for ASAP-funded initiatives in Bolivia and Nicaragua.

In Lesotho and Mali, where ASAP-funded work is also planned, the Multidimensional Poverty Assessment Tool (MPAT) designed by IFAD is being used to measure poverty in communities before projects start work. MPAT is well designed to measure climate resilience at the household level. Additional relevant indicators may be added to take the impact of ASAP-funded activities into account. In Uganda, a participatory rural appraisal survey has been conducted to provide baseline information. It will guide the final selection of sites for land-health surveys and on-farm trials of climate-smart agricultural practices.

Quality support for programme design

Top-quality project design is a basic building block for impact in the countries where IFAD works. We use a two-step system to review and improve the design of programmes and projects: quality enhancement and quality assurance.

In 2014, 37 programmes and projects went through the quality enhancement process, and 32 quality assurance reviews were held. The new delivery model continued to allow early engagement of IFAD technical expertise in country programme management teams and to increase our operational effectiveness. In 2014, quality enhancement support continued to be offered to all new COSOPs and to all new project designs. Staff responsible for quality enhancement also participated in field missions for about 75 per cent of new project designs. Technical support to supervision of ongoing projects was provided for about 25 per cent of the portfolio, including field missions for about 15 per cent of the portfolio.

During the year, 67 per cent of the projects reviewed by the quality assurance function were judged to need few or minor changes, while 28 per cent required substantial design modifications. Consistent with findings from similar years, reviewers highlighted issues related to the need to:

- articulate project justifications and rationale more clearly in design documentation (including consistently incorporating lessons learned from previous projects and improved

use of economic and financial analysis in IFAD-supported projects)

- strengthen logical frameworks and performance indicators.

In 2014, IFAD continued to use the IFAD9 quality-at-entry indicators, in line with the IFAD9 Results Measurement Framework. Quality assurance reviewers judged 90 per cent of the projects reviewed during the year to be satisfactory in terms of overall quality of project design (Table 1). They also judged 87 per cent of projects likely to achieve their development objectives, compared with 89 per cent in 2013, 83 per cent in 2012 and 88 per cent in 2011.

Ethics, internal oversight and anticorruption

IFAD established the Ethics Office in 2011 to ensure that the highest ethical standards are maintained at every level and to protect our image and reputation. The Ethics Office provides confidential guidance to staff and managers to uphold workplace values, integrity and respect.

Since it was established, the Office has conducted more than 500 confidential consultations on matters relating to the Code of Conduct and issues involving possible misconduct under IFAD's anti-harassment policy. About 70 per cent of the Office's work relates to activities that require clearance in advance, such as membership of the boards or councils of external organizations, writing for publication, teaching, lecturing and declaring gifts.

TABLE 1
Quality-at-entry ratings and percentages of projects with moderately satisfactory or better ratings^a

Indicator	Baseline year	Baseline value	Results 2013	Results 2014	Average 2013-2014	Target 2015
4.3.1 Overall quality of design	2010/11	79	93	90	91	85
4.3.2 Overall quality of design for projects in fragile states only ^b	2010/11	n/a	80	86	83	80
4.3.3 Gender ^c	2010/11	86	78	83	81	90
4.3.4 Monitoring and evaluation	2010/11	70	85	90	88	80
4.3.5 Projects receiving positive ratings on scaling up ^d	2010/11	72	76	89	83	80

Sources: Office records based on 30 projects cleared for presentation to the Executive Board in 2014. Projects are rated only after clearance for Board presentation.

^a Quality-at-entry ratings are based on a scale of 1-6, where 1 is highly unsatisfactory and 6 is highly satisfactory. The percentage indicates the number of projects receiving a rating of 4 or more (i.e. moderately satisfactory or better) out of the total number of projects.

^b In 2014, the 14 projects in fragile states cleared for Executive Board presentation were located in 13 fragile states. These ratings reflect only this subset of projects.

^c The baseline and target for the gender rating were recorded and set prior to the introduction of the more rigorous assessment system currently used to rate this indicator.

^d Scaling-up ratings are based on 19 projects that explicitly identify themselves as "scaling-up" activities.

The Office cooperates with the Office of Audit and Oversight, as necessary.

The President has delegated authority to the Director of Ethics to receive complaints of unacceptable behaviour in accordance with IFAD's anti-harassment policy. The Ethics Office therefore has overall responsibility for monitoring and reporting progress on the prevention and management of such behaviour. The first report was provided in June 2014. It informed all staff about the nature and incidence of complaints and the outcomes of informal and formal work by the Ethics Office, and provided recommendations on ways of preventing and managing unacceptable behaviour.

During the year, the Ethics Office launched various initiatives, including an e-learning tool for training in the Code of Conduct, targeted training for supervisors and managers, and mandatory refresher training in anti-harassment awareness for all staff. These initiatives help provide a safe and confidential environment in which all employees are able to raise concerns and discuss workplace harassment. This is a major milestone for IFAD. The Office will continue to collaborate closely with managers and staff to ensure that IFAD is equipped to prevent unacceptable behaviour and that staff can recognize and handle workplace conflict when it arises.

As part of its prevention and awareness mandate, in 2014 the Ethics Office conducted 180 confidential consultations and 22 training events.

IFAD has a policy of zero tolerance to irregular practices and is committed to fighting corruption, fraud and collusion, which divert resources from our programmes and projects. In support of this policy, the investigation and sanction processes were assessed by external experts in 2014. The experts' recommendations will serve to ensure that IFAD's investigation and sanction practices remain consistent with the highest professional standards and best practices.

During the year our rate of response to allegations improved, with almost all new complaints investigated within six months. Where appropriate, the results of investigations led to sanctions and management actions to mitigate the risks identified. The 2013 Annual Report on Investigation and Anticorruption Activities and information on reporting is available on IFAD's website (www.ifad.org/governance/anticorruption). The 2014 report is due to be issued in April 2015.

The workplan of IFAD's Office of Audit and Oversight is based on our assessment of institutional risks. In 2014, we covered areas critical to the financial integrity of the Fund, our administrative effectiveness and efficiency, and our evolving decentralized model. The audits supported risk mitigation efforts in areas such as fiduciary oversight of project procurement activities, management of investments, and the organization and responsibilities of IFAD country offices. The three Rome-based United Nations agencies performed their first joint audit in 2014 covering activities of the FAO/IFAD/WFP Common Procurement Team.

All but one of the eight high-priority audit recommendations due for implementation during 2014 were cleared by their due dates, bringing IFAD closer to achieving the critical milestone of having no high-priority recommendations pending after their agreed due date. This achievement highlights IFAD's strong commitment to the active management of institutional risks.

Independent evaluation Overview of the twelfth Annual Report on Results and Impact of IFAD Operations

The 2014 Annual Report on Results and Impact of IFAD Operations (ARRI) shows positive results achieved by IFAD-funded operations in a number of significant areas. These include relevance, impact on rural poverty, innovation, and gender equality and women's empowerment. Moreover, our performance as a partner is currently rated the best it has ever been since the first ARRI was issued in 2003.

The ARRI also shows that the performance of IFAD-funded operations is on a par with – or better than – the performance of agriculture sector operations supported by other international financial institutions. Despite this, internal benchmarking discloses that the performance of IFAD-supported operations in some areas is lagging behind the 2015 targets in the corporate Results Management Framework. It is essential that continued efforts are devoted to improving programme efficiency, government performance, sustainability, and monitoring and evaluation systems if these targets are to be met.

This year's ARRI consolidates and summarizes the results and impact of IFAD-funded operations on the basis of evaluations conducted by the Independent Office of Evaluation (IOE) in 2013 and previous years. The analysis is based on two data sets: all evaluation data (country programme evaluations, project completion report validations, project performance assessments and an impact evaluation); and data from only project completion report validations, project performance assessments and one impact evaluation.

The report draws on a robust sample of ratings from 224 project evaluations carried out by IOE since 2002. The sample includes ratings from 35 individual IFAD-funded project evaluations completed in 2013, including the first impact evaluation by IOE, which was carried out in Sri Lanka. All ratings are presented by year of completion, rather than by year of approval or evaluation, which is in line with the practice in other international financial institutions.

The following cross-cutting issues were raised by the 2013 evaluations:

- the need for more integrated country programmes
- the need for better non-lending activities to scale up impact
- the need for IFAD-supported operations to take account of a growing correlation between poverty and environmental stress
- the need for a more differentiated approach to IFAD's work in fragile states and middle-income countries.

The evaluations confirm the importance of project design and management, and particularly the need to ensure more realism in determining the objectives of COSOPs and projects. In this regard, the ARRI underlines the need for more analytical work, including risk assessments at the outset of COSOP and project design processes. This would ensure that IFAD-funded operations take careful account of the policy and institutional realities of recipient Member States. The need to undertake COSOP completion reviews in all cases is another significant recommendation in this year's ARRI.

The learning theme of the report focuses on project management in IFAD-supported operations, which analysis shows to be a key determinant of successful project outcomes. A number of issues were raised for further strengthening of project management. These include continuity of project staff during implementation, timely implementation support to help project management address major areas of priority to IFAD (for example, gender equality, financial management and other issues), and the need for greater attention to monitoring and evaluation in general.

Senior management response to the ARRI

Management was pleased with the ARRI's recognition of improved performance since 2002 in the areas of partnership, sustainability and impact on rural poverty. The ARRI evaluation of IFAD's rural poverty impact indicates, most importantly, that the programmes and projects IFAD supports are having a positive effect on the lives of poor rural women and men. The ARRI findings clearly reflect the efforts that IFAD has made to focus on results.

On the question of project management, IFAD management agrees on its importance but notes areas of disagreement on some of the findings. One such area is the implication in the ARRI that IFAD is ignoring the Paris Declaration in funding programme coordination units (PCUs): management notes that all PCUs are established by ministerial decree and cannot be considered to be working in parallel to the government, and that PCUs are almost always necessary for effective operations.

With reference to the cross-cutting issues identified in the ARRI, management is taking steps to integrate non-investment activities into country programmes more effectively. COSOP guidelines are under revision and emphasize the importance of such activities, together with the importance of defining realistic objectives in non-investment work. The revised COSOP guidelines will sharpen the focus of all aspects of country programmes.

Finally, management expresses appreciation of the ARRI recommendations and notes its continued commitment to internal budget discipline in implementing those recommendations, as mandated by IFAD's Executive Board.

Other evaluation activities in 2014

Two corporate-level evaluations were published: of IFAD's Replenishments and of the IFAD Policy for Grant Financing. The overarching recommendation of the evaluation of replenishments was for establishing a longer-term perspective by preparing a strategic vision for IFAD. Among other things, the evaluation recommended that efforts be made to articulate more explicitly the theory of change that underpins the Results Management Framework.

The evaluation of IFAD's grant policy highlighted that grants can be an important instrument in the achievement of our objectives. Their potential has not been fully realized for a number of reasons. These include limited strategic guidance on grants, weak links to country programmes, little internalization of results and lessons from grant-funded activities, and cumbersome procedures for grant approval and management. Some improvements have occurred more recently as a result of management's enhanced attention, and management is taking these recommendations into account in the design of a new grants policy.

Country programme evaluations were completed for Bolivia, China, the Republic of Moldova and Zambia. In Bolivia, the IFAD-supported programme has achieved positive but moderate results. The most encouraging aspects relate to the building of social and human capital and improvements in the incomes and assets of beneficiaries. The results are mixed in terms of impact and sustainability. Programme performance has been adversely affected by delays in implementation, excessively wide geographical coverage and weaknesses in design.

The evaluation in China concluded that overall the China-IFAD partnership is strong. The aggregate performance of the loan portfolio, non-lending activities (policy dialogue, knowledge management and partnership-building) and COSOPs is satisfactory. The main challenge for the future is to enhance the emphasis on non-lending activities, which need to be linked to an adequate portfolio of investment projects that focus on promoting innovation and scaling up, and to South-South and triangular cooperation.

In the Republic of Moldova, IFAD's support of rural lending through commercial banks – mainly to viable medium-scale farms and entrepreneurs – has contributed to increased agricultural production, rural enterprise development and job creation. On the other hand, there has been limited progress in value chain development and microfinance services. There is also a need for a clear exit strategy from substantial allocations of IFAD funding to credit lines.

In Zambia, evaluation findings indicate that the programme has helped increase and diversify smallholders' production. It has also improved access to markets and contributed to the control of livestock diseases of national importance, such as East Coast fever and contagious bovine pleuropneumonia. Progress has also been made in promoting agribusinesses and developing value chains, although collaboration with the private sector is still in its infancy. Zambia's new status as a middle-income country will require a new level of partnership, including a more responsive and customized programme to respond to country needs within the scope of IFAD's mandate.

During the year, IOE published two evaluation syntheses: on IFAD's engagement with middle-income countries, and on rural youth. The first concluded that, among other issues, IFAD has an important role to play in middle-income countries, given the large number of poor people who live in such countries and the growing inequality. It also underlined that middle-income countries are heterogeneous, and cannot all be considered as one group. The synthesis report emphasized the need for IFAD to develop a more differentiated model for engagement in COSOP and project design in middle-income countries. This should be customized to country contexts and should foster expanded engagement with the private sector, including large companies in the food and agriculture sector. The synthesis also noted the need for increased attention to non-lending activities – policy dialogue, knowledge management and partnership-building – in middle-income countries.

The synthesis on rural youth concluded that IFAD's attention and commitment to promoting the development of rural youth has increased throughout the last decade. However, a number of areas merit further support. These include mainstreaming of youth issues across country programmes, investments in knowledge on youth issues and socio-economic profiling, target group identification, systematic adoption of age-disaggregated monitoring indicators, and strategic partnerships to support the scaling up of successful and innovative models.

During the year, IOE organized events to promote learning and share knowledge from evaluations and on specific topics such as the first impact evaluations conducted at IFAD. At the international level, four in-country events were co-organized with governments in Bolivia, China, Senegal and Zambia. The main results from the respective country programme evaluations were discussed, together with key issues for design of the forthcoming COSOPs.

More information on evaluation in IFAD can be found on the Evaluation webpage (<http://www.ifad.org/evaluation/index.htm>).

Human resource management

IFAD understands that the effective management of human resources empowers staff and consultants to produce consistently excellent results.

As a way of encouraging excellent performance, IFAD implemented a new reward and recognition framework in 2014. This brought our performance management into line with that of other international financial institutions and to the forefront of practice across United Nations agencies. The framework is tied to the annual performance management process and provides monetary and non-monetary rewards to high-performing staff. It addresses the need to reward excellence identified by IFAD's 2012 Global Staff Survey and is in line with International Civil Service Commission guidelines.

To reward sustained long-term good performance, a new policy for awarding indefinite appointments, including a five-year review after the award of each appointment, was implemented at the beginning of the year. At both headquarters and country offices, 110 fixed-term appointments were converted into indefinite appointments for staff. This process will be repeated annually as new staff become eligible.

Strong consistent performance depends on the presence of capable managers, so in 2014, IFAD developed a new Management Development Programme for managers below the director level, and a Leadership Development Programme for directors. A Senior Leadership Development Programme is being designed, with implementation planned for 2015.

Career development is essential if the skills of IFAD's staff are to remain at their peak. To facilitate mobility and career development while also streamlining the recruitment and job classification processes, in 2014, IFAD developed a new job family system and generic job profiles, and a revised job titling system. This work, responding to recommendations of the 2012 job audit exercise, was based on best practices in the United Nations common system and other international financial institutions.

To strengthen inter-agency collaboration, the three Rome-based agencies agreed to broaden access to the local General Service talent pool and to offer increased career opportunities to General Service staff members based in Rome. This agreement is the first of its kind at the headquarters level of United Nations agencies.

IFAD's presence in the field continues to grow. Country offices have been mainstreamed into human resource management practices (including the development of a worldwide leave management system). A staff member has been dedicated to focusing exclusively on the needs of country offices, in collaboration with the Field Support Unit.

In February 2014, we held our first ever Global Staff Meeting immediately after the Governing Council at IFAD headquarters in Rome. More than 600 staff members from all over the world took part in two days of intense interaction, team-building and knowledge-sharing. The next Global Staff Meeting will be held in 2016.

As of 31 December 2014, we had 27 international Professional staff members, 1 Junior Professional Officer, 42 National Officers and 20 General Service staff members in IFAD country offices around the world (see map inside front cover). Staff numbers and statistics as of 31 December 2014 were as follows:

- Total staff numbered 569, including staff of the Independent Office of Evaluation of IFAD and 1 Junior Professional Officer.
- Of the total, 302 were in the Professional and higher categories, 42 in the National Officer category and 225 in the General Service category.
- The National Officer, Professional and higher categories included nationals from 89 Member States.
- Women constituted 50 per cent of Associate Vice-Presidents, 48 per cent of Professional and higher categories staff, 21 per cent of the National Officer category, and 83 per cent of the General Service category.
- Overall, 60 per cent of IFAD staff members are women.



Financing data and resource mobilization

Resources in 2014

IFAD's financing is drawn from several sources. These mainly include contributions from Member States and other donors, investment income and loan reflows. Member State contributions come through regular replenishments held every three years. Member States also request IFAD to administer their donations to third parties in the form of supplementary funds.

Tenth Replenishment of IFAD's Resources (2016-2018)

The Consultation on the Tenth Replenishment of IFAD's Resources (IFAD10) began in February 2014 immediately after the 37th session of the Governing Council. During the year, IFAD's Member States held four Consultation sessions on IFAD10, during which priorities for action and policy direction were agreed.

The Consultation agreed to a target of US\$1.44 billion in new contributions to finance agriculture and rural development projects across the developing world. The target will enable IFAD to deliver a programme of work of about US\$3.0 billion over the period 2016-2018, during which we plan to expand our reach to up to 130 million rural people. Some 40 to 50 per cent of these resources will be channelled to sub-Saharan Africa.

The injection of new funds from Member States confirms IFAD's key role in the overall international development architecture as an effective organization delivering results in the area of food security and livelihoods, especially for the poorest people in rural areas.

Total contribution pledges to IFAD10 as of 31 December 2014 amounted to more than US\$1.02 billion, representing 71 per cent of the IFAD10 target of US\$1.44 billion.

Ninth Replenishment of IFAD's Resources (2013-2015)

2014 was the second year of IFAD's Ninth Replenishment (IFAD9) period. As of 31 December 2014, total pledges – including complementary contributions – amounted to more than US\$1.4 billion, representing 95 per cent of the IFAD9 target of US\$1.5 billion. Instruments of contributions (IOCs) received (including payments with no prior IOC deposit) amounted to more than US\$1.4 billion, representing 98 per cent of total pledges of regular and complementary contributions.

Additional resource mobilization

Acknowledging the need to expand investment in rural people as we move towards the post-2015 SDGs, during 2014 IFAD stepped up efforts to explore resource mobilization from new sources and through new modalities. While core contributions through the replenishment process remain the main form of financing for the operations we support, several new partnerships were forged, which diversified our resource mobilization portfolio.

Borrowing from sovereign sources

Responding to a strong demand for resources from Member States, we established an innovative partnership with Germany's KfW Development Bank (*Kreditanstalt für Wiederaufbau*). Under the agreement, IFAD has access to up to €400 million of sovereign debt in 2014 and 2015 to finance projects within the ordinary loans portfolio. This will allow regular resources to be freed up and reallocated on highly concessional terms to those countries that are eligible, ensuring that all IFAD borrowing countries benefit.

TABLE 2
IFAD at a glance, 1978-2014^{a, b}

		2010	2011	2012	2013	2014	1978-2014
Operational activities^{c, d}							
Loan and DSF grant approvals							
Number of programmes and projects		32	34	33	25	26	974
Amount	US\$ million	777.7	947.2	960.7	731.1	625.8	15 139.4
Grant approvals							
Number		88	83	90	63	64	2 615
Amount	US\$ million	51.2	50.4	71.5	50.0	51.1	970.1
ASAP Trust Fund							
Number		-	-	1	10	10	21
Amount	US\$ million	-	-	4.9	103.0	83.0	190.9
Total IFAD loan and grant operations	US\$ million	828.9	997.6	1 037.1	884.1	759.9	16 300.4
Cofinancing	US\$ million	662.2	412.2	420.3	329.8	238.0	10 064.7
Multilateral		565.2	213.2	153.3	207.1	128.0	7 638.1
Bilateral		74.5	159.4	183.0	87.8	4.2	1 727.9
NGO		10.4	-	3.5	-	0.9	52.0
Other ^e		12.2	39.6	80.5	34.9	104.9	646.7
Domestic contributions	US\$ million	924.8	834.3	599.5	552.7	601.4	13 390.0
Total programme and project cost^f	US\$ million	2 370.2	2 198.3	2 003.0	1 720.2	1 552.8	38 892.9
Programmes and projects							
Number of effective programmes and projects under implementation		231	238	256	241	224	-
Number of programmes and projects completed		21	26	21	43	45	730
Number of programmes and projects in pipeline		74	64	79	84	62	-
Number of approved programmes and projects initiated by IFAD		27	32	32	24	26	810
Number of recipient countries/territories (current portfolio)		96	97	99	98	99	-
Loan disbursements	US\$ million	457.6	549.7	534.4	482.2	484.7	9 402.5
DSF grant disbursements	US\$ million	39.4	76.3	118.4	142.5	157.4	556.5
Loan repayments^g	US\$ million	274.6	287.5	267.5	261.1	271.3	5 022.1 ^h
Membership and administration							
Member States – at end of period		165	167	169	172	173	-
Professional staff – at end of period ^{i, j}		260	298	312	321	344	-

Sources: Grants and Investment Projects System; IFAD financial statements for 1978-2014; IFAD's accounting system.

^a IFAD loans and debt sustainability framework (DSF) grants for investment programmes and projects are denominated in special drawing rights (SDRs). For the reader's convenience, tables and charts use figures shown in US\$ equivalents, as per the President's report for each programme or project approved by the Executive Board. Any discrepancy in totals is the result of rounding.

^b 1986-1995 figures include the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification.

^c Excludes fully cancelled programmes and projects. Excludes the Programme Development Financing Facility.

^d The Smallholder Commercialization Programme approved in 2011 for Sierra Leone is supervised by IFAD and entirely funded by a grant from the Global Agriculture and Food Security Program. The programme is counted under the number of programmes and projects but receives no IFAD financing.

^e Includes financing under basket or similar funding arrangements, financing from private-sector resources and financing that was not confirmed at the time of Executive Board approval.

^f Includes DSF grants and component grants and excludes grants not related to investment projects.

^g Loan repayments relate to principal repayments and include repayments on behalf of Heavily Indebted Poor Countries Debt Initiative countries.

^h Based on SDR equivalent as at 31 December 2014.

ⁱ Approved positions (excluding those of the President and Vice-President).

^j Includes National Professional Officers in country offices.

New partnerships

In addition to our traditional partnerships, we continued to build new relationships with private-sector actors. These included private foundations, ethical investors and private companies. IFAD's key role in this area is as a broker to help reduce risk and catalyse more private-sector investment in rural development. We also support the development of inclusive agriculture-based value chains that are commercially viable and sustainable and that benefit rural communities.

During 2014, IFAD worked with an increasing number of local, regional and global agribusinesses. We signed two memorandums of understanding with global corporations: Intel Corporation and Unilever. With Intel, we will be utilizing and promoting innovative agricultural extension software designed specifically for rural smallholders. With Unilever, the goal is to promote sustainable sourcing of agricultural produce and improved livelihoods by raising productivity and helping farmers connect to markets.

IFAD established a new strategic partnership with the Cooperation Council for the Arab States of the Gulf on sharing knowledge and building collaboration on natural resource management and other environmental issues. We also started to cooperate with the European Bank for Reconstruction and Development on pursuing innovative financing mechanisms, including with the private sector. In addition, we established a partnership with the Export-Import Bank of Korea to collaborate on country-level investments, national capacity strengthening, policy dialogue and knowledge management.

We explored potential partnerships with relevant institutions to capitalize on complementarities. These institutions included the United Nations Industrial Development Organization; the China-Africa Development Fund, with which we signed a joint declaration of intent; and the *Banco de Desarrollo de América Latina* (Development Bank of Latin America), with which we are pursuing cofinancing opportunities.

Partnership opportunities were also explored with a number of other global companies and with social businesses such as Japan's Euglena Company. In addition, we continued to support country-level cooperation with hundreds of small and medium-sized enterprises through the projects we fund.

We strengthened our existing partnerships with numerous farmer organizations, including our strong collaboration with AgriCord; indigenous peoples' groups, particularly in preparation for the 2015 Indigenous Peoples' Forum; and the Asian Development Bank to operationalize the memorandum of understanding signed in 2013.

During 2014, IFAD continued to advocate for a constructive and equitable role for smallholder farmers in inclusive business models, and for responsible business principles. We supported endorsement of the United Nations Committee on World Food Security's Principles for Responsible Agricultural Investment, and the United Nations Global Compact's food and agriculture business principles for helping to turn guidelines into action for smallholders (see page 30).

We made important progress in implementing IFAD's partnership strategy. We assessed existing tools for supporting partnership-building and monitoring performance. We developed due diligence guidelines for engagement with the private sector. And we created communication and training modules to strengthen individual and institutional capabilities to assess, build and manage strategic partnerships.

Supplementary funds

Supplementary funds are grant resources administered by IFAD upon the request of donors for the benefit of IFAD developing Member States. They are mostly earmarked for specific cofinancing initiatives and projects, as indicated in the individual agreements between IFAD and the donors concerned.

The agreements reached during 2014 were with partners including the European Commission, the Saudi Fund for Development and the Governments of Canada, Estonia, France and New Zealand. These agreements support food production, agriculture risk and natural resource management, gender mainstreaming, value chains and development of small and medium-sized enterprises. In 2014, IFAD also contributed to the mobilization of resources from Norway and Sweden to support the United Nations Development Programme Multi-Partner Trust Fund (MPTF) – established in 2014 by the three Rome-based agencies and the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)

for their Joint Programme on Accelerating Progress towards the Economic Empowerment of Rural Women (RWEE-JP). To ensure access to cofinancing for RWEE-JP in Ethiopia, in 2014 IFAD adhered to the MPTF established to support the Sustainable Development Goals Fund. The Flemish International Cooperation Agency signed its first agreement with IFAD on providing supplementary funds to the ASAP Trust Fund.

In 2014, IFAD mobilized a total of US\$62.6 million in supplementary funds and received US\$71.0 million under agreements signed in 2014 and previous years. Table 3 shows supplementary funds received during the year.

Ongoing portfolio

IFAD's investment in ongoing programmes and projects in rural areas was worth US\$5.4 billion in 2014 (Table 4). At the end of the year, there were 224 programmes and projects at work around

the world, funded by IFAD in partnership with 99 recipient governments (see map inside front cover). External cofinancing and funds from domestic sources for the ongoing portfolio amounted to US\$6.9 billion, bringing the total value of these programmes and projects to US\$12.3 billion.

The ongoing portfolio of grant-funded operations was worth US\$234.2 million at the end of 2014, with 272 grants operational in 128 countries.¹ IFAD stand-alone grants support research, innovation, institutional change and pro-poor technologies. They are closely linked to our country programmes and often support connections between different initiatives in a country. Grant recipients include research organizations, centres of excellence involved in rural poverty reduction, NGOs, governments, and private sector and civil society organizations. (To learn more about IFAD's grant programme, and read stories from the field, see <http://www.ifad.org/pub/ar/2014/e/8.pdf>.)

TABLE 3
Summary table of supplementary funds for thematic and technical assistance and cofinancing received in 2014^a
 (Amounts in US\$ million, at USD/EUR fixed exchange rate =1.25)

Donor	Thematic and technical assistance	Cofinancing (excluding parallel cofinancing)	Total
CGIAR	16.1	-	16.1
Farmers Fighting Poverty/AFRICA Support to Farmers' Organizations in Africa Programme	4.5	-	4.5
Technical Assistance Facility	4.7	-	4.7
Financing Facility for Remittances	2.1	-	2.1
Burundi	0.5	-	0.5
	-	10.5	10.5
European Commission total	28.0	10.5	38.6
GAFSP – Togo	-	6.0	6.0
GAFSP – Burundi	-	4.3	-
Canada	-	4.7	4.7
Estonia	0.1	-	-
Italy	-	2.0	2.0
Denmark	-	1.9	1.9
Flemish International Cooperation Agency	1.3	-	1.3
Germany	0.3	0.9	1.2
France	1.4	-	1.4
Netherlands	4.2	1.8	6.0
Republic of Korea	0.5	-	0.5
New Zealand	0.4	-	0.4
Bill & Melinda Gates Foundation	0.2	-	0.2
Multi-Partner Trust Fund (RWEE)	0.2	-	0.2
OFID – Somalia	-	0.2	0.2
OFID – Ghana	-	0.04	0.04
Switzerland	2.0	-	2.0
Total	38.5	32.5	71.0

Source: IFAD financial systems.

GAFSP = Global Agriculture and Food Security Program; OFID = OPEC Fund for International Development; RWEE = Economic Empowerment of Rural Women.

^a Any discrepancy in totals is the result of rounding.

¹ This does not include DSF grants or grants funded by supplementary or complementary funds.

Cofinancing of IFAD-supported programmes and projects

Cofinancing from our partners multiplies the value of the development interventions that we invest in. This includes domestic contributions from recipient governments and project participants themselves, and resources from bilateral and multilateral donors.

Levels of cofinancing are affected by many external factors and may vary greatly from year to year. In 2014, domestic contributions provided the bulk of cofinancing for newly approved projects and amounted to US\$601.4 million, an increase on the US\$552.7 million of 2013 (Table 5). External cofinancing in 2014 amounted to a total of US\$238.0 million, which included US\$128.0 million from multilateral partners and US\$104.9 million from other sources such as private-sector resources and basket funding (Chart 6).

Chart 7 ranks bilateral donors to programmes and projects initiated by IFAD, with Spain, the Netherlands, Belgium, Germany and France at the top of the chart. Together, they have provided about 70 per cent of total bilateral cofinancing to IFAD-initiated projects, worth US\$1.1 billion since we started work in 1978.

Chart 8 shows the top 15 multilateral cofinanciers of IFAD-initiated programmes and projects to date. The list is headed by the OPEC Fund for International Development (OFID), the African Development Bank, the International Bank for Reconstruction and Development (part of the World Bank Group) and the Arab Fund for Economic and Social Development. Together, these four represent more than 50 per cent of total multilateral cofinancing of US\$2.9 billion.

Priority country and regional financing

We continue to prioritize assistance to least developed countries and countries with low food security. Of 2014 programme and project financing, 54.3 per cent was for low-income, food-deficit countries as classified by FAO, and 40.7 per cent for least developed countries as classified by the United Nations. Table 6 shows financing by region since 1978 and Chart 9 shows regional financing for 2014.

Financing by sector

Chart 10 shows how the funding for our current portfolio is divided by sector. About one third of investments support agriculture and natural resource management, enabling farmers to increase their production and make more sustainable and efficient use of natural resources. About 16 per cent of funds invested in the current portfolio support work to strengthen markets and related infrastructure, which are vital for rural people to make a decent income from their produce. Rural financial services account for 13 per cent of funds invested, enabling rural women and men to build their businesses and manage risks.

Allocation of programme and project financing by instrument and terms

Loans on highly concessional terms continue to make up the bulk of our financing for investment programmes and projects (Table 7).² About 50 per cent of new financing approved during the year was in the form of highly concessional loans – worth a total of US\$309.8 million. Ordinary loans made up 26.5 per cent of the total, followed by debt sustainability framework (DSF) grants with 12.1 per cent and blend loans with 11.9 per cent (Chart 11).

As a share of our cumulative financing portfolio since 1978, highly concessional loans and DSF grants represent about 74 per cent of the total. Table 8 shows investments by terms and region.

Disbursements

Disbursements of IFAD loans and DSF grants amounted to US\$642.1 million in 2014 (Tables 9 and 10). Over the period 1979-2014, cumulative disbursements of loans under the Regular Programme amounted to US\$9,402.5 million, representing 76 per cent of effective commitments at the end of 2014 (Table 11). This compared with US\$8,917.8 million disbursed at the end of 2013, which also made up 76 per cent of effective commitments.

² IFAD provides loans on five different types of lending terms: highly concessional loans that carry no interest charge, have a service charge of 0.75 per cent and are repaid over 40 years; loans on hardened terms that carry no interest charge, have a service charge of 0.75 per cent and are repaid over 20 years; intermediate loans that carry a variable interest charge equivalent to 50 per cent of the reference interest rate and are repaid over 20 years; ordinary loans that carry a variable interest charge equal to the reference interest rate and are repaid over 15-18 years; blend loans that are free of interest but carry a service charge of 0.75 per cent per annum plus a spread, and are repaid over 20 years.

TABLE 4
Ongoing programme and project portfolio by region^a
 As at end December 2014

	Number of programmes and projects	IFAD financing ^b (US\$ million)
West and Central Africa	47	1 076.5
East and Southern Africa	43	1 212.9
Asia and the Pacific	56	1 752.8
Latin America and the Caribbean	42	617.4
Near East, North Africa and Europe	36	698.2
Total^c	224	5 357.9

Source: Grants and Investment Projects System.

^a The ongoing portfolio consists of approved programmes and projects that have reached effectiveness and have not yet been completed.

^b Amounts as per the President's report for each programme or project approved by the Executive Board. Amounts include loans, DSF grants, ASAP grants and component grants for investment programmes and projects. Grants unrelated to programmes and projects are not included.

^c Any discrepancy in totals is the result of rounding.

TABLE 5
Financing of IFAD-supported programmes and projects, 1978-2014
 Amounts in US\$ million

	1978-2000	2001-2006	2007-2012	2013	2014	1978-2014
IFAD ^{a, b}	6 922.7	2 511.0	4 453.5	837.7	713.4	15 438.3
Cofinanced ^c	6 140.1	904.0	2 452.8	329.8	238.0	10 064.7
Domestic	7 330.9	1 651.3	3 253.7	552.7	601.4	13 390.0
Total^{d, e}	20 393.7	5 066.2	10 159.9	1 720.2	1 552.8	38 892.9
Number of programmes and projects ^f	578	152	193	25	26	974

Source: Grants and Investment Projects System.

^a Amounts as per the President's report for each programme or project approved by the Executive Board. Financing for programmes and projects includes loans, DSF grants, ASAP grants and component grants. It does not include other grants unrelated to programmes and projects.

^b Figures include IFAD financing for Indonesia's National Programme for Community Empowerment in Rural Areas approved in 2008.

^c Includes cofinancing that may not have been confirmed at the time of Executive Board approval.

^d Total amounts may include additional financing for programmes and projects previously approved.

^e Any discrepancy in totals is the result of rounding.

^f Fully cancelled or rescinded programmes and projects are not included.

CHART 6
Cofinancing of IFAD-supported programmes and projects, 2014
 Share of total of US\$839.4 million

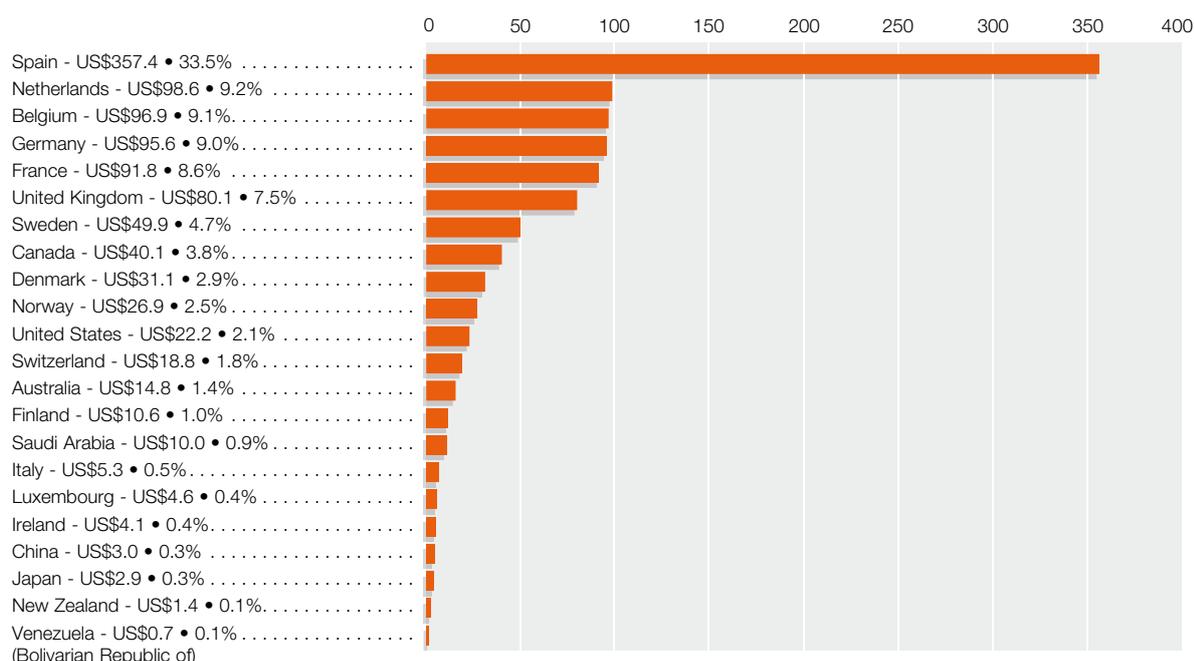


Source: Grants and Investment Projects System.

^a Other cofinancing includes financing under basket or similar funding arrangements, financing from private-sector resources and financing that was not confirmed at the time of Executive Board approval.

CHART 7**Cofinancing of IFAD-initiated programmes and projects by donor Member States (bilateral), 1978-2014^a**

Amounts in US\$ million

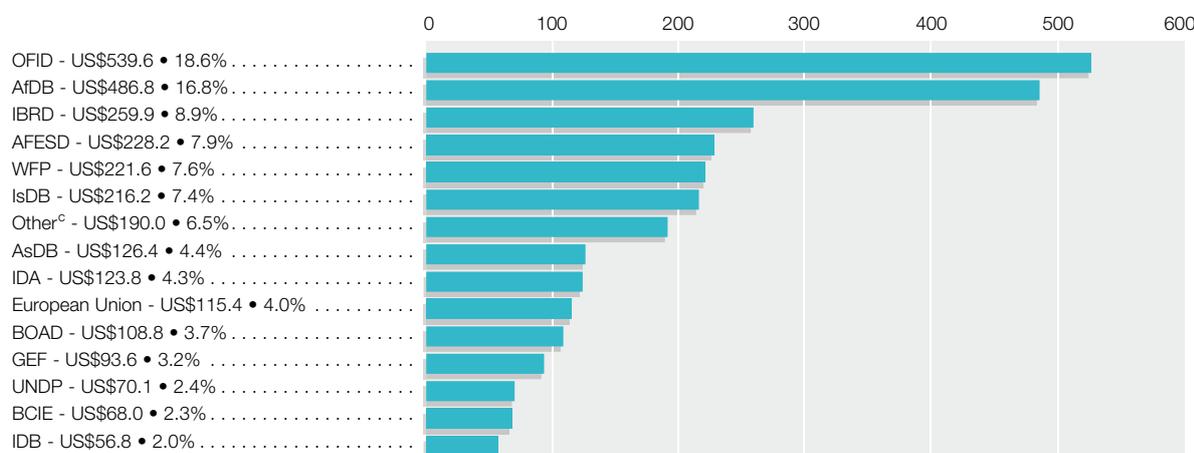


Source: Grants and Investment Projects System.

^a Amounts as per the President's report for each programme or project presented to the Executive Board. Any discrepancy in totals is the result of rounding. The amounts and percentages shown here represent the share of each bilateral in total bilateral cofinancing of US\$1,066.8 million. Bilateral participation in basket or similar funding arrangements is not included.

CHART 8**Cofinancing of IFAD-initiated programmes and projects by multilateral donors, 1978-2014^{a, b}**

Amounts in US\$ million



Source: Grants and Investment Projects System.

^a Amounts as per the President's report for each programme or project presented to the Executive Board. Any discrepancy in totals is the result of rounding. The amounts and percentages shown here represent the share of each multilateral in total multilateral cofinancing of US\$2,905.0 million. Multilateral participation in basket or similar funding arrangements is not included.

^b ADB = Asian Development Bank; AfDB = African Development Bank; AFESD = Arab Fund for Economic and Social Development; BCIE = Central American Bank for Economic Integration (*Banco Centroamericano de Integración Económica*); BOAD = West African Development Bank (*Banque Ouest Africaine de Développement*); GEF = Global Environment Facility; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; IDB = Inter-American Development Bank; IsDB = Islamic Development Bank; OFID = OPEC Fund for International Development; UNDP = United Nations Development Programme; WFP = World Food Programme.

^c Other cofinanciers include: Andean Development Corporation (*Corporación Andina de Fomento*); Arab Authority for Agricultural Investment and Development; Africa Fund; Arab Bank for Economic Development in Africa; Caribbean Development Bank; Economic Community of West African States (ECOWAS) Bank for Investment and Development; Food and Agriculture Organization of the United Nations; Global Agriculture and Food Security Program; Inter-American Institute for Cooperation in Agriculture; International Finance Corporation; International Labour Organization; Strategic Climate Fund; United Nations Capital Development Fund; United Nations Children's Fund; United Nations Development Fund for Women (UNIFEM) (now United Nations Entity for Gender Equality and the Empowerment of Women [UN Women]); United Nations Fund for Drug Abuse Control; United Nations International Drug Control Programme; and United Nations Population Fund.

Managing IFAD's liquidity, cash flow and financial policies

IFAD manages US\$1.7 billion for the regular programme of work and US\$0.6 billion for supplementary programmes and trust funds. As projected, regular resources declined over the year owing to net outflows and foreign exchange movements. The balance for other funds remains stable.

In 2014, the volume of cash transactions was in line with the previous year's activities. Regular programme transactions amounted to US\$4.0 billion and non-regular transactions reached US\$2.0 billion. Driven by expansion of the regular and non-regular programme of work, yearly average cash transactions over the IFAD9 period show a 7 per cent increase compared with the IFAD8 period. During the year, IFAD started a review of internal financial systems as part of systematic strengthening of risk management. The review will be completed in 2015.

To mitigate the impact of the low interest rate environment and improve support for sustainable cash flow, liquidity management was enhanced in terms of both financial projections and banking arrangements.

An independent review of asset allocation for the After-Service Medical Care Scheme portfolio was carried out to validate the current investment strategy. The review confirmed that current asset allocation and strategy are close to optimal. The recommendation for developing a separate Investment Policy Statement tailored to the specific nature of this portfolio has been implemented, and the new policy will be presented to the Governing Council in 2015.

As co-chair of the Finance and Budget Network Working Group on Common Treasury Services, IFAD continues to play a leading role in United Nations efforts to increase the operational efficiency of treasuries. We also host the dedicated website, which continues to be the principal forum for interaction among United Nations treasuries.

In line with the corporate focus on IFAD's presence in the countries where we operate (see map inside front cover), legal and administrative procedures were finalized in Ghana and a local bank account was opened for the new IFAD country office.

TABLE 6
IFAD financing by region, 1978-2014^{a, b}
Amounts in US\$ million

	1978-2000	2001-2006	2007-2012	2013	2014	1978-2014
West and Central Africa						
Total amount	1 207.6	454.9	857.7	244.8	157.8	2 922.8
Number of programmes and projects	127	35	41	5	6	214
East and Southern Africa						
Total amount	1 194.2	489.5	1 067.4	174.7	94.9	3 020.7
Number of programmes and projects	105	30	37	5	4	181
Asia and the Pacific						
Total amount	2 262.4	769.4	1 432.9	227.2	269.5	4 961.4
Number of programmes and projects	145	37	48	6	8	244
Latin America and the Caribbean						
Total amount	1 100.5	375.8	465.9	107.1	4.0	2 053.3
Number of programmes and projects	103	21	32	5	1	162
Near East, North Africa and Europe						
Total amount	1 158.0	421.4	629.5	83.9	187.3	2 480.1
Number of programmes and projects	98	29	35	4	7	173
Total IFAD financing^c	6 922.7	2 511.0	4 453.5	837.7	713.4	15 438.3
Total number of programmes and projects^d	578	152	193	25	26	974

Source: Grants and Investment Projects System.

^a Amounts as per the President's report for each programme or project approved by the Executive Board. Financing for programmes and projects includes loans, DSF grants, ASAP grants and component grants. It does not include other grants unrelated to programmes and projects.

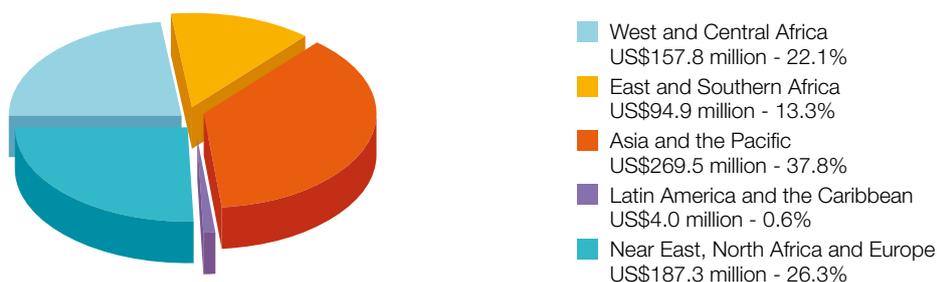
^b Total amounts may include additional financing for programmes and projects previously approved.

^c Any discrepancy in totals is the result of rounding.

^d Fully cancelled or rescinded programmes and projects are not included.

CHART 9**Regional distribution of IFAD financing for programmes and projects approved in 2014^a**

Share of total of US\$713.4



Source: Grants and Investment Projects System.

^a Amounts as per the President's report for each programme or project approved by the Executive Board. Financing for programmes and projects includes loans, DSF grants, ASAP grants and component grants. It does not include other grants unrelated to programmes and projects.

CHART 10**IFAD current portfolio financing by sector (at end 2014)**

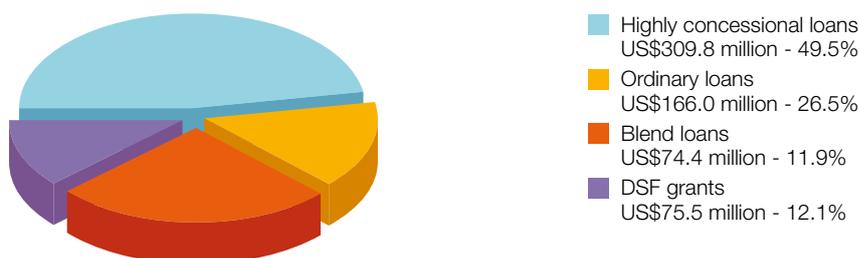
Source: Grants and Investment Projects System.

^a Agriculture and natural resource management includes irrigation, rangelands, fisheries, research, extension and training.

^b Other includes communications, culture and heritage, disaster mitigation, energy production, monitoring and evaluation, management and coordination, and post-crisis management.

CHART 11**IFAD loans by lending terms, and DSF grants, 2014^a**

Share of total of US\$625.8 million



Source: Grants and Investment Projects System.

^a Amounts as per the President's report for each programme or project approved by the Executive Board. Amounts include Regular Programme loans, Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans, and DSF grants.

IFAD's approach and support to debt relief and debt management

Debt relief and debt management make an important contribution to reducing poverty. During 2014, IFAD continued to give full support to work at the international level addressing the existing debt of poor countries through the Heavily Indebted Poor Countries (HIPC) Debt Initiative. We also continued to use our debt sustainability framework to ensure that vulnerable countries did not accumulate future debt.

Since the HIPC Debt Initiative was set up, many countries have made substantial progress in gaining access to debt relief. More than 89 per cent of eligible countries (35 out of 39) have passed their decision points, qualifying for HIPC Debt Initiative assistance from IFAD. A total of 34 countries have reached completion point – at which they receive full and irrevocable debt reduction. One country is in the interim period between the decision and completion points.

Our total commitments so far amount to approximately US\$687.2 million of debt service relief in nominal terms. As at 31 December 2014, IFAD had provided US\$543.5 million in debt relief to the 34 completion-point countries, in nominal terms.

During 2014, 12.1 per cent of the total value of approved financing for investment programmes and projects was in the form of DSF grants. Eight grants were approved, for a total value of US\$75.5 million (Table 7).

TABLE 7
Summary of IFAD loans by lending terms, and of DSF grants, 1978-2014^a
Amounts in US\$ million

	1978-2000	2001-2006	2007-2012	2013	2014	1978-2014
DSF grants						
Amount	-	-	1 007.8	160.9	75.5	1 244.2
Number of grants	-	-	81	14	8	103
Highly concessional loans						
Amount	4 748.8	2 078.7	2 338.4	435.9	309.8	9 911.7
Number of loans	414	131	128	18	15	706
Hardened loans						
Amount	-	-	59.1	-	-	59.1
Number of loans	-	-	5	-	-	5
Intermediate loans						
Amount	1 422.0	183.8	368.9	-	-	1 974.7
Number of loans	121	12	15	-	-	148
Blend loans						
Amount	-	-	-	29.3	74.4	103.7
Number of loans	-	-	-	2	3	5
Ordinary loans						
Amount	695.3	251.7	628.0	105.0	166.0	1 846.0
Number of loans	55	13	41	5	6	120
Total amount	6 866.1	2 514.3	4 402.2	731.1	625.8	15 139.4
Total number of loans and DSF grants^{b, c}	590	156	270	39	32	1 087

Source: Grants and Investment Projects System.

^a Amounts as per the President's report for each programme or project approved by the Executive Board. Includes Regular Programme loans, Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans, and DSF grants. Includes a loan on highly concessional terms approved in 2005 for Indonesia made up of unused proceeds of a loan approved in 1997 on intermediary terms. Any discrepancy in totals is the result of rounding.

^b A programme or project may be financed through more than one loan or DSF grant and thus the number of loans and DSF grants may differ from the number of programmes or projects shown in other tables.

^c Fully cancelled or rescinded loans are not included.

TABLE 8
Summary of IFAD loans by region and lending terms, and of DSF grants, 1978-2014^a
 Amounts in US\$ million

	West and Central Africa	East and Southern Africa	Asia and the Pacific	Latin America and the Caribbean	Near East, North Africa and Europe	Total
DSF grants						
Amount	464.4	342.5	226.4	38.1	172.9	1 244.2
Number of grants	34	25	21	7	16	103
Highly concessional loans						
Amount	2 267.0	2 505.3	3 732.2	424.5	982.7	9 911.7
Number of loans	202	170	203	43	88	706
Hardened loans						
Amount	-	-	-	-	59.1	59.1
Number of loans	-	-	-	-	5	5
Intermediate loans						
Amount	105.2	108.9	607.5	488.0	665.0	1 974.7
Number of loans	11	11	35	51	40	148
Blend loans						
Amount	-	-	65.1	14.3	24.3	103.7
Number of loans	-	-	2	1	2	5
Ordinary loans						
Amount	21.3	13.7	250.7	1 062.3	498.0	1 846.0
Number of loans	3	4	6	74	33	120
Total amount	2 857.9	2 970.4	4 881.8	2 027.3	2 402.0	15 139.4
Percentage of total IFAD loans and DSF grants	18.9	19.6	32.2	13.4	15.9	100.0
Total number of loans and DSF grants^{b, c}	256	210	267	176	184	1 087

Source: Grants and Investment Projects System.

^a Amounts as per the President's report for each programme or project approved by the Executive Board. Includes Regular Programme loans, Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans, and DSF grants. Includes a loan on highly concessional terms approved in 2005 for Indonesia made up of unused proceeds of a loan approved in 1997 on intermediary terms. Any discrepancy in totals is the result of rounding.

^b A programme or project may be financed through more than one loan or DSF grant and thus the number of loans and DSF grants may differ from the number of programmes or projects shown in other tables.

^c Fully cancelled or rescinded loans are not included.

TABLE 9
Annual loan disbursement by region under the Regular Programme, 1979-2014^a
 Amounts in US\$ million

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	1979-2014
West and Central Africa	62.3	57.8	61.8	64.4	66.8	66.0	74.4	94.2	74.82	82.3	1 389.2
East and Southern Africa	75.9	88.6	89.4	85.4	106.4	99.4	104.3	140.4	136.19	99.1	1 787.1
Asia and the Pacific	93.1	127.2	122.0	99.1	129.2	158.0	230.7	172.2	148.02	180.6	3 248.9
Latin America and the Caribbean	42.3	57.4	63.4	79.1	61.6	64.0	72.9	65.7	54.21	63.5	1 437.0
Near East, North Africa and Europe	68.0	55.9	62.1	96.1	73.5	70.1	67.3	61.9	69.35	59.3	1 540.4
Total^b	341.6	386.9	398.7	424.1	437.5	457.5	549.6	534.5	482.6	484.7	9 402.5

Source: Loans and Grants System.

^a Loan disbursements relate solely to Regular Programme loans and exclude the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification, and DSF financing.

^b Any discrepancy in totals is the result of rounding.

TABLE 10
Annual DSF disbursement by region, 2007-2014
Amounts in US\$ million

	2007	2008	2009	2010	2011	2012	2013	2014	2007-2014
West and Central Africa	-	0.9	1.9	9.1	23.8	36.7	49.2	46.9	168.6
East and Southern Africa	1.0	3.6	5.7	17.1	28.3	40.1	45.0	60.0	200.8
Asia and the Pacific	1.0	1.7	3.9	6.8	11.6	21.0	22.9	31.8	100.7
Latin America and the Caribbean	-	-	0.6	0.9	3.4	6.6	6.2	6.3	24.0
Near East, North Africa and Europe	-	0.1	1.6	5.5	9.2	14.2	19.2	12.3	62.2
Global	-	0.1	-	-	-	-	-	-	0.1
Total^a	2.0	6.5	13.7	39.4	76.3	118.6	142.6	157.4	556.5

Source: Loans and Grants System.

^a Any discrepancy in totals is the result of rounding.

TABLE 11
Loan disbursement by region and lending terms under the Regular Programme, 1979-2014^a
Amounts in US\$ million

	Highly concessional	Intermediate	Ordinary	Hardened	Total
West and Central Africa					
Amount	1 312.1	60.3	16.8	-	1 389.2
Percentage of total loan effective commitment	72	100	93	-	73
East and Southern Africa					
Amount	1 683.6	99.6	3.9	-	1 787.1
Percentage of total loan effective commitment	76	97	39	-	76
Asia and the Pacific					
Amount	2 762.1	437.0	49.8	-	3 248.9
Percentage of total loan effective commitment	80	76	18	-	76
Latin America and the Caribbean					
Amount	374.1	408.5	654.3	-	1 437.0
Percentage of total loan effective commitment	90	92	69	-	76
Near East, North Africa and Europe					
Amount	851.4	419.7	248.6	20.7	1 540.4
Percentage of total loan effective commitment	92	72	56	42	74
Total amount	6 983.4	1 425.1	973.4	20.7	9 402.5
Total percentage of total loan effective commitment	79	80	58	42	76

Source: Loans and Grants System.

^a Loan disbursements relate solely to Regular Programme loans and exclude the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification, and DSF financing.



Awards

Staff awards

Each year, IFAD rewards exceptional work and staff commitment at an annual awards ceremony. The 2014 staff awards recognized extraordinary leadership, innovation, change facilitation and commitment to IFAD core values both at headquarters and in the field.



2014 Staff Award winners with the President of IFAD (from left to right): Joaquín Lozano, Alessio Accardi, Natalia Toschi, Roberta Marziali, Tiziana Carpenelli, Robson Mutandi, Paula Kim, Kanayo F. Nwanze, Paola De Leva, Petra Valente, Isabella Picece, Shamela Brown, Manuela Carugno, Silvia Giachetti, Lucie Pasquale, Amedeo Paglione, Ursula Wieland, Victoria Chiartano, Dave Nolan

Leadership

Joaquín Lozano
Natalia Toschi

**Innovative project/
Extraordinary initiative**

Annely Koudstaal
Dave Nolan

Uganda country team

Line Kaspersen
Alessandro Marini
Deborah Martin
Pontian Muhwezi

Facilitator of change

Vincent Darlong

CIAO2 team

Shamela Brown
Victoria Chiartano
Paola De Leva
Kelly Feenan
Silvia Giachetti
Amedeo Paglione
Lucie Pasquale
Petra Valente

GRIPS team

Theresa Rice
Ursula Wieland

IFAD core values

Fiorella Nobile
Robson Mutandi

Travel and visa section

Alessio Accardi
Tiziana Carpenelli
Manuela Carugno
Roberta Marziali
Isabella Picece

Presidential recognition

Paula Kim

Honourable mention

Marcello Barnaba
Lleir Borrás Metje
Ivan Turkovic
Cross Departmental Coordination Team

Awards to IFAD

During 2014, several Member State governments presented awards to IFAD in recognition of our work to empower and invest in rural people. In January, IFAD President, Kanayo F. Nwanze, was named **Grand Officier de l'Ordre National du Benin**, by Benin's President Boni Yayi in recognition of IFAD's work in the country. Current IFAD-supported projects in Benin are working to strengthen, professionalize and expand the financial services available to smallholder farmers, and create rural infrastructure to support value chains for non-cotton crops.

In June, the IFAD team in the Democratic Republic of the Congo received the **2014 Award of Excellence**, a biennial honour bestowed jointly by IFAD, FAO and WFP. The award recognizes country teams that embody a spirit of partnership and collaboration among the three Rome-based United Nations food agencies. The IFAD, FAO and WFP teams in the Democratic Republic of the Congo have worked to improve resilience for 3 million households, strengthen the management capacity of 1,000 farmer organizations and establish 60 community radio listeners' clubs.

In July, the United States Department of the Treasury awarded IFAD its second **Development Impact Honor** in recognition of the IFAD-funded Microfinance for Marginal and Small Farmers Project. The project provides financial services to some 200,000 small-scale farmers in Bangladesh, the majority of whom are women who previously had no access to microfinancing opportunities.

In August, Nwanze received the **Dr M.S. Swaminathan Award for Environment Protection** from the Rotary Club of Madras East, Chennai, India. The accolade recognized his leadership in increasing IFAD's advocacy to ensure that agriculture is a central part of the international development agenda.

Later that month, IFAD's President was named Officer of the **National Order of the Republic of The Gambia**. The honour was conferred on him by the Vice-President and Women's Affairs Minister of The Gambia on behalf of President Jammeh, in recognition of Nwanze's service to the agricultural development of The Gambia and sub-Saharan Africa as a whole.

Internally, the second annual **IFAD Gender Awards** recognized the IFAD-supported projects in each region that most improved the lives of rural women. This year, the Gender Awards honoured the Programme for Increasing Sustainable Microfinance in Pakistan (Asia and the Pacific); the Kirehe Community-based Watershed Management Project in Rwanda (East and Southern Africa); the Development of the Central Corridor Project in Ecuador (Latin America and the Caribbean); the Al-Dhala Community Resource Management Project in Yemen (Near East, North Africa and Europe); and the Rehabilitation and Community-based Poverty Reduction Project in Sierra Leone (West and Central Africa).



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Cover:

Ahlam Ali Muftah on her pigeon farm in El Shohada village. She lives in a region that used to be desert before it was reclaimed by a development project that started work with funding from IFAD, the Government of Egypt and partners in 2002.

Egypt: West Nubaria Rural Development Project

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© 2015 by the International Fund for Agricultural Development (IFAD)

Printed by Quintily, Rome, Italy

2015

Printed on ecological paper

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