

IFAD Strategic Framework 2007-2010

Enabling poor rural people to overcome poverty



Contents

Executive summary	4
1 Introduction	9
2 Context	11
Rural poverty and agriculture in today's world	11
The new development architecture	12
IFAD's comparative advantage and role	13
3 IFAD's development objectives	17
Overarching goal	18
Strategic objectives	18
Operational outcomes	22
Outputs	24
4 Principles of engagement	26
Selectivity and focus	26
Targeting	26
Empowering poor rural people	27
Innovation, learning and scaling up	28
Effective partnerships	29
Sustainability	29
5 Delivering the strategic framework	31
Mainstreaming management for development results	31
Managing for development results at the country level	31
Organizational planning and management processes	32
Managing quality	34
Managing resources	34
Communications	35

ABBREVIATIONS AND ACRONYMS

COSOP	country strategic opportunities programme
HDO	hierarchy of development objectives
MDG	Millennium Development Goal
MfDR	management for development results
PRSP	poverty reduction strategy paper
SWAp	sector-wide approach

Executive summary

1. Introduction

The Strategic Framework 2007-2010 is one of the key elements of IFAD's Action Plan for Improving its Development Effectiveness. It articulates how IFAD can best discharge its mandate and use the instruments at its disposal to maximize its contribution to reducing rural poverty. It takes as its starting point the report of the Consultation on the Seventh Replenishment of IFAD's resources. It builds upon the Strategic Framework 2002-2006; and it is also shaped by the Independent External Evaluation of IFAD conducted in 2005 and the Action Plan, which it is a key element of. It recognizes, and responds to, the changing nature both of global poverty and of the international development architecture, and while it does not propose major changes of direction for IFAD, it does present a number of important shifts in emphasis. It will guide the work of all managers and staff, across the entire organization, and provide the framework for all IFAD's development partnerships.

2. Context

Rural poverty and agriculture in today's world

Extreme poverty remains a reality for over a billion people worldwide. Three quarters of the world's extreme poor live in rural areas, and most of them are dependent on some way in agriculture. The factors determining rural poverty include lack of assets, lack of access to services, technologies and markets, and lack of skills and organization; as well as conflict and crises such as HIV/AIDS and climate change. New factors such as the emergence of global value chains, biotechnology-driven agricultural research and new markets for biofuels are changing global agriculture, yet the implications of all these for poor women and men living in the rural areas of developing

countries are by no means certain. IFAD believes that reducing poverty needs to be tackled in the rural areas, and by focusing on agriculture, the basis of the economic livelihoods of most poor rural people.

The new development architecture

Over the last decade, international development efforts have been transformed. The new architecture is characterized by a global commitment to the Millennium Development Goals; by poverty reduction strategy papers, as increasingly nationally owned strategies for poverty reduction; by joint assistance strategies and sector-wide approaches as instruments to bring government ownership to disparate donor support; by new aid mechanisms such as general budget support; and by the aid effectiveness agenda, reflected in the Paris Declaration on Aid Effectiveness, and the "Delivering as One" initiative for United Nations system reform. New donor countries and large private foundations are also bringing substantially more resources to bear. Yet, despite the global commitment to poverty reduction, the capacity to address the real issues faced by poor rural people is lagging behind. IFAD, however, believes there are proven and effective approaches to rural poverty reduction, and these can be applied and scaled up where successful.

IFAD's comparative advantage and role

IFAD is a specialized agency of the United Nations. Established in 1977, it is the only international financial institution mandated to contribute exclusively to reducing poverty and food insecurity in the rural areas of developing countries. Over the past 30 years it has generated important experience and skills in these areas, working with poor rural women and men to develop locally specific

opportunities for them to improve their economic livelihoods. IFAD's comparative advantage lies in working with national partners to develop and implement innovative projects and programmes that enable poor rural people to increase their agricultural production, food security and incomes; in empowering poor rural women and men by building their skills, knowledge and confidence, and strengthening their organizations; and in capturing and using the lessons of project experience as a basis both for promoting the scaling up of successful approaches and influencing the agricultural and rural development policies and investments of its member governments and other partners. Working with partners – including the other Rome-based agencies – will be key to exploiting this potential. Over the period of the Seventh Replenishment (2007-2009), IFAD plans to commit around US\$2 billion for its development activities. The challenge will be to raise its development effectiveness, its impact and its contribution to rural poverty reduction.

3. IFAD's development objectives

Overarching goal

IFAD's overarching goal is that rural women and men in developing countries are empowered to achieve higher incomes and improved food security at the household level. In this way it will contribute to the achievement of Millennium Development Goal #1 – the eradication of extreme poverty.

Strategic objectives

To achieve its overarching goal, IFAD will aim to ensure that, at the national level, poor rural men and women have better and sustainable access to, and have developed the skills and organization they require to take advantage of:

- (a) Natural resources (land and water), which they are then able to manage efficiently and sustainably;
- (b) Improved agricultural technologies and effective production services,

- with which they enhance their productivity;
- (c) A broad range of financial services, which they use for productive and household needs;
- (d) Transparent and competitive agricultural input and produce markets, with which they profitably engage;
- (e) Opportunities for rural off-farm employment and enterprise development, which they profitably exploit; and
- (f) Local and national policy and programming processes, in which they participate effectively.

Operational outcomes

To achieve its strategic objectives, IFAD will strive for two sets of operational outcomes. The first encompasses the direct, local-level impact: increased incomes and enhanced food security for the immediate target group of IFAD-supported projects in a defined locality. The second outcome is a strengthening of in-country capacities for agricultural and rural development, in terms of: (a) the policy framework for the reduction of rural poverty; (b) efficient government institutions focused on core tasks relative to rural poverty reduction and accountable to poor rural people; (c) strengthened organizations and institutions of, or supporting the interests of, poor rural people; (d) increased private-sector investment in the rural economy; and (e) enhanced capacity for programme development and implementation (government, NGOs and the private sector).

Outputs

The outputs represent the services and products that IFAD will use to achieve its operational outcomes. The principal output will be country programmes, articulated through results-based country strategic opportunities programmes (COSOPs) and comprising some or all of the following: innovative projects with learning and scaling-up mechanisms; multi-stakeholder

programmes whose direction IFAD helps to shape; and evidence-based policy dialogue with national governments. The country programmes will be complemented by regional programmes, comprising both projects for learning and building knowledge, and policy dialogue at the regional and global/international levels.

4. Principles of engagement

Selectivity and focus

IFAD will focus on those areas in which it has developed a clear comparative advantage. It will not work outside rural areas. It will not target the non-poor. It is not mandated to respond directly to emergencies and provide relief. IFAD will finance social service delivery – local water supplies, health and education facilities – only in response to the defined needs of local communities, where the facilities are limited in scope and critical for the achievement of project objectives, and where other financing sources are not available. IFAD's expertise is specific to the rural sector: it will engage in policy dialogue only in the areas of its competence, and it will not use general budget support as a means for disbursing its resources.

Targeting

A focus on targeting is central to IFAD's identity. Its target group is made up of extremely poor rural people who have the capacity to take advantage of the economic opportunities offered by IFAD engagements. That target group will vary according to local circumstances: in some countries, it will be those excluded from rural economic growth; in other countries, poverty will be the condition of the majority of rural people. IFAD will work mostly with those who depend on agriculture for their livelihoods. It will focus particularly on women; indigenous peoples will also be an important focus in many parts of the world. IFAD's experience in targeting will also shape its engagements in policy dialogue with governments and in multi-stakeholder sector-wide approaches.

Empowering poor rural people

If poor rural people are to overcome poverty, they must have the opportunity to build the assets, knowledge, skills and confidence they need to pursue their own economic agenda better. Yet individually, poor rural people remain marginalized; by building their own collective organizations they can better manage assets, negotiate with market intermediaries, and access economic opportunities, service providers and government officials. IFAD will work with, and help strengthen the capacity of, a range of organizations formed by, and of, poor rural people. They will include those of entire communities and of specific populations or interest groups, they will be both formal and informal, and they will operate both at the local and the national levels.

Innovation, learning and scaling up

In most countries, IFAD's role is to establish partnerships for developing innovative approaches to rural poverty reduction at the local level, testing methodologies, institutional arrangements, partnerships or technologies that are new within the context in which they are being applied. All elements of IFAD's country programmes will be expected to be innovative. Yet innovation without scaling up is of little value: all engagements will thus be expected to have internal learning arrangements, as well as mechanisms for feeding lessons to the higher, usually national, level.

Effective partnerships

Partnerships are an important element of the aid effectiveness agenda, and IFAD will give increasing attention to working through them, to becoming a better partner for others, and to defining its own role on the basis of what it can achieve through partnerships. The key partnerships are with national stakeholders, but IFAD will also participate more actively in the partnerships established by the international development community; it will itself form partnerships in order to solve key problems; and it will use

partnerships for influence relative to its experiences in rural poverty reduction.

Sustainability

Ensuring the sustainability of development support is critical; IFAD will improve its project design quality, so as to ensure development impact; and it will maintain its support until such time that the impact can be sustained. It will promote national leadership over projects and programmes, so that they fit within, and contribute to, national policies and strategies. Above all, it will ensure that the projects and programmes are owned by the rural poor themselves: they will be involved in their definition and implementation, enabled to develop the skills and organization they need to manage economic opportunities, and assisted to engage effectively and more profitably with market intermediaries and service providers beyond the life of the project.

5. Delivering the strategic framework

Managing for development results

Management for development results (MfDR) is a management strategy focused on raising development impact and bringing about sustainable improvements in country outcomes. Today, it is an integral element of the aid effectiveness agenda, and it is fundamental to raising IFAD's development impact. At the country level, it will involve IFAD using results-based COSOPs as a basis for implementing a rigorous results-based approach to country programme design, monitoring and performance management. These will be rooted in IFAD's hierarchy of development objectives and tightly situated within the aid effectiveness agenda.

Within IFAD a Corporate Planning and Performance Management System (CPPMS) will be used to create a results orientation at all levels and across all units. It will promote the alignment of IFAD's human and financial resources with its strategic priorities,

strengthen its capacity to manage and monitor performance, and instil a culture of accountability for results. Above all, it is expected to enable IFAD to better realize its development effectiveness targets in the areas of project relevance, project effectiveness and project efficiency. A key element of the CPPMS is the results-based divisional management plan, which will strengthen performance by better aligning workplans with IFAD's development effectiveness targets and better prioritizing the activities to achieve them. Aggregated, the divisional management plans will provide the basis for IFAD's results-based annual programme of work and budget. Measurement of IFAD's overall performance at the corporate, country, project and organizational levels will be undertaken within a single, coherent results measurement framework. This framework, to be elaborated during 2007, will define targets and information sources for all key indicators and, where appropriate, performance will be benchmarked against that of comparable organizations.

Managing quality

To ensure a consistently high quality of project design, a strengthened quality enhancement process will provide upfront guidance to design teams and allow accelerated upstream decision-making. IFAD will also develop a complementary, independent quality assurance system, which will be used both to assess project readiness, core risk factors and policy compliance, and to review its quality enhancement processes and identify areas for improvement. The objective is to build systems for quality enhancement and assurance that contribute directly to improved project design and supervision.

While IFAD will continue to promote locally developed approaches for rural poverty reduction, it will ensure that these are supported by the relevant knowledge of the organization. It will develop and disseminate corporate policies and guidelines in all key

areas of the strategic framework, and monitor their application. Staff will be accountable for ensuring consistency for policy – or for justifying exceptions in specific cases. It will use its new knowledge management strategy to transform itself into a knowledge-sharing and innovative institution and centre of excellence for rural poverty reduction. This will be achieved through a focus on, and a culture of, knowledge management and innovation; robust processes for learning and sharing; partnerships at all levels for fostering exchange and learning; enabling knowledge tools; staff with relevant competencies and attitudes; and measures to gauge impact.

Managing resources

IFAD will seek to maximize the proportion of the total administrative expenditures dedicated to development operations, and it will focus its expenditures where it has most to add, better complementing national capacities for project design and supervision. In seeking cost savings, IFAD will benchmark its process costs with comparable organizations; it will explore opportunities for outsourcing services and service-sharing with the other Rome-based agencies; and it will also take measures to free up resources by closing non-performing loans and grants. IFAD's ability to attract, retain and focus high-quality staff will be critical for its development effectiveness: it will therefore strengthen its focus on development results as a basis for human resource management. It will develop a plan for better aligning its human resources with corporate strategic priorities. Reviews of staffing levels and competency requirements will provide the basis for many of the measures to be undertaken, which will be underpinned by further improvements to the staff performance evaluation system. IFAD has already made significant progress both in establishing procedures to manage financial, operational and reputational risk, and in reducing the risks of failure to achieve development results. Yet IFAD's role as an innovator inevitably exposes it to substantial

risk, and thus its emphasis will be on risk identification, assessment and management, rather than risk avoidance. The integration of risk management into IFAD's strategic planning processes will support this end at the institutional level while the divisional management plans and results-based COSOPs will be expected to address adequately country-level risks.

Communications

Raising the Fund's development effectiveness and contribution to global and national poverty reduction efforts depends in part on effective communications. It is essential not only for partnership development, policy dialogue, learning and sharing, and responding to the needs of poor rural people; but also for teamwork and organizational effectiveness. Communication will thus be an important element of corporate strategy and policy. Internally, IFAD will strengthen two-way communication within the organization; and externally, it will develop and disseminate user-friendly information products on its corporate objectives and approaches.

Introduction

The Strategic Framework 2007-2010 is a key instrument for enhancing IFAD's development effectiveness. It articulates how IFAD can best use the instruments at its disposal in order to discharge its mandate and maximize its contribution to rural poverty reduction. It defines its development goals and objectives; the outcomes it expects to achieve in order to attain these; and the principles of, and instruments for, its engagement. It marks out the thematic areas in which IFAD will focus its work. It also explains how IFAD will be organized and managed to enhance its impact. As such, it both represents IFAD's main policy document and provides a framework for its strategic management. The strategic framework will guide the work of all managers and all staff, across the entire organization, and provide the framework for IFAD's development partnerships at all levels.

This document takes as its starting point the report of the Consultation on the Seventh Replenishment of IFAD's Resources, approved by the IFAD Governing Council in February 2006. It builds upon the Strategic Framework 2002-2006 ("Enabling the Rural Poor to Overcome their Poverty"), and it is also shaped by the Independent External Evaluation of IFAD conducted in 2005. It is a key element of IFAD's Action Plan for Improving its Development Effectiveness, approved by the Executive Board in December 2005. It provides strategic guidance for the definition of all the deliverables under the Action Plan, and it provides the framework that brings them together in a coherent manner and within which they all fit.

The Strategic Framework 2007-2010 recognizes that the world in which IFAD is operating today has changed. In Asia, rapid and dramatic reductions in poverty have been

achieved, but in sub-Saharan Africa the number of poor is still rising. Nonetheless, across the world, poverty remains primarily rural. There is a new consensus in the international community on the imperative of reducing poverty, reflected in the Millennium Development Goals (MDGs). Many governments of developing countries and their development partners have committed themselves to developing and implementing policies and allocating resources to addressing rural poverty. In some countries good progress has been made. But in most it remains much too slow.

This strategic framework takes stock of IFAD's experience in recent years and draws out key lessons, to enable it to respond effectively both to the changing nature of rural poverty globally and to the new international development architecture. While it does not propose major changes of direction in terms of the areas of IFAD's engagement, it does present a number of shifts in emphasis. It explicitly roots IFAD's comparative advantage in its understanding of the agriculture-based economic livelihoods of poor rural women and men across the developing world, and in the experience it has gained over the years in highly targeted work with poor rural people to improve their livelihoods. IFAD's approach is one that focuses squarely on empowerment: assisting poor rural women and men to build the skills and the social capital that they need to sustainably increase their incomes and enhance their food security, and assisting national institutions to provide an effective policy and organizational framework to support this. This is encapsulated in IFAD's mission to enable poor rural people to overcome poverty.

Targeted agricultural and rural development projects remain at the heart of IFAD's core



business, but IFAD now recognizes that, in order to make an effective contribution to reducing rural poverty across the developing world, it must ensure that the projects it supports fit within and contribute to national systems, and that the lessons of those projects are scaled up by national partners. Effective learning and knowledge management mechanisms will be prerequisites for such scaling up, as will enhanced partnerships, with national stakeholders, including organizations of poor people themselves, and with international development partners.

A further shift of emphasis is in the clear guidance for IFAD engagement that this strategic framework provides. It defines unambiguously the areas in which IFAD will work, and – through a hierarchy of development objectives – how IFAD’s work will fit within, and contribute to, larger national systems. It articulates principles of engagement that will apply to all it does. And above all, it explains how IFAD will be organized to improve its results orientation, ensure that all of its resources are aligned with its corporate objectives, and strengthen its performance management systems. It is, in short, a more rigorous, more definitional document for IFAD managers and staff.

Context

Rural poverty and agriculture in today's world

Extreme poverty remains a daily reality for more than one billion people. Hunger and malnutrition affect some 815 million people, and more than a quarter of all children under the age of 5 in developing countries are malnourished. Despite reductions in poverty in Asia, where the number of people living on less than one dollar a day dropped by nearly a quarter between 1990 and 2001, there remain large numbers of poor people on that continent. In sub-Saharan Africa, there was a small decline in the proportion of people living with insufficient food, yet the numbers of hungry people have actually increased, and the average income of the extremely poor declined between 1990 and 2002. The United Nations Development Programme's 2005 *Human Development Report* and the World Bank's 2006 *World Development Report* confirm that in many of the poorest developing countries the Millennium Development Goal (MDG) targets will not be met without major additional efforts.

Poverty in developing countries is still largely a rural issue – even if the distinction between urban and rural is becoming increasingly blurred. Most of the world's poor live in rural areas: fully 75 per cent of those living in extreme poverty – over 750 million people – are to be found there. Most are dependent in some way on agriculture, and the vast majority is directly engaged in the sector. The poorest remain the landless, sharecroppers, and those farming plots of land that are too small to provide for their needs, as well as nomadic pastoralists and subsistence fishing communities. In many areas indigenous peoples or ethnic minorities make up a disproportionate number of the poor; and in all areas, women remain among the most vulnerable and marginalized. Countries that

are largely rural are typically the poorest, and they have grown the least. Even in many of the middle-income countries that have succeeded in growing rapidly and reducing poverty, rural areas continue to be zones where the deepest and most persistent poverty is to be found.

The factors determining rural poverty are complex. Above all, poor rural women and men lack both assets – particularly land, water and capital – and access to services, improved technologies and markets. Lack of knowledge and skills undermines their efforts to improve their agricultural productivity, their food security and their incomes. Lack of organization prevents them both from exerting influence – in the market place and with service providers and policymakers – and from tackling the injustices that in many circumstances keep them in poverty. Rural poverty is frequently accompanied by conflict, often at the community or family level, typically over access to assets. And across much of the developing world, climate change is resulting in ever-more erratic weather conditions. Combined with human-made environmental degradation, this is creating ever greater vulnerability for the poorest rural households.

The world in which poor rural people make their living is also changing fast. Although there has been a lack of progress in global trade negotiations, the emergence both of global, consumer- and corporate-driven food systems and of new regional and local markets has resulted in new opportunities for some, but has created new difficulties for many others: particularly the poorest and most marginalized. Biotechnology-driven agricultural research is starting to have a major impact on global agriculture; yet most developing countries, and the interests of

2

poor farmers in these countries, risk being largely excluded from global investment in agricultural research and technological advancement. In the coming years there is likely to be a major market emerging for biofuels that will result in significant changes in global agriculture; but the implications of this for poor producers in the developing world are not yet well understood. Rural populations are changing rapidly: while still increasing in most developing countries, in China the agricultural labour force has actually started to decline; in many countries out-migration from rural areas is resulting both in a feminization of the rural economy and the growth of urban agriculture; and in parts of sub-Saharan Africa, the HIV/AIDS epidemic is cutting swathes through entire rural communities. All of these factors are likely to result in considerable change and upheaval for agricultural sectors in developing countries and for rural people: assisting them to confront the new challenges, and take advantage of them wherever possible, will be a critical part of IFAD's work during the coming years.

Sound macroeconomic policies, good governance and an open trading system are essential for sustainable poverty reduction for rural people. But they are not sufficient. IFAD believes that poverty cannot be solved simply by the development of new economic opportunities outside rural areas: it must also be addressed within the rural areas themselves, by focusing on agriculture – the basis of the economic livelihoods of most poor rural people – and by tackling head-on the key constraints that poor people confront in agriculture. And in a world in which populations are ever more mobile, economic growth in rural areas can also play a key role in stemming the tide of migration to urban areas and so contribute to poverty reduction there too.

The new development architecture

The last decade has witnessed a transformation in international development efforts, involving both a broad consensus on development objectives and a common commitment as to how those objectives may be pursued more effectively. The MDGs have become the driving force for international development efforts. They represent internationally agreed commitments for the reduction of global poverty by the year 2015, and they have become the agenda within which most development efforts are conceived and focused. In most of the world's poorest countries, poverty reduction strategy papers (PRSPs) or their equivalent are articulating how to achieve the MDGs at the national level. Increasingly, PRSPs represent genuinely national strategies for poverty reduction and a point of reference for all development assistance.

International development organizations are making efforts to improve the effectiveness of aid by supporting national ownership (government, civil society and the private sector), promoting an increased focus on results and improving inter-agency coordination and harmonization. This agenda was reaffirmed by the heads of development assistance agencies in the 2005 Paris Declaration on Aid Effectiveness. IFAD is a signatory, and is firmly committed to its implementation. In some countries, governments and their development partners are drawing up joint assistance strategies, based on a coherent development framework anchored in the country's own priorities, planning and systems. The United Nations will itself be at the forefront of providing coherent, consistent assistance anchored in national priorities, and IFAD will – in close collaboration with the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP) – make a key contribution to strengthening the rural poverty reduction and food security dimension of the "Delivering as One" initiative.

The volume of development assistance has increased, and new ways of providing it have emerged. Debt management and relief under the Debt Initiative for Heavily Indebted Poor Countries and debt reduction under the Multilateral Debt Relief Initiative, and other commitments to aid additionally, have expanded resources for poor countries to pursue their national poverty reduction strategies. General budget support is increasingly used to support PRSPs and their associated medium-term expenditure frameworks. In a growing number of countries, sector-wide approaches (SWAps) or similar are used to ensure that all significant funding for the sector supports a single sector policy and expenditure programme, under government leadership and management. While relatively limited in the agriculture sector, SWAps are an important part of the development landscape, particularly in the poorest countries.

At the same time, the international development community itself is changing. Rapidly growing countries such as China and India are today aid donors as well as recipients; and an increasing number of private foundations are focusing their substantial resources on key areas for poverty reduction – including agricultural development. At the same time, a number of “traditional” development assistance agencies have reduced or eliminated their agricultural/rural policy and technical support, in part as a consequence of efforts by the development community to rationalize its support through a division of labour according to comparative advantage.

Despite all of these new modalities and initiatives, rural poverty is not yet being satisfactorily addressed. By no means have all PRSPs fully addressed the role of agriculture or of rural development; and the success of agricultural SWAps is yet to be proven. Agricultural ministries in many developing countries remain weak, in terms of both their human and financial resources, and

their capacity to carry out critical policy reforms. The growing voices of rural people’s organizations and groups are still little heard in the processes that govern rural and agricultural development strategy. And a revival of interest in the role of agricultural development in poverty reduction has not been accompanied by an improvement in attention to the challenges faced by poor people themselves in agriculture.

Thus, a situation is emerging in which, despite growing national leadership for poverty reduction in poor countries and an increasing international commitment to supporting their efforts, the capacity to address the real issues faced by poor rural people is lagging behind. Yet IFAD believes that there are proven and effective approaches to rural poverty reduction that can be applied and scaled up. They combine national leadership and increased resources with policies that address the specific obstacles faced by poor rural people. The primary outcome must be better opportunities and capacities for poor rural women and men to forge better futures for themselves. This issue lies at the heart of the poverty challenge.

IFAD’s comparative advantage and role

IFAD’s mandate

IFAD is a specialized agency of the United Nations, and it is the only international financial institution dedicated exclusively to reducing rural poverty and food and nutritional insecurity in developing countries. It was established in 1977 and commenced operations the following year. It works with the governments of developing countries to strengthen their capacity to enable poor rural people to overcome poverty. Since its establishment, IFAD has invested some US\$9 billion in over 700 projects and programmes that have reached around 300 million poor rural people. Most of its resources are provided in the form of loans to governments – many on highly

concessional terms, while its limited grant funds are provided not only to governments but also to international and national non-governmental agencies.

IFAD pursues its mandate with an understanding both of the centrality of agriculture in the economic livelihoods of poor rural people and of the broad elements that shape their ability to increase their productivity and their incomes. IFAD recognizes that the problems of rural development cannot be solved by one-size-fits-all approaches. Because the conditions that poor rural people face vary so profoundly, IFAD's approach is to start by identifying where poor rural women and men live and understanding what it is they do, and then work with them to develop opportunities for them to improve their livelihoods. Assisting them to build their skills and their organizations is central to doing so. Today, IFAD-supported projects fit within and contribute to national systems; and increasingly, IFAD ensures that the lessons and experience derived from those projects are captured and used as a basis to influence the agricultural and rural development policies and investments of both its developing member governments and the international development community. This experience-based policy influence can add substantial value to global efforts to achieve the MDGs, above and beyond the value of the impact on the people targeted directly by the projects IFAD supports.

Comparative advantage

IFAD's comparative advantage is rooted in its experience and its record. When other development agencies swung their attention away from agriculture and rural poverty reduction in the 1990s, IFAD kept its focus on the rural areas, on agriculture and on sustainable improvement in rural livelihoods; and indeed, unlike almost all other agencies, it actually increased its support to the sector during that decade. In doing so, it has generated important experience and skills on the issues confronting governments and poor, marginalized people themselves as they

come to terms with the problems of rural poverty today. Although today there is widespread recognition of the centrality of rural poverty reduction for achieving MDG 1, IFAD remains one of the very few development agencies providing targeted support in agricultural and rural development for the economic empowerment of poor rural men and women.

In some regions IFAD has built up a reputation for the quality of its work with particular groups – notably indigenous peoples and other ethnic minorities – excluded from mainstream development processes; while in others, where poverty is the condition of the majority of people in the rural areas, it is a significant contributor to national programmes for rural poverty reduction. In all regions, it has gained a strong track record as a trustworthy and trusted partner of governments and other national stakeholders, and one with a particular legitimacy derived from its status as a specialized agency of the United Nations and its very broad-based governance structure.

Today, IFAD has a comparative advantage in three broad areas:

- (a) Working with its partners – governments, civil society, NGOs, private-sector players and the international development community – to develop and implement sound and innovative projects and programmes that respond to the specific constraints and priorities identified by poor, vulnerable and marginalized rural people, and that enable them to increase their agricultural production, food security and incomes. Women are a particular focus for IFAD's efforts, as are indigenous people in some regions.
- (b) Empowering poor rural women and men by building their skills, knowledge and confidence, and strengthening the capacity of their organizations both to bring tangible benefits to their members and to influence the policy processes that affect them.

- (c) Capturing the lessons of experience from the projects it finances and using the knowledge as a basis for engagement in dialogue with its member governments and other international development partners. In doing so, it both promotes the replication and scaling up of successful approaches it has piloted and influences the agricultural and rural development policies and investments of those member governments and other partners.

During the period covered by the Strategic Framework 2007-2010, IFAD will work to deepen its comparative advantage in these three areas and hence improve its ability to discharge its mission: enabling the rural poor to overcome poverty. Working with partners will be key to fully exploiting this potential. The global emphasis on aid effectiveness and the Triennial Comprehensive Policy Review adopted by the United Nations General Assembly provide a framework for better division of labour between development agencies according to comparative advantage. This has created new opportunities for IFAD to draw on the strengths of other institutions. The “Delivering as One” initiative for system-wide coherence will have important implications for the work of the United Nations system, at both the field and headquarters levels. IFAD will join fully in this effort and work proactively to explore ways to strengthen collaboration with its sister agencies in Rome and its partners at the country level.

Towards a new strategic role

IFAD's Seventh Replenishment exercise increased the resources it can commit to rural poverty reduction. Over the replenishment period, it plans to commit about US\$2 billion for development projects and programmes, which is expected to leverage an additional US\$3 billion or more including domestic and international cofinancing. Its resources will be allocated according to the performance-based allocation system agreed under the

Sixth Replenishment. It will have about 230 projects under, or approved for, implementation at any given time. It will operate according to an undertaking that the ratio between its administrative budget plus the Programme Development Financing Facility and the programme of work should not exceed 17.1 per cent. The challenge is to put these together to substantially raise its development effectiveness and, above all, its impact and contribution to rural poverty reduction.

In order to achieve this, IFAD will change. In a rapidly changing world, the activities it supports will evolve, through focused and systematic innovation in what it was set up to achieve: strengthening the agriculture-based livelihoods of poor rural people in developing countries. Country programmes will lie at the heart of its activities. These will be tailored to the very different conditions and levels of economic development found across four continents; but they will all be country-led and harmonized with other donor assistance. IFAD will ensure that its operations are at the cutting edge of good practice, and will turn its experience into knowledge that it can share with its partners. It will draw on the strengths of country partners and other international development agencies, and it will work with them to scale up the lessons learned in its project-based work into national systems and policies. It will selectively engage in evidence-based policy dialogue on key issues relative to rural poverty reduction, and it will empower organizations of poor rural women and men to gain policy influence.

As an organization, IFAD will be self-critical, and it will modify its internal systems and processes as necessary to respond to external change and enhance its development effectiveness. It will promote a management for development results focus both in its operations – as a key element of the aid effectiveness agenda – and throughout its management. It will explore the scope for new and diversified financing instruments if this proves necessary in order

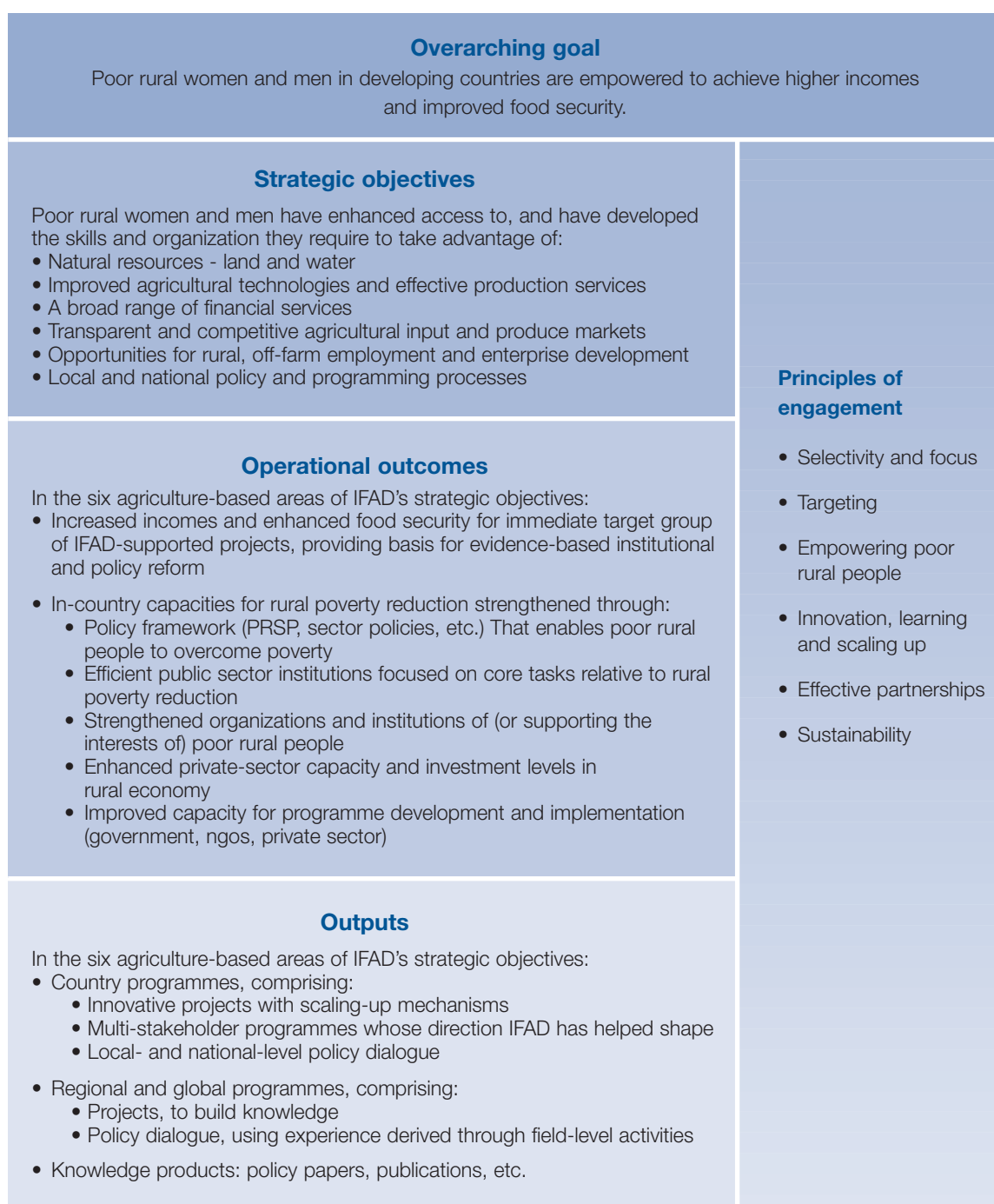
for it to innovate and better achieve development impact on the ground. It will develop its operational strategies, its business systems and its human resource profile in order to focus on, achieve and measure development results. Above all, it will change itself and be accountable to its members on the basis of results – objectively recorded and transparently communicated.

IFAD's development objectives

The hierarchy of development objectives (see figure 1) defines the overarching goal to which all IFAD's work is oriented; it articulates

a logical hierarchy that provides a causal link between its outputs and the achievement of that goal; and it lists a number of principles of

FIGURE 1
Hierarchy of development objectives



3

engagement that IFAD will apply in all its activities. It will serve as the point of departure for all IFAD's development efforts and for the elaboration of IFAD's results measurement framework – starting at the corporate level and cascading down to country programmes and project-level results planning, measurement and reporting.

IFAD's overarching goal is that rural women and men in developing countries are empowered to achieve higher incomes and improved food security at the household level. To achieve this, IFAD must realize its strategic objectives – ensuring that poor rural women and men have enhanced access to, and are able to effectively use: natural resources, improved agricultural technologies and production services, financial services, agricultural input and produce markets, opportunities for rural off-farm employment and enterprise development, and local and national rural policy and programming processes. This will require the realization of two linked operational outcomes – described in terms of increased incomes and enhanced food security for the immediate target group of IFAD-supported projects, and strengthened in-country capacities for rural poverty reduction. These in turn will result from the outputs – the services and products – that IFAD will deliver to its Member States.

Overarching goal

IFAD's overarching goal is that poor rural women and men in developing countries are empowered to achieve higher incomes and improved food security. The focus is above all on household-level food security, and on ensuring that poor rural people have access to enough food for a productive and healthy life. Empowerment of those people is the key to ensuring that their improvements in income and food security are sustainable. Improving country and global performance against this overarching goal will be IFAD's specific contribution to achieving MDG 1 – the eradication of extreme poverty, and its targets of halving between 1990 and 2015 the proportion of people whose income is less

than \$1 a day, and who suffer from hunger. IFAD will work for the achievement of its overarching goal in partnership with national and international stakeholders.

Strategic objectives

The conditions of poor rural people and of small-scale agriculture vary enormously – according to the level of economic development of the country, agro-ecological conditions and production systems, gender and social and economic characteristics. Nonetheless, a limited number of common factors constrain the ability of poor rural people to increase their incomes and improve their food security. IFAD's strategic objectives focus on these factors, by aiming to ensure that, at the national level, poor rural men and women have better and sustainable access to, and have developed the skills and organization they require to take advantage of:

- (a) Natural resources (land and water), which they are then able to manage efficiently and sustainably;
- (b) Improved agricultural technologies and effective production services, with which they enhance their productivity;
- (c) A broad range of financial services, which they use for productive and household needs;
- (d) Transparent and competitive agricultural input and produce markets, with which they profitably engage;
- (e) Opportunities for rural off-farm employment and enterprise development, which they profitably exploit; and
- (f) Local and national policy and programming processes, in which they participate effectively.

All of these strategic objectives focus both on enhancing the access of poor rural women and men to assets, services and opportunities, and on strengthening their skills and organization to enable them to take advantage of, and benefit from, the enhanced access. They broadly correspond to the

priorities defined in the rural sector assessment of IFAD's performance-based allocation system (PBAS). Most important, they reflect IFAD's understanding of the key issues for rural poverty reduction, based on its many years of operational experience, and as a consequence they represent areas in which IFAD has strong competencies. They provide a framework for engagement at the country level, as all IFAD-supported activities will focus on one or more of these strategic objectives – according to the importance of each of them in the specific country contexts found across the four continents in which IFAD works.

(a) Access to natural resources, and their management

IFAD will improve the access of poor rural people to productive natural resources, the security with which they can use and hold them, and the practices they use to manage and conserve them.

For poor rural people, lack of access to resources – agricultural land for crop production, water for irrigation, and common property resources such as forest, rangeland or fishing grounds – is one of the most defining features of their poverty. Access is determined not only by the finite amount of the resource available, but also by its distribution and the rules that govern its use. These governance or tenure arrangements, and the degree of security that they provide, are of critical importance. They govern, for example, the share of the crop that a tenant farmer must hand over to his/her landlord, or the period of the year that fishers can fish or pastoralists can graze their animals, or what happens to the land rights of a widow whose husband has died of AIDS. In a context of growing population densities, a breakdown of traditional natural resource governance systems, and the emergence of new commercially driven governance systems that give inadequate recognition to “secondary rights” of land use, there are ever more conflicts over resource access. In most cases, it is the poorest that lose out;

indigenous peoples are particularly vulnerable in this regard.

There is a close link between the way in which natural resources are accessed and retained, and the way in which they are managed. The better defined and more secure the tenure or use rights, the more sustainably those resources are managed. Yet tackling land degradation, or sustainably exploiting rangeland or fisheries resources, are also about improving management and conservation technologies and practices. Here, the issue is one of enabling farmers, pastoralists and fishers – many of them indigenous peoples – to build organizations to manage the resources effectively and generate an income stream that will provide for sustainable resource use.

(b) Improved agricultural technologies and effective production services

IFAD will promote the development and dissemination of improved agricultural technologies; the emergence of locally specific and demand-driven production services; and an improvement in poor farmers' access to technologies and services and their ability both to use them effectively for enhanced productivity and to hold service providers accountable to them.

There are very few places left in the world where the rural poor can expand the area they cultivate. The increases in agricultural production that are central to increased incomes and enhanced food security must come from intensification of their production systems and increased yields – of crops, livestock products or fish – per unit area. For this, poor rural people must have access to improved, locally appropriate technologies and production services. Taking the example of crop production, poor farmers must be able to access fertilizer and high-yielding, locally adapted varieties of seeds, as well as research and extension services that enable them to use those technologies in the most efficient way to respond to evolving demand and product standards. In today's world,

such services may be provided by government agencies, but in many situations they will be organized by other, non-government service providers. In all cases, they should be demand-driven, locally specific and accountable to farmers. Empowering farmers to articulate their demand to service providers and hold them accountable will be a prerequisite to achieving this. Sustainable yield increases also require that farmers develop their own agronomic skills to complement their own indigenous knowledge, and enabling them to conduct their own on-farm trials is critical.

(c) A broader range of financial services

IFAD will support both the emergence of vibrant rural financial sectors made up of a diversity of sustainable financial institutions providing a range of services to poor rural people, and the enhanced capacity and organization of those poor rural people to access those services and use them for a range of productive and household needs.

Poor rural people require a place where they can safely deposit their meagre savings. Yet in their efforts to diversify their incomes or raise agricultural productivity, they also need investment and working capital. With many rural households dependent on the remittances of family members, money transfer facilities are of huge importance in many parts of the developing world. Insurance services are also becoming important. Rural financial services remain underdeveloped, because the amounts involved are small and the poor lack collateral. Banks are usually not interested in lending to them, and while the microfinance institution (MFI) movement has been one of the development success stories of the past decade, there remains much still to be done to extend the outreach of MFIs in the rural areas.

Improving the access of poor rural people to financial services enables them to increase their agricultural production and start up or expand their microenterprise. A systemic approach is required, focusing on institutional

sustainability at all levels. At the retailer (“micro”) level, it involves supporting member-owned institutions, sustainable MFIs and the rural outreach of formal banks, as interlinked pieces in the rural finance sector. At the “meso” level, it implies promoting the financial infrastructure that enables retailer institutions to function properly and to scale up their activities (i.e. credit bureaux, rating agencies, professional associations and networks, etc). Finally, at the macro level, the establishment of an appropriate policy, regulatory and supervisory framework which offers security to their customers, and within which they can prosper, is also key.

(d) Transparent and competitive agricultural input and produce markets

IFAD will promote the development of competitive, transparent and extensive private-sector-led markets for agricultural inputs and products; and will strengthen the capacity and organization of poor rural producers to access and negotiate with market intermediaries, so that they can engage in markets on less unequal and more profitable terms.

The terms and conditions on which poor rural people are able to purchase inputs and sell their produce are critical determinants both of the viability of farm enterprises, and of the very composition of farm production systems. The governments of many developing countries withdrew from direct intervention in such markets more than a decade ago. While private-sector-led markets – local, national, regional and global – are gradually emerging to take their place, at the level of the farmer, they are often non-transparent and uncompetitive, or at worst exploitative. Many poor rural people, and particularly those in the most remote, most marginal areas, are poorly served by these markets.

Strengthened farmer organization is critical for improved access to markets, for negotiating more favourable terms of engagement, and for improving information flows. Efforts to

improve the market access of poor rural people must be based around specific products, and driven by an analysis of the value chain from producer to consumer. Often, the best way to secure better terms for poor farmers will be to support the market intermediaries with whom they have to deal. Physical infrastructure is also critical for developing links to the outside world, reducing transaction costs and improving the competitiveness of poor rural producers. New types of market information systems are emerging, and in many countries mobile telephony is having an extraordinary impact in terms of reducing the information asymmetries that small farmers face.

(e) Opportunities for rural, off-farm employment and enterprise development

IFAD will support the expansion in off-farm, agro-related, micro- and small enterprises (MSEs) as a basis for enhanced rural growth and employment opportunities for poor rural people, and the strengthening of their skills and ability to take up and profit from such opportunities.

More and more of the rural poor are dependent for their livelihoods on off-farm income sources to supplement their agricultural production or, for the increasing numbers of households with no access to land, as a replacement for it. While one response is for some family members to migrate away from the rural areas, another, adopted by increasing numbers of rural people, is to establish micro- and small enterprises. The range of MSEs that poor rural people engage in varies enormously, but typically they involve either petty trade or processing/manufacturing. Most are derived from agricultural production or the harvesting of natural resources; and in all regions they are of particular importance to women.

MSEs can be supported by strengthening access to rural financial services and building input and produce markets. Yet poor rural people are also constrained by a lack of

information about distant markets, new products and other opportunities. This is closely related to poor infrastructure, weak mass media and low levels of business skills. In many countries too, a poor regulatory framework, especially at the local level, inhibits the emergence of viable MSEs. All of these constraints need to be overcome if poor rural people are to broaden their livelihood base and increase their incomes.

(f) Participation in local and national policy and budgetary processes

IFAD will support the establishment of inclusive policy and budgetary processes relative to agriculture and rural development that give space to poor rural people, and it will strengthen their capacity to effectively participate in them at both the local and national levels.

Too often, the interests of poor rural women and men are neglected by local and national governments. In the worst cases, they actually lose out as a result of government policies or programmes that respond to the very different interests of more powerful groups. Strengthening the organizations of poor rural people, to enable them to engage more effectively in local and national policy and budgetary processes for agricultural and rural development, and to hold government authorities accountable for their actions, is critical for ensuring that policies and programmes respond to their interests and requirements.

These are not abstract concerns. In most developing countries PRSPs or their equivalents now provide a framework for poverty reduction. The processes for their development, and those of their constituent sector policies and strategies, typically offer space for civil society representation: the issue is to ensure that the representatives of poor rural people are at the table. Equally, many developing countries are engaging in decentralization processes. Yet the evidence suggests that there is nothing about decentralization that is automatically

pro-poor; indeed the contrary may be true, as local elites take the centre stage. Their power must be balanced to the extent possible by helping the rural poor to have a louder voice in local policy and budgetary processes and to hold local governments accountable for their actions.

Operational outcomes

To underpin the achievement of its strategic objectives, IFAD will work with partners to deliver two sets of operational outcomes. The first is one of increased incomes and enhanced food security for the immediate target group of IFAD-supported projects in the areas of the six, mainly agriculture-based, strategic objectives defined above. Such an outcome has always been central to IFAD's work, and it remains at its heart.

The second outcome, drawn explicitly from the aid effectiveness agenda, is a strengthening of in-country capacities for agricultural and rural poverty reduction. IFAD cannot itself reduce rural poverty at the national level. It can be done only by local stakeholders through national processes. IFAD's objective is to ensure that they have the tools and a supportive policy and institutional environment that enable them to raise their own food security and income. IFAD will therefore use the projects and country programmes it supports, the regional and international policy dialogue in which it engages, and its other knowledge products as a basis for strengthening national capacities for rural poverty reduction (in the areas of thematic focus defined above); and it is these national stakeholders – governments, farmers' organizations, civil society and the private sector – who will enable poor rural people and their organizations to gain access to the assets, services and opportunities they need for overcoming poverty. This approach is central to IFAD's vision of its role, and a vital prerequisite for sustainability in development. Achieving this systemic outcome must involve all development actors in rural development, and to support its achievement IFAD will play an active role

in country-level coordination and collaboration mechanisms. Close collaboration with FAO will be of particular importance in this regard.

These two operational outcomes are of course closely linked. If IFAD is to use its country programmes and other outputs as a basis for bringing about systemic, national-level change, then it must be able to demonstrate that the approaches and methodologies it advocates are relevant, effective and efficient; and this requires that those outputs have a development impact at the local level. Conversely, strengthened national capacities for rural poverty reduction are to a large extent a prerequisite for the projects financed within IFAD's country programmes to have a positive development impact on their target group of poor rural people. These national capacities include the following.

Enabling national policy frameworks

All IFAD's engagements will be designed either to fit within and support already-existing national policy frameworks, or to contribute to the strengthening or reform of those policy frameworks. In most poor developing countries, PRSPs or similar provide the overall policy framework for national poverty reduction efforts. Yet this is by no means the only entry point, and it is at the level of agricultural or rural development sector policies and strategies that IFAD will usually be able to add most value. It will contribute to national policy dialogue and inter-agency policy discussions so as to both support sector-level policy processes and outputs, and strengthen the link between these and the PRSP; and in all cases it will work to promote a focus on the agriculture-related issues of rural poverty. In advocating for policy change, it will also promote stronger representation of the interests of the rural poor by their own organizations and civil society groups.

Efficient government institutions

In the context of the projects and programmes it supports, IFAD will work

with governments and their development partners to strengthen the capacities and competencies of public-sector institutions for effectively promoting rural poverty reduction and responding to the agricultural and other needs of poor rural women and men. In some cases, this may involve assisting governments to redefine the role and the core functions of public-sector institutions for agriculture and rural development: where they exist, multi-stakeholder sector-level programmes will be the point of reference for such efforts.

An important element of IFAD's work with government institutions will be to promote good governance for rural poverty reduction: transparency, responsiveness and accountability in the planning, financing and provision of public-sector services. Corruption affects poor rural men and women disproportionately, and a particular consideration for IFAD will be the prevention of corruption as it affects this group (as per its 2005 Anti-corruption Policy). In partnership with other development stakeholders, IFAD will support national-level governance systems and procedures; and where these are strong it will fully embrace them for the management and oversight of development resources. Although decentralization of authority and responsibility for public functions is an important precondition for increased accountability of governments to their citizens, the benefits of decentralization can easily be captured by local elites. IFAD will support government efforts to decentralize, and to develop an enabling institutional framework for poor rural people to organize into groups or associations, and to create space for a dialogue with them on key rural issues.

Strengthened organizations and institutions of poor rural people

In enabling poor rural people to improve their livelihoods, a critical dimension of IFAD's work will be to support their organizations – both formal and informal. They enable poor rural people to learn

together and share knowledge, to engage with service providers and markets, to manage common resources, or to engage in consultative policy development. Learning from past experience, IFAD will focus particularly on supporting organizations and institutions built independently by poor rural people themselves, rather than on constructing new ones. Such is the importance of involving poor people's organizations in effective and sustainable responses to rural poverty that their involvement in the design and implementation of activities will be a key dimension of operations supported by IFAD.

IFAD's past support for poor people's organizations has been mostly at the local level. In future, it will also support national (and regional) farmers' organizations, to enable them both to link up better to the local organizations and to engage in national-level policy dialogue. IFAD will not only support the organizations of poor rural men and women, but also those NGOs and civil society bodies working closely with the rural poor and assisting them to build those organizations.

Increased private-sector investment in rural areas

In the rural areas of developing countries, the smallholder farmer, the small-scale produce-trader and the multinational agro-processing company all form part of the private sector. Stimulating private-sector investment in rural areas, and ensuring that it works to the benefit of poor rural people in IFAD's key areas will be one of IFAD's key operational outcomes. Guided by its 2005 Private-Sector Development and Partnership Strategy, IFAD will work with a range of upstream and downstream market intermediaries – national rather than international wherever possible – and help them to reduce their risk and transaction costs, access sources of financing, build their capacity and outreach, and participate in national processes for policy development.

Enhanced capacity for rural programme development and implementation

Development resources are actually brought to bear to tackle the issues faced by poor rural people through programmes. Enhancing the capacity of all national stakeholders – be they government agencies, NGOs, private-sector service providers, or of course organizations of poor rural people – to formulate, manage and implement national programmes for rural poverty reduction in the key thematic areas will thus be an important operational outcome of IFAD's work.

Outputs

Outputs represent the tools – services and products – that IFAD will use to achieve its operational outcomes defined above. These include its country programmes, its regional and global programmes, and its knowledge products.

Country programmes

IFAD's principal output will be the country programme: a coherent, mutually supportive set of engagements designed to operationalize the corporate hierarchy of development objectives in the specific national conditions and context. Articulated through the results-based COSOP, the country programme will be located within, and be supportive of, the government's priorities and policies, institutions and programmes for rural poverty reduction; it will respond to the Paris aid effectiveness agenda and support United Nations country-level reform initiatives; and it will focus selectively on the achievement of a limited number of results, derived from the six strategic objectives of the Strategic Framework 2007-2010 and the national PRSP or equivalent. Typically, it will comprise some or all of the following elements.

Innovative projects with learning and scaling-up mechanisms. Support for the development and implementation of targeted projects, aimed at enabling the rural poor to overcome poverty, has always been at the

heart of IFAD's operations. It will continue to be so. Through both loan- and grant-financed projects, IFAD will seek to play the role of innovator – exploring approaches, institutional mechanisms or technologies that are new and untested within the specific context within which they are being applied, and that can be adopted and scaled up by other development partners less focused on elaborating new development options. Such an approach may be particularly appropriate in middle-income countries, where IFAD's value added will increasingly be one of innovation rather than financier. Yet if IFAD is to have a substantial, and above all catalytic, role in terms of rural poverty reduction at the national level, it is clearly no longer enough for the project impact to be limited to the direct beneficiaries, and all projects will have built-in mechanisms for learning and feeding the lessons learned into national policy or programmatic frameworks.

Multi-stakeholder programmes whose direction IFAD helps to shape. In an increasing, though still limited, number of countries, IFAD is likely to be engaged in larger, multi-stakeholder programmes, including agricultural SWAps (engagement in which will be guided by the 2005 IFAD Policy on Sector-wide Approaches for Agriculture and Rural Development). IFAD will participate in such programmes where it can add value to them and influence national policies and strategies. In such cases, it will articulate ex ante the specific value it will add and the mechanisms it will use for doing so. Participation will not be to the exclusion of project-based activities, however; and in all countries in which IFAD does participate in such programmes, it is likely that it will also be engaged in other loan- and grant-financed activities.

Policy dialogue with national governments. Drawing on the experience and lessons that IFAD has learned globally and in-country, policy dialogue will represent an increasingly important element of the country programme approach. IFAD's engagement will be focused

on – and limited to – the key issues affecting poor rural people in the thematic areas of focus defined above; and, wherever possible, IFAD will engage through the established sector-level mechanisms for policy dialogue between national governments and their development partners. At the same time, IFAD will also strengthen the capacity of organizations of poor rural people so that they can gain direct policy influence.

Regional and global programmes

The main element of IFAD's regional and global programmes has been its grant-financed projects. IFAD has long supported the work of the international agricultural research centres. Its 2003 Policy for Grant Financing broadened the grants programme, to focus not only on promoting pro-poor research on innovative technologies and approaches, but also on building pro-poor capacities of partner institutions, including NGOs and community-based organizations. Regional and global projects provide an important mechanism for IFAD to promote innovation and knowledge-sharing, build capacity, and develop partnerships at a broader level. It will continue to support them, ensuring that they strengthen country programmes and contribute to the achievement of the operational outcomes defined above.

IFAD will also engage in regional and global policy dialogue, through its participation in forums focusing on issues relevant for rural poverty reduction. Its contributions will draw upon its field-level experiences, policy documents and other knowledge products; the prime objective will be to build global understanding of how best to address key issues at the national level. IFAD will also support the participation of its partners – particularly governments and organizations of poor rural men and women – to enable them to contribute to such dialogue. Examples include IFAD's work in Latin America, where it has catalysed the establishment of a special forum within the Southern Common Market (MERCOSUR) to promote dialogue between

national governments and farmers' organizations, and its support for regional platforms of farmers' organizations to enable them to participate in the negotiation process for economic partnership agreements between the European Union and African, Caribbean and Pacific countries.

Knowledge products

IFAD will also include knowledge products among its outputs. These will include policy papers, books, publications, short films, broadcasts and website entries; all will be aimed at disseminating the knowledge that IFAD has accumulated both within the organization and to a range of external stakeholders, and at contributing to the development of a more supportive environment for its goal of reducing rural poverty.

Principles of engagement

In pursuing the hierarchy of development objectives defined in section 3, IFAD will apply a number of principles of engagement: selectivity and focus; targeting; empowering poor rural people; innovation and scaling up; effective partnerships; and sustainability. All of them are central to IFAD's identity and understanding of its role in contributing to global efforts to reduce poverty; and they will guide the organization in defining both what it will do, and how it will do it. And as principles, they will apply to all IFAD's country programmes.

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Selectivity and focus

IFAD's mandate, experience and comparative advantage lie in a defined set of thematic areas related to its strategic objectives. These revolve principally around carving out better economic opportunities for poor rural people in agricultural production, marketing and transformation. It will focus its activities on, and direct its resources to, these areas only. It will not work outside the rural areas, and it will work with non-poor actors within the rural economy only to the extent that doing so brings real benefits to poor, vulnerable and hard-to-reach groups.

IFAD is not mandated to provide relief: its poverty reduction mandate does not extend to the provision of food and shelter. In the context of emergencies, it will aim to enable affected rural populations to recover their economic and social assets, and will be guided by the IFAD Policy on Crisis Prevention and Recovery. IFAD will coordinate and collaborate with United Nations and other agencies that provide emergency and humanitarian relief, but it will not duplicate their efforts.

Equally, IFAD has neither a mandate nor expertise in the provision of social services. It has no comparative advantage in the areas of health, formal education and potable water supplies – all of which are fundamental to rural development. Investments in these areas will usually be funded by project cofinanciers, by other institutions with a comparative advantage in these areas, or under relevant sector-wide programmes. IFAD resources will be used to finance social service infrastructure only in response to the defined priorities of local communities, where the facilities are limited in scope and critical to the achievement of the larger project objectives, and where the mobilization of partners more specialized in these activities proves impossible.

Within the context of the aid effectiveness agenda, the World Bank and a growing number of bilateral agencies are using general budget support as a mechanism for disbursing their resources. IFAD's mandate, experience and core areas of competence lie in the area of agricultural and rural development; and – working always in close partnership with national and institutional partners – its resources must be used exclusively to achieve specific and defined ends in that sector. It will engage in policy dialogue only in the areas of its competence in agriculture and rural development, and it will not use general budget support as a means for disbursing its resources.

Targeting

An understanding of rural poverty and a focus on targeting are critical to IFAD's identity and to its very *raison d'être*. In accordance with its 2006 Policy on Targeting, it will ensure that it addresses these issues systematically in all its work.

IFAD's mandate defines its target group as rural people living in poverty and food insecurity in developing countries. Within this broad group, it strives to reach the extremely poor people, as defined by MDG 1 (those living on less than \$1 a day), who have the potential to take advantage of improved access to assets and opportunities for agricultural production and rural income-generating activities. In practice, IFAD's target groups will vary according to local conditions. The MDG threshold for extreme poverty is a relevant indicator in much of Africa and parts of Asia; it is much less useful in other regions. In some countries, IFAD will work with the very poorest and most vulnerable people in rural areas; in others, the poorest may be beyond the reach of the instruments IFAD has at its disposal, and more appropriately targeted by other agencies offering emergency or humanitarian relief. In some countries, there may be pockets of poverty – often geographically or ethnically determined – within rural economies in which poverty has been largely overcome; in others, poverty will be the mainstream, the condition of the majority of people in rural areas. In some countries, poor people live mainly in marginal areas; in others, they are mostly in medium- to high-potential areas.

So there will be differences, but there will also be commonalities. In all countries, IFAD will support people who are not only very poor, but whose livelihoods are vulnerable to the effect of external shocks, such as family illness or drought; and who, in one way or another, are hard to reach. It will support poor rural people as smallholder farmers, pastoralists, fishers and landless wage labourers. It will work with those whose economic livelihoods are dependent on crop production, on livestock, on fishing, on the harvesting of forest products, on agro-transformation and processing, and on petty commerce.

For development efforts to be effective, differences in gender roles and responsibilities need to be taken into account; and across all these groups IFAD will focus particularly on women, not only because they have significantly less access than do men to assets and services – and less voice in public decision-making, but also because addressing these inequalities and strengthening the capacity of rural women to perform their productive roles more effectively has a major impact on poverty reduction and on household food security. In parts of Africa, orphans and child-headed households may be a significant part of IFAD's target group. In Latin America and Asia in particular, IFAD will build upon its valuable experience and success in targeting and engaging with indigenous peoples and ethnic minorities, who are not only among the poorest in their countries, but also play an important role as custodians of the world's biodiversity and providers of environmental services.

IFAD's targeting strategy in specific countries is increasingly informed by PRSPs and governments' own understanding of rural poverty. At the same time, IFAD's own experience at targeting poor rural people is an important element in its policy dialogue with governments in the design of their rural poverty reduction programmes; and part of IFAD's objective in participating in multi-stakeholder sector-level programmes will be to ensure that the policies and resources are targeted at poor rural people and their real problems, and that the implementation processes provide for the full participation of that target group.

Empowering poor rural people

IFAD's approach to rural poverty reduction is built upon a focus on people, and a mission that poor rural women and men should be enabled to overcome poverty themselves. For IFAD, it is a prerequisite for sustainable economic development; and it provides the basis for all that IFAD does at the country level.

Enabling poor rural people requires that they are assisted to build their individual and collective capabilities. Individually, they need to develop a range of skills to pursue their own economic agenda. Yet individually, poor rural people remain marginalized; acting together they gain strength. Through organizations that they have freely formed, they gain the collective capacity to manage assets, access economic services and opportunities, and engage in local policymaking processes, as well as the sheer confidence to negotiate with service providers, market intermediaries and government officials. IFAD collaborates with a range of local rural organizations and institutions: some involve entire communities, some involve farmers only, and some involve particular groups such as women, youth or indigenous people. Some are formal, others informal: they include water users' associations; community organizations for managing rangeland, forest land or fishing waters; farmers' field school or extension groups; village banks and member-owned financial institutions; commodity associations, marketing and business groups. And increasingly, IFAD's work with local-level organizations is being complemented by support for national and regional organizations of poor rural people: the Farmers' Forum convened at IFAD's Governing Council is one element of that engagement.

Building the capacities and expanding the capabilities of poor rural women and men, individually and collectively; assisting them to develop and strengthen their own organizations and communities; and in this way empowering them in their economic relations with the world around them, is central to IFAD's approach to rural poverty reduction and will be one of the most important principles of engagement in its country programmes.

¹ In many countries, scaling up and policy dialogue will be at the national level. In other, larger Member States, it is recognized that scaling up is more likely to be realized at the level of the province or state.

Innovation, learning and scaling up

In most countries in which it operates, IFAD's role lies in working with national governments, with in-country and international partners and, above all, with poor rural people and their organizations, to develop and test innovative and locally tailored approaches for rural poverty reduction – approaches that can be used as the basis for raising the effectiveness and targeting of national programmes that mobilize large-scale national and international resources. All interventions within IFAD's country programmes will be expected to innovate, by exploring methodologies, institutional arrangements or technologies that are new in the context in which they are applied by either government bodies, national and local partners, or poor women and men and their organizations.

The projects that IFAD supports cannot alone achieve a decisive reduction of rural poverty. For broader impact, it is critical that innovation at the local level becomes a lever for change on a larger scale. This requires enhanced learning systems within projects, better management of in-house knowledge, and explicit mechanisms to feed the lessons learned to the higher level; and all of these will be facilitated by IFAD concentrating its efforts on a limited number of thematic areas in which it can truly add value relative to others. In some countries, the mechanism for exerting that leverage will be the scaling up of project activities across a larger geographical area through partnership with government and/or other donors; in others, the lessons learned will feed directly into national policy and strategy development processes or multi-stakeholder sector-wide programmes.¹ In all cases, the key to influence will be long-term and strategic partnerships. This process of innovation and scaling up is central to the vision of IFAD's role; country and project strategies will explicitly articulate how both objectives will be achieved.

Effective partnerships

IFAD was established to focus more attention and resources on food insecurity and rural poverty. From the start, it was expected to work through partnerships with national governments and international organizations. IFAD's contribution to these partnerships has increased over time, and the principle of partnerships has remained at the core.

Today, partnerships are a key element of the aid effectiveness agenda, and while IFAD's partnerships with national stakeholders – and particularly with governments, NGOs and farmers' organizations – are strong, its relations with other international agencies at the country level need to be further developed. Although it has specific functional partnerships with some agencies through cofunding mechanisms, in part because of its lack of field presence, it has not generally had as much engagement as is needed today with other agencies outside these specific arrangements.

Recognition of what can be achieved through partnerships is critical to an evolving understanding of what is an appropriate and effective role for IFAD to play within the international development community as a whole. To this end, IFAD will maintain an active dialogue with FAO and WFP, and with the World Bank and the regional development banks; and it will collaborate with these agencies wherever synergies can be achieved.

Working more systematically through partnerships will be a priority for IFAD, and it will review its own ways of working so as to become a better partner for others. It will participate more actively in partnerships established by the international development community, and it will itself assemble and manage partnerships that bring together the best available capacities to build successful operations. Where necessary, it will look to strengthen the orientation of its partners – both national

and international – to address key rural poverty issues: by scaling up approaches tested in the projects it supports, through policy and institutional dialogue, and through sector-wide programmes where this is the most efficient way of achieving its objectives. In its operations, IFAD will work increasingly with other development agencies, not just to cofinance projects, but to support nationally owned and led approaches to rural poverty reduction. This it will do both in-country, through existing mechanisms for donor coordination and policy dialogue, and at the institutional level. The strategic and operational partnerships established with the World Bank, the African Development Bank, and the International Food Policy Research Institute (IFPRI) and other member organizations of the Consultative Group on International Agricultural Research are all important examples of the latter.

Sustainability

Ensuring that the institutions supported through projects and the benefits realized are maintained and continue after the end of the project implementation period is difficult, and all international development agencies have found it a challenge to achieve sustainability through their interventions. Yet without sustainability it is not possible to claim lasting impact in terms of rural poverty reduction. IFAD will therefore give more explicit attention to the issue in all projects and programmes. This will require attention in a number of key areas.

It will improve the quality at entry and the project implementation review process, to ensure the achievement of development impact and, through that impact, the transformation of rural economies – this is a prerequisite for sustainability. In some cases sustainability will require continued IFAD involvement beyond the typical project lifespan; and follow-up projects, generally scaled up, will become a more important component of the portfolio. IFAD will conduct environmental assessments

wherever necessary, to ensure that the projects it finances promote the sustainable use of natural resources. It will foster national leadership over the projects it supports by governments and other local actors, and by fitting its engagements squarely within existing national policy and strategic frameworks and ensuring that they contribute to their further development. Above all, it will ensure that projects and programmes are based upon ownership by poor rural women and men themselves. This means that they must be involved in defining and implementing the projects supported; and it requires that they are enabled to develop the skills, the knowledge and the organizations they need to manage their resources, enhance their agricultural productivity, and engage effectively and more profitably with market intermediaries and service providers beyond the life of the projects. Capacity-building will thus be a critical element of most IFAD-supported projects.

Recognizing that projects are means rather than ends, IFAD has moved beyond the concept of “participation” by poor rural men and women in the agendas of others; and, instead, it supports the development of their own independent organizations as a means to enabling them to achieve sustainable improvements in income and food security. Where possible, projects will support already-existing organizations of poor rural people. New organizations require a considerable period to become sustainable and a clear plan of transition to achieve this; if established only to capture or distribute project hand-outs, they are unlikely to ever become sustainable.

Delivering the strategic framework

Mainstreaming management for development results

Management for development results (MfDR) is a management strategy focused on development performance and on sustainable improvements in country outcomes. It provides a coherent framework for development effectiveness in which performance information is used for improved decision-making, and it includes practical tools for strategic planning, risk management, progress monitoring and outcome evaluation.² MfDR is being applied at many levels and in many contexts, at the national level, in sector programmes and projects, and within and across development agencies. It is something that IFAD is committed to adopting, both in its programmes, as a key element of the aid effectiveness agenda, and within the organization.

Strengthening IFAD's organizational effectiveness is critical to achieving improved in-country development results. This involves adopting a development results orientation within all its departments, both operational and support, and ensuring coherence between IFAD's country-level activities and the management of its budget, human resources and internal processes. Above all, it demands that all managers and staff focus on managing performance and reporting on it in terms of their contribution to IFAD's development results. Mainstreaming MfDR within IFAD will thus be a medium-term undertaking, requiring sustained effort and "learning by doing", as well as a major cultural change. All managers and staff in all units will need to understand how their work can contribute to IFAD's development results, orient their work towards the achievement of them, and be prepared to be held accountable for achievements. Promoting

such a shared understanding will be a key task for IFAD's managers.

At the same time, ensuring that results systems are comparable with other organizations will be critical for partnership development and for enabling IFAD's experience to be relevant to and replicated by others. IFAD will thus ensure structural and procedural alignment with these organizations in its planning and performance management system. Yet it must also ensure that the new structures and procedures add value and consistency to its work, while not limiting its ability to be proactive and innovative.

Managing for development results at the country level

At the country level, the principal mechanism for operationalizing the Strategic Framework 2007-2010 and its hierarchy of development objectives will be the new operating model. Designed as the main operational instrument to pursue the goals of the Action Plan, it defines an approach for managing for development results at the country level. It is based on a new country programme approach, which is itself founded on the introduction of results-based COSOPs; of country programme management teams – in some cases revolving around field presence – for supporting impact achievement at the country level; of new flexible modalities for project supervision; and of more systematic attention to knowledge management and innovation.

The results-based COSOP will define and contextualize country programmes, and the specific engagements that make up the programmes, within the unique situation of each country. Not only will it serve to operationalize the hierarchy of development

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² Source: "Emerging Good Practice in Managing for Development Results, Source Book", OECD/World Bank, 2004.

objectives (HDO), at the same time the HDO will also provide the parameters within which all country programmes will be developed. All results-based COSOPs will focus on those elements of the HDO that are critical for rural poverty reduction in that particular country – and at all its levels, and none will work outside the parameters that it sets. The results-based COSOP will include a country-specific results measurement framework, with a hierarchy of objectives and a multi-level set of indicators and targets. While these will reflect and conform to corporate priorities, the specific country-level indicators will be defined in terms of the country context and national monitoring systems. It is thus the measurement of achievement at the country level that will provide the basis for the measurement of results at the corporate level.

Country-level achievements will be reported on a regular basis by the country programme management teams for each level of the country-specific results measurement framework, drawing on national poverty diagnoses and statistics, annual progress reviews with country stakeholders and partners, evaluation reports, the Results and Impact Management System (RIMS), project monitoring and evaluation reports, and supervision reporting. A synthetic overview of country programme achievements will be regularly presented to the Executive Board in the report on IFAD's development effectiveness.

Organizational planning and management processes

The HDO will determine the content and focus of IFAD's operations. It will shape the country programmes, articulated through the results-based COSOPs, as well as IFAD's regional and global programmes. It will also provide the basis for the definition of the corporate results measurement framework. Within and across the organization the main mechanism for operationalizing the strategic framework will be the Corporate Planning and Performance Management System

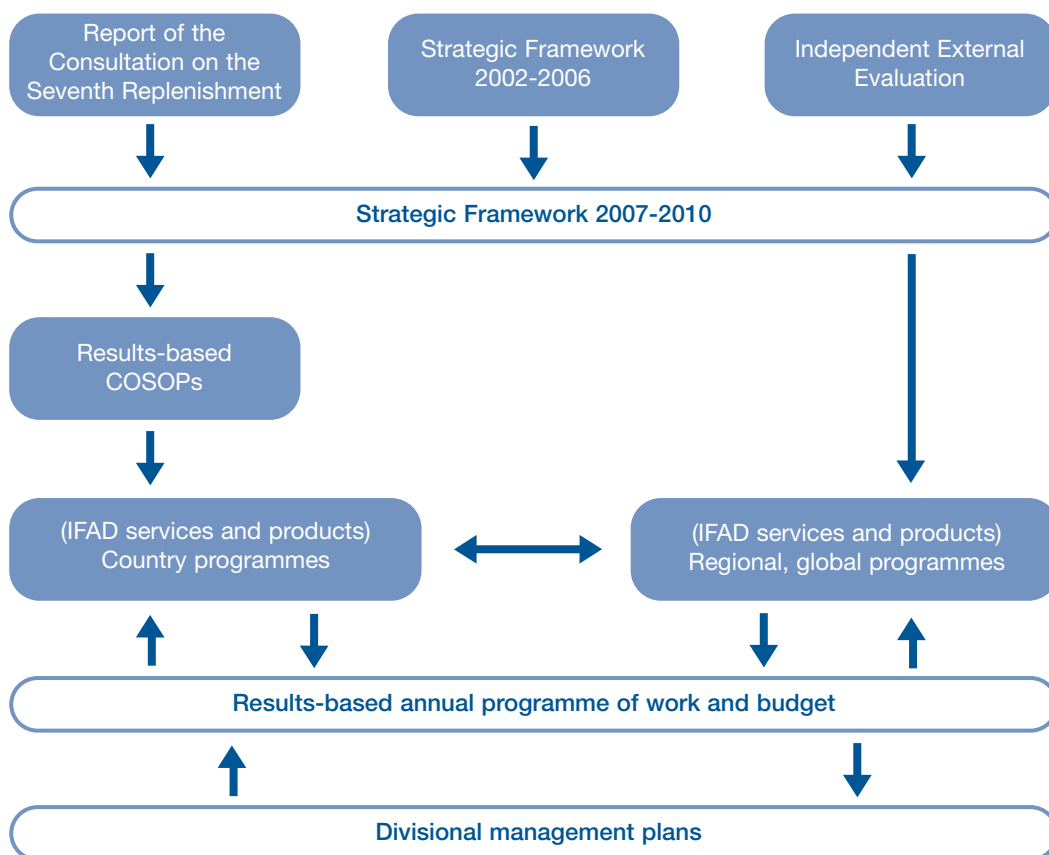
(CPPMS) – a series of tools and processes that aim to better focus, align and manage the quality of the work IFAD performs in order to deliver the products and services that will ultimately lead to improved development impact (see figure 2). If the HDO describes what IFAD will do, the CPPMS will articulate how it will be organized internally to ensure that all that it does adds maximum value to country-level operations. The Action Plan has established three development effectiveness targets for IFAD to realize by 2009 in the areas of project relevance, project effectiveness and project efficiency. These constitute the starting point for the CPPMS. Beginning in 2007, this will be used to create a results orientation at all levels and across all units within the organization – not only those working directly on development operations, but also the other units who make those operations possible. It will also lead to it aligning its resources (human and financial) with the development effectiveness targets, strengthening its capacity to proactively monitor and manage performance, and instilling a culture of accountability for results.

Derived from the development effectiveness targets, a series of corporate management results are being defined, each of them with key performance indicators (KPIs). Some of these are operational in focus but, reflecting the critical importance of non-operational areas of the organization in contributing to better operational performance, a number of them have also been identified for IFAD's institutional support systems. Many of the KPIs are drawn from the Common Performance Assessment System (COMPAS) initiative implemented by the five main multilateral development banks.³ The alignment with the COMPAS is a critical feature of the system, as it will permit comparison and benchmarking with similar organizations, further contributing to improve IFAD's performance.

Results-based divisional management plans will strengthen performance by better

³ Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank.

FIGURE 2
Operationalizing the Strategic Framework 2007-2010



aligning workplans from the individual to the corporate level with IFAD's development effectiveness targets, and by better prioritizing activities to achieve them. In addition to strengthening vertical alignment, the processes supporting the preparation, management and monitoring of the divisional management plans will ensure strengthened horizontal collaboration and alignment between divisions across IFAD and forge a coherent and focused thrust for better results on the ground.

Also integral to the CPPMS, IFAD's results-based annual programme of work and budget (POW/B) will represent the aggregation of, on the one hand, all of IFAD's services and products to be financed – loan and grant-financed projects and programmes at the national, regional and global levels – and, on the other, all the divisional management plans and the

expenditures required (administrative and of the Programme Development Financing Facility) to fulfil them and deliver the planned services and products. Thus the divisional management plans are on the one hand a key input into the POW/B, and on the other, the tool used to realize activities financed from the approved POW/B.

Measurement of IFAD's overall performance at the corporate, country, project and organizational levels will be undertaken within a single, coherent results measurement framework. This framework, to be elaborated during 2007, will bring together and simplify already-established results systems, using information from an externally oriented system of monitoring and evaluation platforms at the country level aimed at recording progress against IFAD's hierarchy of development objectives, and an internally oriented system of measurement

tracking how well internal resources are being used to deliver quality products at the most economical cost. Targets and information sources will be defined for all key indicators and, where appropriate, performance will be benchmarked against that of comparable organizations.

Managing quality

Strengthening project quality

For IFAD to achieve its objectives of influence and scaling up, it must demonstrate a consistently high quality of project design. The improved internal quality enhancement system that is distributed throughout the new operating model will be strengthened, to ensure that timely advice is provided for improved project design and implementation performance. By ensuring that key quality standards are met and improving the quality enhancement business processes, the strengthened quality enhancement process will provide upfront guidance to design teams and allow accelerated upstream decision-making. At the same time, and drawing on the experience of other international financial institutions, IFAD will develop a complementary, independent quality assurance system. This will be used on the one hand to assess project readiness, core risk factors and policy compliance, using measurable indicators that give clear guidance for improving project quality, and on the other to review its quality enhancement processes and identify areas where improvements are needed. The objective is to build systems for quality enhancement and assurance that contribute directly to improved project design and supervision, rather than to dedicate scarce resources to creating a new ex post checking system for project quality alongside those which already exist.

Improved policy guidance and knowledge management

While IFAD will continue to promote locally developed, country-specific programmes, it will ensure that these are supported and guided by the relevant knowledge and

experience of the organization and its strategic partners. IFAD will develop and disseminate operational policies and guidelines in all of the main areas of the Strategic Framework 2007-2010, and will monitor their application. These policies will provide both a guide to operational staff – with staff being accountable for ensuring consistency with those policies – and an indication to country-level partners of the possible areas of collaboration.

The corporate policy process will draw on and be complemented by a strengthened knowledge management system, which aims to shape IFAD as a knowledge-sharing and innovative institution, and a centre of excellence for rural poverty reduction. Within the framework of its knowledge management and innovation strategies, IFAD will concentrate on building and mobilizing internal and external knowledge networks to capture and stimulate the best and most innovative thinking and experiences within its areas of thematic focus. It will achieve this through: a focus on, and a culture of, knowledge management and innovation; robust processes for learning and sharing; collaboration at all levels for fostering exchange and learning; enabling knowledge tools; staff with relevant competencies and attitudes; and measures to gauge impact.

Managing resources

Focusing financial resources and raising efficiency

IFAD will monitor, and seek to maximize, the proportion of the total administrative expenditures dedicated to development operations. This will imply a change of emphasis in both financial and staff terms. It will also focus its expenditures on activities where it has most to add, better complementing the growing national capacities for project design and supervision. In seeking cost savings, IFAD will benchmark its process costs with comparable organizations, assisting the establishment of precise targets. It will also explore opportunities for outsourcing the delivery of

non-core services and for sharing services with the other Rome-based agencies, where these can lead to reductions in costs and improvements in quality. Efforts to focus resources and raise efficiency will be complemented by measures to free up resources by closing non-performing loans and grants.

Excellence in human resources

Ultimately, it is IFAD's staff who will have to deliver on the strategic framework. The effectiveness of IFAD's contribution to rural poverty reduction efforts will therefore depend on its ability to attract, retain and focus high-quality staff. IFAD will strengthen its focus on development results as a basis for human resource management, and it will develop a plan for better aligning its human resources with corporate strategic priorities. Reviews of staffing levels and competency requirements will provide the basis for many of the measures to be undertaken, which will include staff recruitment based on strategic competency requirements, redeployment, renewal and capacity development. This will be underpinned by further improvements to the staff performance evaluation system.

Managing risk

IFAD has made significant progress in recent years both in tightening up its internal procedures and controls and in establishing procedures to manage financial, operational and reputational risk. Improving quality at entry, strengthening real-time reporting on project achievements, evaluations of results by the Office of Evaluation, the new corporate planning and performance management system, and the new operating model are all contributing to a reduction in the risks of failure to achieve development results. Yet IFAD's role in exploring innovation inevitably exposes it to risk, and thus its emphasis will be on risk identification, assessment and management, rather than risk avoidance. The integration of risk management into IFAD's strategic planning processes through the Corporate Planning and Performance Management System will

support this at the institutional level while divisional management plans and results-based COSOPs will address country-level risks. The latter risks are substantial, reflecting the fact that IFAD operates in a particularly difficult sector with hard-to-reach groups, that it seeks to be innovative in its approach, and that it depends on others for scaling up its project experiences. IFAD's development effectiveness performance will thus always include a certain level of failure, which is a necessary corollary of its development role.

Communications

Raising the Fund's organizational effectiveness requires effective communication, both within the institution and to stakeholders beyond IFAD. Development of a higher level of teamwork across the organization needs a good common understanding of the contribution of staff and units to corporate objectives – as well as the ways in which they contribute to the efficiency and effectiveness of each other's work. IFAD will promote such a shared understanding, and it will strengthen two-way communication within the organization, particularly regarding progress with the Action Plan, mainstreaming of MfDR and other organizational changes. With IFAD's external stakeholders, effective communication is essential for partnership development, for policy dialogue, for learning and sharing, and for responding to the needs of poor rural people and their organizations. In order to improve its external communications, IFAD will develop and disseminate a series of user-friendly information products that describe its corporate objectives, its findings on innovative and sustainable approaches to rural poverty reduction, and its experiences with national, regional and global policy dialogue and decision-making. It will also ensure that basic common quality standards apply in all its communications.