

# IFAD Strategic Framework 2016-2025

Enabling inclusive and sustainable  
rural transformation



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# Acknowledgments

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## Abbreviations and acronyms

ARRI	Annual Report on Results and Impact of IFAD Operations
ASAP	Adaptation for Smallholder Agriculture Programme
CFS	Committee on World Food Security
COSOP	Country Strategic Opportunities Programme
FAO	Food and Agriculture Organization of the United Nations
ICO	IFAD country office
IFI	International financial institution
ILC	International Land Coalition
IOE	Independent Office of Evaluation of IFAD
MIC	Middle-income country
MSMEs	Micro, small and medium-sized enterprises
ODA	Official development assistance
PARM	Platform for Agricultural Risk Management
RBA	Rome-based agencies
RIDE	Report on IFAD's Development Effectiveness
RMF	Results Measurement Framework
SDG	Sustainable Development Goal
SECAP	Social, Environmental and Climate Assessment Procedures
SSTC	South-South and Triangular Cooperation
WFP	World Food Programme

# President's foreword

The IFAD Strategic Framework 2016-2025 is an articulation of IFAD's Strategic Vision for the same period, and for the first time embraces three replenishment periods (IFAD10, 11 and 12). It was prepared in 2015, a year of momentous change for international development marked by the adoption of the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda and the Paris Agreement under the United Nations Framework Convention on Climate Change. Together, these resolutely and urgently call for an end to poverty and hunger through stronger partnerships, policies and investments that promote economically, socially and environmentally sustainable development. Importantly, they recognize that smallholder agricultural development and inclusive and sustainable rural transformation are essential to meeting these commitments.

Realizing these commitments calls for ambition and bold action on everyone's part. This is the spirit with which IFAD's new Strategic Framework has been developed. Building on what it has accomplished over the last decade in transforming its business and financial model, expanding its programme of work, and improving the impact of its operations, IFAD is well positioned to play a larger role in the inclusive and sustainable transformation of rural areas and livelihoods.

Going forward, IFAD aims to maximize its comparative advantage in unleashing the potential of poor rural people by working in a way that is bigger, better and smarter. To do this, it will mobilize and leverage substantially greater investment in rural areas; strengthen the quality of countries' rural development programmes through evidence-based innovation, knowledge-sharing, partnerships and policy engagement; and deliver development results more cost-effectively.

As the development context is bound to change, this Strategic Framework will be periodically reviewed and updated during its 10-year lifespan to ensure that IFAD remains highly relevant throughout.

This Framework is the product of the drive and ideas of IFAD staff and Management, Member States and external partners, all of whom I would like to thank for their active role in its development.



KANAYO F. NWANZE  
President of IFAD

# Executive summary

IFAD's fifth Strategic Framework presents the overarching goal, principles of engagement, strategic objectives, outcomes and pillars of results delivery that will guide IFAD's operations over the 2016-2025 period. It situates IFAD in the evolving global context and articulates its contribution to the 2030 Agenda for Sustainable Development (Agenda 2030).

Agenda 2030 offers clear evidence that IFAD's mandate of investing in rural people and enabling inclusive and sustainable transformation of rural areas, notably through smallholder agriculture-led growth, is of absolute global relevance today and over the coming decade. After several years of growth and reform, IFAD is now recognized for its experience, knowledge and performance in this domain; it stands ready to achieve greater impact and it is well positioned to play a larger role in helping countries fulfil their priorities relative to Agenda 2030. For it to do so, it needs to work in a way that is bigger, better and smarter:

- **Bigger:** by mobilizing substantially more funds and resources for investment in rural areas;
- **Better:** by strengthening the quality of IFAD's country programmes through innovation, knowledge-sharing, partnerships and policy engagement; and
- **Smarter:** by delivering development results in a cost-effective way that best responds to partner countries' evolving needs.

IFAD is the only United Nations specialized agency and international financial institution focused exclusively on reducing poverty and food insecurity in rural areas through agriculture and rural development. It has

ample experience in contributing to and shaping national policies and programmes, and in providing investment vehicles for governments, other development partners and the private sector, with smallholder farmers, pastoralists, artisanal fishers and other rural people at their centre. It has succeeded in significantly expanding its programme of work while considerably improving the quality and impact of its operations.

Going forward, IFAD will continue to develop and innovate in its areas of comparative advantage and thematic focus as defined in this framework and its operational policies and strategies. Smallholder agriculture and rural development programmes will remain at the heart of IFAD's business, as it works to build the capacity, productivity and market participation of poor rural people, using approaches that promote economic and social empowerment. IFAD will also continue to focus on vulnerable and marginalized rural groups such as women, youth and indigenous peoples.

During the period covered by this framework, IFAD's overarching development goal will be to invest in rural people to enable them to overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods.

IFAD will pursue three closely interlinked and mutually reinforcing strategic objectives (SOs) to achieve its goal:

- **SO1:** Increase poor rural people's productive capacities;
- **SO2:** Increase poor rural people's benefits from market participation; and
- **SO3:** Strengthen the environmental sustainability and climate resilience of poor rural people's economic activities.

In turn, it will strive to achieve three main outcomes:

- Enabling policy and regulatory frameworks at national and international levels;
- Increased levels of investment in the rural sector; and
- Improved country-level capacity for rural policy and programme development, implementation and evaluation.

IFAD's work will consistently adhere to five principles of engagement: targeting; empowerment; gender equality; innovation, learning and scaling up; and partnerships. These principles are at the core of IFAD's identity and values, and cut across the delivery of all its development results.

Partnerships – both global and within countries – are key for achieving Agenda 2030. Given the magnitude of IFAD's agenda and the investments required for smallholder agriculture development and rural transformation, partnerships will continue to be central to its work.

In addition to strengthening successful existing partnerships and developing new ones, especially with partners with complementary areas of expertise, IFAD will continue to engage with the international development community to build support around global issues affecting rural communities. It will facilitate multistakeholder partnerships between governments, the private sector and small-scale rural producers, including through South-South and Triangular Cooperation. Collaboration with the Rome-based agencies will be of strategic priority.

The four pillars sustaining the achievement of IFAD's development results are its country programme delivery; knowledge building, dissemination and policy engagement; financial capacity and instruments; and institutional functions, services and systems. The delivery of high-quality and effective country programmes will be IFAD's direct means for achieving its objectives. However, ensuring that IFAD's development impact is bigger, better and smarter will also require

state-of-the-art knowledge and evidence, proactive engagement in international policy processes, mobilization of additional resources, diversification of financial products to cater to clients' evolving needs, and an effective and efficient institutional platform.

The Strategic Framework will be at the centre of IFAD's system for managing for development results. Performance will be measured through the results measurement frameworks (RMFs) agreed with Member States in the context of IFAD's replenishment consultations. Progress will be reported annually to the Executive Board and its Evaluation Committee in the Report on IFAD's Development Effectiveness (RIDE), and the Annual Report on Results and Impact of IFAD Operations (ARRI) produced by the Independent Office of Evaluation of IFAD.

# Introduction

## Purpose

IFAD's fifth Strategic Framework covers the period 2016-2025. It serves as an overarching policy guideline to provide direction to IFAD's work, and as a key instrument for consolidating IFAD's development effectiveness. The new framework builds on and reinforces many of the strategic thrusts of the previous one (2011-2015).<sup>1</sup> It responds to the evolving global environment and positions IFAD to play a crucial role in the inclusive and sustainable transformation of rural areas.<sup>2</sup>

The framework has four purposes:

- To situate IFAD relative to key development challenges and the larger global development architecture, and articulate its contribution to the 2030 Agenda for Sustainable Development (Agenda 2030);
- To define and present IFAD's overarching development goal, principles of engagement, strategic objectives, outcomes and pillars of results delivery;
- To orient the development of country strategic opportunities programmes (COSOPs) and IFAD-supported investment projects, global and regional grant funded programmes, and new policies and strategies;<sup>3</sup> and
- To provide overall coherence to IFAD's work and guide managers and staff across the organization to enable them to contribute more effectively to the Fund's overarching development goal and core results agenda.

Its 10-year time frame is a long one, and so to ensure its relevance amid changes in the broader development context, a midterm review will be carried out in 2020 to determine the need for any substantive reorientations.

## Main thrusts

IFAD's Strategic Framework 2016-2025 will cover a period in which there are good reasons for optimism, given what has been accomplished since the establishment of the Millennium Development Goals (MDGs). Extreme poverty has declined significantly over the last two decades: in 1990, nearly half of the population in the developing world lived on less than US\$1.25 per day; in 2015 only 14 per cent did so; and the numbers are now coming down in all regions. The proportion of undernourished people has fallen by almost half, from 23 to 13 per cent; and child mortality rates have declined by more than half, from 90 to 43 deaths per 1,000 live births. Huge numbers of people have moved into the "working middle class": this group now makes up half the workforce in the developing regions, up from just 18 per cent in 1991.<sup>4</sup>

# 1

<sup>1</sup> The Strategic Framework builds on several foundations: the current Strategic Framework 2011-2015 and existing thematic policies and strategies; a Strategic Vision for IFAD 2016-2025; the Report of the Consultation on the Tenth Replenishment of IFAD's Resources; a series of briefs prepared by IFAD as contributions to the Sustainable Development Goals negotiation process; and various self evaluations and independent evaluations, including by the Independent Office of Evaluation of IFAD (IOE); and analysis of today's global context for IFAD's work.

<sup>2</sup> IFAD's strategic vision for inclusive and sustainable rural transformation is elaborated on in section 3.

<sup>3</sup> As in the past, the COSOP and project design processes will continue to govern IFAD's engagement with its developing Member States, in-country partners, and target group in individual countries.

<sup>4</sup> United Nations, 2015. The Millennium Development Goals Report 2015.

However, considerable challenges remain. The actual number of people living in extreme poverty remains unacceptably high: 836 million in 2015.<sup>5</sup> In all regions, rates of poverty and hunger are higher in rural areas than in urban areas. In many countries, the gap between the haves and the have-nots continues to expand, and in some, the Gini index is well over 0.5. While many developing countries register robust rates of GDP growth, a lower percentage of the workforce is employed today than 25 years ago, and youth unemployment is a chronic and unresolved social problem as well as an economic loss. These challenges are exacerbated by problems of environmental degradation and by climate change, the impacts of which will be felt above all by the most vulnerable groups in the developing world – rural women and men.

This Strategic Framework has been prepared against the backdrop of three landmark international agreements that together offer a demonstration of the international community's commitment to address these and other global challenges. Agenda 2030, driven by new Sustainable Development Goals (SDGs); a new financing framework for development;<sup>6</sup> and a new global agreement on climate change will provide a platform for the realization of a vision of economically, socially and environmentally

sustainable development that will bring extreme poverty and food insecurity to an end within a generation. This compelling vision will be the compass for every aspect of IFAD's work in the coming decade.

Agenda 2030 offers clear evidence that IFAD's mandate of investing in rural people is of absolute global relevance today and over the coming decade. After several years of growth and reform, IFAD is now recognized for its experience, knowledge and performance in the domain of smallholder agriculture and rural development, and is ready to play a larger role in helping countries achieve their priorities relative to Agenda 2030. For it to do so, it needs to work in a way that is bigger, better and smarter.

**Bigger.** The inclusive and sustainable transformation of rural areas is central to the realization of Agenda 2030. It is essential for the ambitious SDGs of eradicating poverty (SDG1) and ending hunger and malnutrition, achieving food security and promoting sustainable agriculture (SDG2); and it is also important for many other elements of Agenda 2030. However, transformation of rural areas will require the mobilization and effective use of substantially increased levels of financial resources, encompassing both public

IFAD's contribution to Agenda 2030 is acknowledged in the Addis Ababa Action Agenda adopted at the Third International Conference on Financing for Development in July 2015, which states:

*"We recognize the efforts of the International Fund for Agricultural Development in mobilizing investment to enable rural people living in poverty to improve their food security and nutrition, raise their incomes and strengthen their resilience."*

<sup>5</sup> This figure is based on the US\$1.25 per day poverty line. Using a new poverty line of US\$1.90 per day, the World Bank estimates that just over 700 million people lived in extreme poverty in 2015, less than 10 per cent of the global population.

<sup>6</sup> The Addis Ababa Action Agenda adopted at the Third International Conference on Financing for Development in July 2015.

expenditure and responsible private investment. It will require strong commitment and action at the national level, supported by continuing engagement from the international community.

IFAD can make a substantive contribution to the achievement of the SDGs, but it must be financially equipped to do so. This will require a sizeable increase in the IFAD programme of work over the framework period: an increase that must be driven, at least partially, by an expanding programme of loans and grants.<sup>7</sup> Its role therefore will increasingly be one of bringing additional resources to the projects it supports and the activities they make possible, through cofinancing - from both public and private sources. IFAD is well prepared to deliver bigger; it has amply demonstrated its ability to do so over the past decade, when it succeeded in more than doubling its programme of work while achieving significant improvement in the quality and impact of its operations.

**Better.** “Bigger” alone is not sufficient: IFAD’s development impact will depend on the quality of its programme of work and its success in leveraging financial resources and knowledge in, through and beyond the programmes it supports. This will constitute IFAD’s scaling-up agenda. IFAD will strengthen the quality of its country programmes, ensuring that investment projects, grant-financed activities and engagement in national policy processes combine to realize greater and more sustainable development impact relative to a clear and defined set of strategic objectives. IFAD’s agenda for working better will consist of several critical dimensions: improving its capacity to identify innovations that respond to constraints faced by rural people, and to incorporate and test them within projects; strengthening its ability to learn, generate knowledge and provide evidence about what works, including by leveraging the knowledge of others to deepen and complement its own knowledge base; enhancing project quality-at-entry and implementation support; and strengthening partnerships and policy engagement, inter alia, through expanded country presence.

IFAD’s role at the country level will be complemented by a stronger, yet focused, role at the global level. Drawing on both its operational experience and outside expertise, it will generate knowledge on issues related to inclusive and sustainable rural transformation, and it will draw on this knowledge in engaging in relevant global policy processes, where it will contribute its specific perspective. Conversely, the evolving global policy context will need to inform all dimensions of IFAD’s work, from the corporate to the country levels: working better will mean that the linkage is immediate and substantive.

**Smarter.** Achieving “better” also means working smarter, that is, delivering development results in a cost-effective way that best responds to partner countries’ evolving needs. Smarter will also entail the most efficient and effective use of all resources at IFAD’s disposal, and maximum involvement and collaboration from every division and department, at headquarters and in country offices, as each one has a critical and indispensable role to play.

Key priorities will include: fostering a culture of excellence and results across the organization and beyond; further rationalizing and streamlining key business processes using enabling technologies; enhancing the skill sets and competencies of IFAD’s workforce in light of evolving operational priorities and maintaining a high-level of workforce engagement and performance; and optimizing efficiency and complementarity of functions and knowledge flows between IFAD country offices and headquarters. Dynamic internal and external communication will support these efforts, further unify IFAD’s global team, and strengthen the Fund’s position as a partner of choice, given the critical role that partnerships play in everything IFAD does.

<sup>7</sup> The programme of work is defined as the total value of IFAD-supported projects, including domestic and international cofinancing; the programme of loans and grants is the total value of the resources IFAD brings to those projects through replenishment and borrowing.

# The evolving context and IFAD's comparative advantage

## 2

### The changing context for agriculture and rural development

The world is becoming more urban. By 2025, the end of this Strategic Framework period, 54 per cent of the population of the developing world will be urban. However, in sub-Saharan Africa and South Asia – the two regions with the highest levels of poverty – 57 per cent and 60 per cent respectively of the population will still be rural in 2025, and their rural populations will continue to increase for many years to come.

For rural populations everywhere, the growth of urban areas can bring income opportunities linked to the development of new supply chains serving urban markets and create jobs, made accessible via migration or commuting. Many small family farms are seizing these opportunities to become vibrant enterprises catering to new dynamic markets. These small businesses are capitalizing upon advantages of their size and the use of family labour, and combining these with scale efficiencies achieved through collective action. Other small farms are becoming too small, too poorly linked to markets, or too poorly organized to be economically viable; and in some parts of the developing world, where agricultural populations are declining, a process of farm consolidation has commenced.

Over the past two decades, vast numbers of rural people have sought to diversify their livelihoods and have turned to non-farm (though usually agriculture-related) income sources. In a growing number of developing countries, non-farm sources now account for a greater share of rural incomes than does agricultural production. Yet, at times, limited opportunities for improved livelihoods in rural areas also drive vast numbers of rural people

to turn to migration, resulting in an ageing or a feminization of the rural population, and a loss of the human capital needed to drive rural transformation. The creation of rural jobs and economic opportunities will be a crucial challenge in the years to come, if inclusive and sustainable rural transformation is to be made a reality.

Rural people and smallholder farmers can contribute far more than they currently do to growth and job creation, food security and nutrition, and the environmental and climate change agendas. Despite major constraints in access to productive assets and services, and to markets, smallholder farmers today are the sole or principal food producers in many developing countries. They support the livelihoods of some 2 billion to 2.5 billion people, and manage a large part of the world's natural resources. The Food and Agriculture Organization of the United Nations (FAO) anticipates that global food supply will have to increase by some 70 per cent by 2050. For some developing countries this figure is even higher. Reduced levels of food loss can contribute to increasing supply, but increased agricultural production by smallholder farmers will be critical. This needs to be driven overwhelmingly by raising productivity, given the limited scope for expanding the area under cultivation without deforestation, and moreover, against a backdrop of harsher and more uncertain environmental conditions, climate change, demographic transitions and market transformation.

Despite the challenges, there is reason for optimism given the potential to sustainably increase smallholder agricultural productivity while reducing vulnerability to environmental and climatic shocks. Although yield gaps for key staple crops remain huge in many developing regions, major improvements

can be made to close them.<sup>8</sup> These draw on modern technologies and practices that promote input use efficiency and boost soil fertility and ecosystem services that help build healthy and diverse landscapes. They can additionally be used to access new markets, such as those for higher-value crops, certified agricultural products or payments for ecosystem services, and so create new income opportunities. Investments in research and development to bring location specific solutions for increased productivity – building the capacity and skills of farmers and community organizations – and good policy will drive this process, and determine future success or failure.

Managing and mitigating risk is a prerequisite for poor rural households to move, and stay, out of poverty, and it is thus central to their livelihood strategies. Risk management not only strengthens their resilience but also increases their ability to seize and benefit from opportunities – agricultural and non-farm – which generally come with some degree of risk. Among policy responses, market-based risk management tools for poor rural households have gained particular attention in recent years. These include a range of approaches and products for the delivery of financial services in rural areas and contractual arrangements within agricultural value chains, including: savings and credit, equity financing, value chain financing, remittance transfer and investment products, and insurance.

Ensuring that the incentives exist for smallholder farmers to increase production is a precondition for them to invest more of their capital or labour in their production

systems or innovate with new technologies. In the absence of reliable and remunerative marketing outlets for surplus production, smallholder farmers will seek to produce enough for their household requirements and rather invest in alternative, lower risk income-generating activities. Weak and imperfect markets are often a function – in part at least – of inadequate rural infrastructure, in particular, farm-to-market roads, storage facilities and marketplaces. However, while studies persistently demonstrate that investments in infrastructure provide high returns, large financing gaps remain in many developing countries. In sub-Saharan Africa alone funding requirements for infrastructure are estimated at US\$93 billion a year,<sup>9</sup> with a funding gap of US\$31 billion.

Finally, rural poverty is frequently a consequence of the way in which rural people are marginalized. This may be the result of many factors, such as remoteness, limited access to information and services, weak institutions and organizations, or historical and political factors. The very economic transformation of rural areas can also marginalize rural populations, in the absence of policies to ensure inclusive development. Within rural populations, social and cultural norms may limit the access of specific groups such as youth, women and, in some regions, indigenous peoples, to a range of productive assets, as well as undermine their social status, decision-making power, and ability to benefit from public services and exercise their citizenship rights. Supporting the empowerment of marginalized rural people is essential to unleash their enormous productive potential.

<sup>8</sup> R.A. Fischer, Byerlee, D. and Edmeades, G.O., 2009. *Can Technology Deliver on the Yield Challenge to 2050?*

<sup>9</sup> Africa Rising—Building to the Future; Keynote Address by Christine Lagarde, Managing Director, International Monetary Fund, Maputo, May 29, 2014.

## The new development architecture and financing landscape

Prompted in part by the 2007-2008 food price crisis, issues relating to food security and smallholder agriculture have risen up the political and business agendas at national and international levels. The number of initiatives established to address these themes has flourished, driven by a variety of constituencies.<sup>10</sup> These growing efforts<sup>11</sup> are helping to shape policies and investments with a better understanding of opportunities and challenges in smallholder agriculture and rural development, and of the linkages to other global policy concerns, such as climate change and inclusive and sustainable development.

Agenda 2030 and the Addis Ababa Action Agenda unequivocally reinforce the call for increased attention, cooperation and investment in raising the productivity, sustainability and resilience of rural livelihoods, and agriculture and food systems, with special attention to smallholder farmers, land-poor and landless workers, women and marginalized ethnic groups. Both recognize the critical need to strengthen policy environments, regulatory frameworks and public financing so as to attract increased

responsible investment and business in rural areas, encourage entrepreneurship, spur innovation, and drive increased productivity, job creation, and inclusive and sustainable rural economic growth.

Flows of official development assistance (ODA) from international development agencies comprise a declining and relatively minor share of agricultural investment. However, they can be important for many least developed countries and fragile and conflict-affected states, complementing their efforts to mobilize domestic public resources. For many more, particularly the middle-income countries of today and tomorrow with significant and persistent poverty and inequality, ODA can help catalyse private investment in the agricultural and rural sector and support governments in strengthening their policies, thus deepening and expanding the impact of public investment in the sector.

Beyond these sources, South-South and Triangular Cooperation (SSTC) is rapidly growing and becoming increasingly important for promoting knowledge-sharing and investments among developing countries. Remittances from migrant workers and diaspora investments will also make a major contribution to inclusive growth and sustainable development in rural areas. Currently, international remittances to developing countries are estimated at US\$435 billion, US\$200 billion of which (40 per cent) are received in rural areas – an amount that is expected to reach US\$260 billion a year by the end of 2017<sup>12</sup> – with the share invested in agriculture each year equivalent to four times global ODA to agriculture.

Investment gaps in sustainable agriculture, food security and nutrition are difficult to quantify. There is general consensus, however, that they are huge, with estimates

<sup>10</sup> Examples include the United Nations Secretary-General's High-Level Task Force on the Global Food Security Crisis and the Zero Hunger Challenge, the Global Agriculture and Food Security Program (GAFSP), the G-20 Development Working Group, the Global Alliance for Climate-Smart Agriculture, the African Union's Malabo Declaration, the Grow Africa and Grow Asia partnerships, the Hunger Free Latin America and the Caribbean Initiative, and the New Alliance for Food Security and Nutrition.

<sup>11</sup> For example, the endorsement of the Principles for Responsible Investment in Agriculture and Food Systems by the members of the Committee on World Food Security (CFS), and the establishment of the Agricultural Market Information System (AMIS), and the Platform for Agricultural Risk Management (PARM). IFAD played an important part in supporting these initiatives, and hosts the PARM Secretariat.

<sup>12</sup> The World Bank, 2014. *Migration and Remittances: Recent Developments and Outlook. Special Topic: Forced Migration*. Migration and Development Brief 23. October 6, 2014.

of required increases in investments ranging from 50 per cent to more than 100 per cent.<sup>13</sup> Reviews of investment needs also note glaring underinvestment in smallholder agriculture and urgent need for strengthened public-private partnerships, not only with agribusiness but also with smallholder farmers themselves, as by far the most important on-farm investors.

Different countries will require different combinations of public and private financing. Enabling policy frameworks and public finance will be pivotal to delivering catalytic public goods and services, paving the way for expanded and more equitable relations between agribusiness operators and smallholder farmers, and reducing risks for both sets of parties. Domestic public resources should be directed to areas where both demand and investment gaps are largest, including in productive rural infrastructure (irrigation, roads, energy, communication networks, storage and markets), climate mitigation and adaptation, and other key areas such as agricultural research, extension and capacity-building. The example of many of today's emerging economies shows that significant public spending in agriculture and rural development can boost and sustain growth and reduce poverty at the same time.

## IFAD's comparative advantage

Established in 1977, IFAD is the only United Nations specialized agency and international financial institution (IFI) focused exclusively on reducing poverty and food insecurity in rural areas through agriculture and rural development. It has close to 40 years of experience contributing to and shaping national policies and programmes in this domain, providing investment vehicles for governments, other development partners and a variety of private-sector entities, with smallholder farmers, pastoralists, artisanal fishers, and other rural people at their centre.

IFAD is a significant player in the international development landscape, and a trusted broker of partnerships between governments and other stakeholders (e.g. rural communities, producers' organizations, the private sector, other donors and international organizations). The number and diversity of countries in which IFAD works are major assets, enabling it to draw on diverse experiences, share lessons learned, bring successes from one country or region to another – including through innovative SSTC approaches – and play an important role in shaping global policy deliberations that bear on agriculture and rural development.

**13** See for example: (i) FAO, IFAD and the World Food Programme (WFP), 2015. *Achieving Zero Hunger: the critical role of investments in social protection and agriculture*, which estimates that, to eliminate hunger by 2030, “An average of US\$267 billion per year during 2016-2030 ... is required to fund social protection and additional targeted pro-poor investments, of which rural areas would receive US\$181 billion annually”; (ii) International Food Policy Research Institute (IFPRI), 2013. *From Subsistence to Profit: Transforming Smallholder Farms*, which estimates total agricultural investment needs in developing countries at about US\$275 billion per annum; or (iii) J. Schmidhuber, Bruinsma J. and Boedeker G., *Capital Requirements for Agriculture in Developing Countries to 2050*, which estimates investment requirements for primary agriculture and its downstream industries in developing countries at around US\$210 billion per year.

It has undertaken far-reaching reforms and continues to build upon these to strengthen the impact of the programmes it supports.<sup>14</sup> Its operating model comprises robust quality assurance during programme design, proactive supervision and programme implementation support, extensive in-country presence, rigorous assessment of programme impact, and independent evaluation of policies, strategies and operations for improved accountability and learning.<sup>15</sup> As a result, IFAD-supported programmes show steady improvement in terms of both the numbers of beneficiaries reached and the difference made in their lives.

IFAD's main strength lies in building the capacity, productivity and market participation of rural people using an approach that encourages governments and other actors to facilitate the economic and social empowerment of poor rural people, particularly marginalized rural groups such as women and indigenous peoples. Development of pro-poor agricultural value chains that provide better market access for small-scale producers and associated micro and small non-farm enterprises are major features of IFAD's operations. IFAD is also a recognized leader in the field of rural women's empowerment, and is also considered a "global pioneer" among United Nations agencies for its work in securing indigenous peoples' rights, an

acclaimed promoter of poor rural communities' resilience to climate change,<sup>16</sup> and one of the largest lenders supporting inclusive rural finance.

Its unwavering focus on smallholder agriculture and rural development, its specialized experience and expertise, and the strengths and qualities of its approach give it a comparative advantage and strategically position it to play a stronger role at national and international levels in promoting inclusive and sustainable rural transformation and in contributing to the SDGs. Going forward, IFAD will continue to develop and innovate in its areas of comparative advantage and thematic focus as defined in this framework and in its operational policies and strategies, while taking larger strides to ensure that programme successes are scaled up for greater impact wherever possible.

IFAD recognizes the comparative advantage of others, and that in order to achieve its objectives and bring broader benefits to poor rural people it must collaborate with partners that have complementary areas of expertise that go beyond its comparative advantage, for example, with respect to macroeconomic policy, large scale rural infrastructure, social protection, social services, and emergency relief. Nevertheless, in some circumstances IFAD may finance delivery of social services when these are limited in scope and critical to the achievement of larger project objectives. While IFAD will not provide emergency relief in the context of emergencies, it will aim to enable affected rural populations to recover their economic and social assets, in line with the IFAD Guidelines for Disaster Early Recovery.<sup>17</sup>

<sup>14</sup> In this context, a wide array of strategies and policies have been or are being mainstreamed into IFAD's operations, including: targeting, gender mainstreaming and women's empowerment, indigenous peoples, land, environment and natural resource management, climate change, rural finance, nutrition, private-sector collaboration, middle-income countries, partnerships, SSTC, decentralization, innovation, knowledge management, grants, direct supervision and scaling up.

<sup>15</sup> For which responsibility lies with IOE.

<sup>16</sup> IFAD's Adaptation for Smallholder Agriculture Programme (ASAP) is the largest global climate adaptation programme for smallholders. In 2013, ASAP won a Momentum for Change Lighthouse Activity award for innovation on climate finance at the Warsaw Climate Change Conference of the United Nations Framework Convention on Climate Change.

<sup>17</sup> IFAD Guidelines for Disaster Early Recovery: [www.ifad.org/gbdocs/eb/102/e/EB-2011-102-R-29.pdf](http://www.ifad.org/gbdocs/eb/102/e/EB-2011-102-R-29.pdf).

# A strategic vision for inclusive and sustainable rural transformation

Within the broad vision of Agenda 2030, IFAD's strategic vision of inclusive and sustainable rural transformation is one in which extreme poverty is eliminated; every rural family lives in dignity; poor rural people and communities are empowered to build prosperous and sustainable livelihoods; rural families achieve food and nutrition security; young rural people can hope to realize their aspirations for a better life in their own communities; and where rural economies thrive, alleviate pressure on natural resources, and are linked to cities – supporting and supported by a process of sustainable urbanization.

For IFAD, the objective of “inclusive and sustainable rural transformation” is to generate improved and more resilient livelihoods for all poor rural people, including smallholder farmers, land-poor and landless workers, women and youth, marginalized ethnic groups, and victims of disaster and conflict, while not undermining the natural resource base. As a process, it is embedded in, contributes to, and is driven by national processes of economic growth and structural transformation.

Moreover, for IFAD, inclusive and sustainable rural transformation must be driven by a smallholder agriculture and rural development agenda that delivers the following:

- Increased social, human and financial capital of poor rural people;
- Strengthened institutions of and for poor rural people;
- Enhanced productivity, profitability, resilience, and diversification of poor rural people's economic activities;
- Greater, and more gainful participation of poor rural people in rural, national or international economies;

- Sufficient and affordable nutritious food and other agricultural products for a growing population; and
- Enhanced environmental goods and services.

Guided by this broad transformative vision, smallholder agriculture and rural development programmes will remain at the heart of IFAD's business: investing in rural people, whether they are smallholder farmers engaged in crop or livestock production, artisanal fishers, or small business operators and micro entrepreneurs working in and around agricultural value chains. IFAD will continue to focus on ensuring that poor rural communities and individuals – particularly women, indigenous peoples and young people – become part of a rural transformation that is inclusive and drives overall sustainable development. It will also help national and local institutions to strengthen their capacity to deliver quality services and to develop policy environments that foster inclusive and sustainable rural transformation.

## 3

# IFAD's Strategic Framework 2016-2025

## A stylized impact pathway

IFAD's Strategic Framework 2016-2025 – summarized in figure 1 below – represents the impact pathway through which IFAD aims to contribute to the achievement of its overarching goal, its strategic vision, and more broadly to the SDGs.

**Overarching goal.** Over the framework period, IFAD's work will aim to catalyse country and global progress towards the following overarching goal: rural people overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods.

**Principles of engagement.** Realization of this overarching goal is premised on IFAD's work consistently adhering to five principles of engagement. These lie at the core of IFAD's identity, values and institutional DNA and cut across the delivery of all its development results. IFAD-supported programmes will consistently aim to target and benefit the largest number of poor rural people possible, empower them socially and economically, and promote gender equality. IFAD will place a premium on innovation, learning and scaling up of successes and, in the process, leverage effective and efficient partnerships where comparative advantages are exploited so that the sum of the whole creates greater impact than those of its parts. (See page 18)

**Strategic objectives.** Based on its mandate, comparative advantage, experience, and instruments, IFAD will maximize its contribution to the framework's overarching goal by concentrating its energy and resources on the following strategic objectives: increasing poor rural people's productive capacities in a sustainable and resilient manner; increasing and improving their engagement in markets, while enabling them to better manage related

risks; and strengthening the environmental sustainability and climate resilience of their economic activities. The strategic objectives are closely interlinked and mutually reinforcing, and therefore, IFAD-financed programmes will pursue them in an integrated manner, adhering to the principles of engagement, as appropriate, based on countries' and target groups' specific needs and priorities.

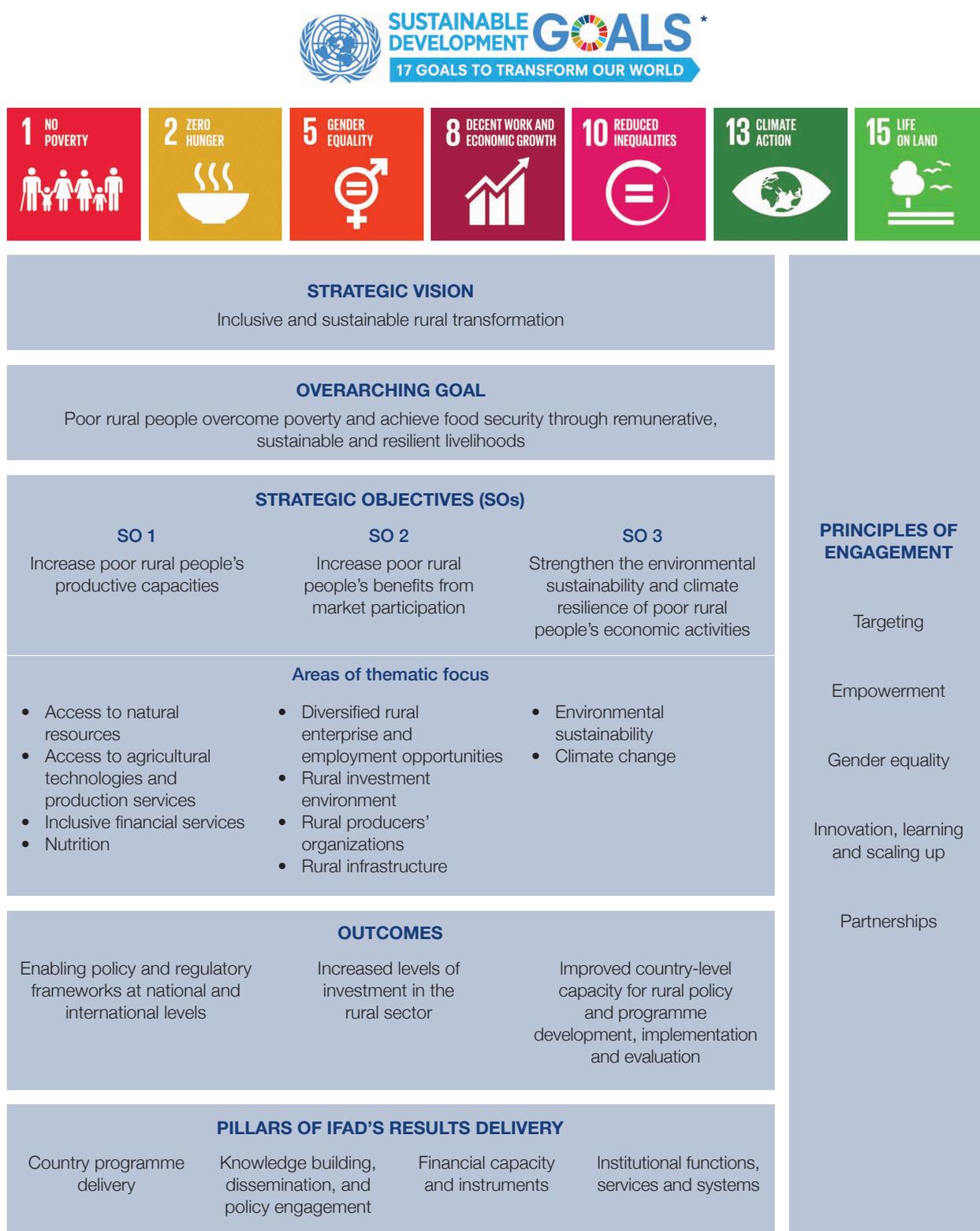
In order to realize the strategic objectives IFAD will place special emphasis on a number of associated areas of thematic focus. (See page 22)

**Outcomes.** Reflecting the fact that IFAD-supported projects are owned, managed and implemented by governments and their institutions with other partners, success in achieving the impact on rural societies and areas embodied in the strategic objectives will be determined by the quality of national and international policies, in-country capacities to manage agriculture and rural development programmes, and the level of investments flowing to the rural sector. (See page 28)

**Pillars of IFAD's results delivery.** The basis for achieving the outcomes, and in turn the strategic objectives and overarching goal, are the four pillars of IFAD's results delivery. Country programme delivery through COSOPs and IFAD's financial and non-financial operations is the direct means by which these outcomes are achieved. However, ensuring IFAD's development impact is bigger, better and smarter will also require mobilization of additional resources; financial products that cater to clients' evolving needs; a state-of-the-art knowledge and evidence base; proactive engagement in international policy processes; and an effective and efficient institutional platform. (See page 29)

# 4

**Figure 1**  
**Overview of IFAD's Strategic Framework 2016-2025**



\* IFAD's work will contribute significantly to Agenda 2030, particularly to SDGs 1 and 2, as well as to SDGs 5, 8, 10, 13, and 15.

## Principles of engagement

**Targeting.** Agenda 2030 is epitomized by the commitment to leave no one behind. In this spirit, and in line with its targeting policy,<sup>18</sup> IFAD will use a variety of tools to ensure that the largest possible number of poor rural people benefit from emerging economic opportunities, and that those who cannot do so immediately – notably people from marginalized groups, in particular women, indigenous peoples<sup>19</sup> and young people – are proactively supported in developing the skills and assets to do so in the near future. The Fund will pursue the identification of its target group in a participatory way working with partners to “identify the target groups through a gender-sensitive poverty and livelihood analysis using available data, filling information gaps as needed, and always incorporating the views of poor women and men and their organizations”.

**Empowerment.** IFAD has long recognized the critical importance of social and economic empowerment of rural people living in poverty, both individually and collectively, and promoted policies and investments that enhance their capabilities and livelihoods.<sup>20</sup>

A key element of its approach is to build the capacity of grass roots institutions and organizations,<sup>21</sup> or foster their establishment where they are non-existent, as a means to enable its target group to attain secure access to natural resources and production services, build their skills and knowledge to take advantage of new economic opportunities. In so doing, IFAD promotes better governance, policies and institutions for agriculture and rural development.

Using improved tools for institutional and organizational analysis and capacity strengthening, IFAD will intensify its assistance to rural institutions and producer organizations. It will help them become more inclusive and effective in sustainably enhancing rural people’s capabilities, and their access to the assets, technologies, services and markets that are most important for achieving profitable farm and non-farm enterprises and effective market integration and participation. IFAD will also increase its support to rural producers’ organizations in representing the interests of their members and constituents, and in contributing to relevant policy and governance debates and processes.<sup>22</sup>

**Gender equality.** Guided by its Policy on Gender Equality and Women’s Empowerment,<sup>23</sup> IFAD will consolidate its position as a leading agency on innovative measures to promote rural women’s empowerment. The Fund will promote economic empowerment that enables rural women and men to have an equal opportunity to participate in, and benefit from, the activities that it finances. This will be complemented by efforts to reduce the labour burden of rural women and increase their voice in decision-making at all levels. IFAD will look

<sup>18</sup> Reaching the Rural Poor: IFAD Policy on Targeting: [www.ifad.org/gbdocs/eb/88/e/EB-2006-88-R-2-REV-1.pdf](http://www.ifad.org/gbdocs/eb/88/e/EB-2006-88-R-2-REV-1.pdf)

<sup>19</sup> IFAD Policy on Engagement with Indigenous Peoples: [www.ifad.org/gbdocs/eb/97/e/EB-2009-97-R-3-REV-1.pdf](http://www.ifad.org/gbdocs/eb/97/e/EB-2009-97-R-3-REV-1.pdf).

<sup>20</sup> There are numerous definitions of empowerment in the development literature. In this framework, empowerment is understood as the crucial requirement for a sustainable solution to poverty and hunger, and concerns the ability of poor people to access the productive resources, goods and services they require to increase their earnings, and at the same time participate meaningfully in decision-making that affects their livelihoods.

<sup>21</sup> Some are formal, others informal: they include water users’ associations; community organizations for managing rangeland, forest land or fishing waters; farmer field school or extension groups; village banks and member-owned financial institutions; commodity associations, marketing and business groups.

<sup>22</sup> 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 held in conjunction with IFAD’s Governing Council every two years is one element of that engagement.

<sup>23</sup> IFAD Policy on Gender Equality and Women’s Empowerment: <https://webapps.ifad.org/members/eb/105/docs/EB-2012-105-R-2-Rev-1.pdf>.

IFAD has long championed the cause of **indigenous peoples**, and responded to their needs and priorities through its investment programmes, a dedicated facility (the Indigenous Peoples Assistance Facility), and the Indigenous Peoples Forum at IFAD, a dialogue process whose global meetings IFAD convenes every two years. Based on its Policy on Engagement with Indigenous Peoples, IFAD supports their self-driven development, while respecting and enhancing their traditional livelihoods, occupations and knowledge. IFAD's interventions, and their targeting will be improved, including through more in-depth socio-cultural and vulnerability analyses of different target groups and by integrating specific indicators on their well-being to capture impacts and results.

Investing in and harnessing the potential of **rural youth** will be essential to sustain dynamic rural economic growth in the future, making them a priority group for IFAD. Increasing attention to rural youth, particularly in countries where strong rural population growth is projected, will also be important to mitigate pressure on land, natural resources and labour markets, and stem unmanageable patterns of rural-urban migration. In promoting youth-sensitive development, IFAD will more consistently incorporate the needs and aspirations of young people into its operations, and pay closer attention to identifying and creating rural employment and enterprise options appropriate to them, in both the farm and the non-farm sector.

to move beyond mainstreaming and scaling up in order to achieve real transformative gender impact. Through investments and policy engagement IFAD will address the underlying root causes of gender inequality – including prevailing social norms, attitudes and behaviours, and social systems – to ensure equal access for women to productive assets and services and to employment and market opportunities.

#### **Innovation, learning and scaling up.**

Business as usual is not an option for achieving the SDGs and, like many other development partners, IFAD is compelled to increase the impact of every dollar it invests. For these reasons, during the framework period IFAD will comprehensively pursue an agenda that focuses on innovation, learning from that innovation, and scaling up successes for expanded and sustainable impact. Concretely, the agenda aims to

support countries to broaden successful pro-poor rural development models, widen their geographical coverage and reach larger numbers of people. It is predicated on bringing successful approaches through strengthened partnerships to government, development agencies and the private sector to support enhancement of national policies, programmes and practices, and expand investments in the rural sector.

For this continuum of innovation-learning-scaling up to work effectively, IFAD-supported programmes must be structured to:

- Offer opportunities to innovate in a range of ways that respond to the specific challenges faced by programme beneficiaries;
- Build new forms of partnerships with local communities, organizations of rural people, the private sector and other development partners that can bring to bear substantial financial resources, new approaches to rural development, and strong technical expertise; and
- Have effective monitoring and evaluation (M&E) and knowledge management systems in place at programme initiation that allow testing of innovative approaches, measurement of results and impact, and analysis of drivers of success, in order to generate lessons and evidence to shape policies, institutions and practices for expanded impact in terms of rural poverty and hunger reduction.

During the framework period IFAD will continue to institutionalize a systematic approach to operationalizing this agenda through iteratively improved business processes, financial instruments and incentives.

**Partnerships.** Agenda 2030 brings the critical importance of partnerships – both global and within countries – into sharp relief.<sup>24</sup> IFAD fully recognizes this reality, given the magnitude of the agenda and the investments required for smallholder agriculture development and rural transformation. Partnerships will be crucial for IFAD to promote synergies among its own and other sources of finance, knowledge and expertise and create more enabling environments for poor people in rural areas to build their pathways out of poverty.

IFAD will engage with a broad range of partners: Member States, development institutions, farmer organizations, the private sector, foundations, and other relevant national and international stakeholders. It will strengthen successful existing partnerships and develop new ones especially with partners with complementary areas of expertise that go beyond its comparative advantage. It will continue its strong engagement with the international development community to build support around relevant global issues affecting rural communities, and facilitate multistakeholder partnerships between governments, the private sector and small-scale rural producers, including increasingly through SSTC.

<sup>24</sup> Notably through SDG17, “Strengthen the means of implementation and revitalize the global partnership for sustainable development”.

Collaboration among the Rome-based agencies (RBAs) will be of strategic priority. Their proximity and similar overarching goals, yet differentiated mandates and instruments, present a unique opportunity to reinvigorate their joint efforts to support realization of SDG2. The partnership between the RBAs will leverage IFAD's own comparative advantage in providing long-term financial investment for smallholder agriculture and rural transformation, the unique strength of FAO in technical and global policy issues for food and agriculture, and the unmatched capabilities of WFP in providing timely support to countries during acute humanitarian disasters. Strengthened partnership with multilateral development banks (MDBs) will also be a priority, including through more systematic knowledge generation and sharing, joint advocacy for pro-poor inclusive policies and investments, and expanded cofinancing.

In IFAD's business model, partnerships and policy engagement with governments are the basis for the formulation and country

ownership of IFAD-supported programmes. Yet, the success of these programmes very much relies on collaboration with other development partners, research institutions, the private sector and civil society, rural communities and their organizations. In this context, a key priority for IFAD will be the promotion of closer collaboration at local and country level between private-sector actors, financial institutions, and producers' organizations and cooperatives to catalyse investments and employment in rural areas while reinforcing the inclusiveness of market-driven smallholder development. For this purpose it will consolidate and expand the use of multi stakeholder approaches such as the recently articulated public-private-producer (4Ps) partnership mechanism.

Through the **public-private-producer partnerships (4Ps) mechanism** IFAD seeks to build mutually beneficial partnerships between the public sector, the private sector and small-scale rural producers. The mechanism uses investments in public goods and a supportive policy framework to stimulate and scale up responsible private investments in food and agriculture value chains, benefitting smallholder farmers by giving them access to secure markets, technology and services, and other rural people by creating off-farm jobs along value chains and across the larger rural economy.

## Strategic objectives

### **SO1: Increase poor rural people's productive capacities**

Investing in rural people, in particular those most vulnerable, to enhance their access and control over assets and resources, help them obtain the goods and services they need, and improve their skills to become more productive small-scale agricultural or non-farm entrepreneurs, is central to IFAD's mandate. IFAD will continue to give pride of place to capacity- and asset-building for poor rural people through the programmes it supports and its complementary policy engagement to enable them to realize their full potential.

#### **Areas of thematic focus**

**Access to natural resources.** For poor rural people, lack of access to natural resources – agricultural land for crop production, water for irrigation, and common property resources (forests, rangeland, water sources, fisheries resources) – is a critical constraint. Improving access, security and transferability of natural resources increases the value of household assets, generates higher levels of investment and agricultural productivity, and facilitates access to credit. Furthermore, the better defined and more secure the tenure or use rights, the more likely that those resources are sustainably managed.

Based on its Policy on Improving Access to Land and Tenure Security,<sup>25</sup> and through strategic partnerships such as the one with the International Land Coalition (ILC),<sup>26</sup> IFAD will promote secure tenure and equitable rights to, and governance of, land, territories and water, by designing programmes that directly address issues of access and tenure and promoting policies at the national and international levels that establish secure resource access as a central tenet of rural transformation. Through training and policy engagement, IFAD will strengthen the capacity of country partners to implement the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests. Furthermore, IFAD-supported programmes will also help rural people manage natural resources more efficiently and sustainably, enhancing their resilience to resource scarcity and degradation, and to climate change (as further discussed under strategic objective 3).

**Access to agricultural technologies and production services.** Meeting the growing demand for healthy foods and other agricultural products in coming decades will require sustainable intensification of agricultural production to raise yields (as well as nutrient value) of crops, livestock products and fish. In many cases, this will entail the widespread adoption of improved agricultural technologies that increase returns on labour and enable smallholder farmers to be more productive without compromising the efficient and sustainable use of natural resources (work in this area will be reinforced through strategic objective 3).

In future programme design, increased focus will be placed on the targeted introduction of modern inputs, combined with good agricultural practices, to spur significant improvement in smallholder agriculture productivity. This will be complemented by continued strong support for investment in pro-poor agricultural research that brings concrete benefits to smallholder farmers, to be advanced principally through IFAD's grants

<sup>25</sup> IFAD Policy on Improving Access to Land and Tenure Security: [www.ifad.org/gbdocs/eb/94/e/EB-2008-94-R-2-Rev-1.pdf](http://www.ifad.org/gbdocs/eb/94/e/EB-2008-94-R-2-Rev-1.pdf).

<sup>26</sup> The ILC, whose Secretariat is hosted by IFAD, is a global alliance of civil society and intergovernmental organizations working together to promote secure and equitable access to and control over land for poor women and men through advocacy, dialogue, knowledge-sharing and capacity-building.

programme and in collaboration with a wide range of partners, national and international, in the agricultural research realm.

Expanding the uptake of new information communication technologies will be a priority. IFAD will leverage the surge in cellular phone ownership to facilitate access to better market information and financial services and products such as credit, savings and insurance, as well as to weather information to ensure better capacity to predict rainfall and better preparedness for extreme weather events. Through closer collaboration with other development partners, it will strengthen the capacity of smallholder farmers and other rural people through technical, vocational and managerial skills development and the provision of business advisory services.

**Inclusive financial services.** Inadequate access to appropriate financial services is a key factor underlying rural poverty; it perpetuates rural people's economic and social exclusion and greatly curtails their ability to expand their assets and sustainably engage in productive activities. IFAD will continue to support rural finance with the overall aim of expanding and deepening the access of rural people to financial services, and increasing the outreach, competitiveness, cost-effectiveness, and sustainability of rural financial institutions.

At the macro level, IFAD will focus on improving the policy environment governing rural finance systems by supporting the strengthening of legal, regulatory and supervisory frameworks so as to facilitate rural finance and development. At the meso level, it will work to develop efficient support infrastructure for the rural financial sector by building both human and institutional capacity, such as through credit reference bureaux, collateral registries, mobile payment platforms and training and certification institutes for rural financial service providers, remittance payments systems and postal networks. At the micro level, it will expand outreach and development of new products and services offered by banks, microfinance

institutions, insurance companies, money transfer operators, cellular phone companies, and leasing and equity companies. Work in this area is guided by the IFAD Rural Finance Policy<sup>27</sup> and supported by mechanisms such as the IFAD Financing Facility for Remittances, which aims to leverage remittances flows as a basis for financial inclusion and productive rural investments.

IFAD will continue to support innovative financial instruments, such as weather index-based insurance, to increase the ability to cope with risk at the household level. IFAD will also continue to work through the multi-donor Platform for Agricultural Risk Management initiative, hosted by IFAD, to promote risk management capacity for the agricultural sector in developing countries.

**Nutrition.** Strengthening the productive potential of rural people also entails improving their physical and intellectual capacities. Nutrition plays an important part in this regard, leading – through better health – to greater lifetime earnings and resilience of rural households. Agricultural productivity growth alone is not sufficient to generate improved nutritional outcomes. Guided by its Action Plan on Mainstreaming Nutrition-Sensitive Agriculture, IFAD's country programmes and projects will systematically promote the availability, accessibility, affordability and consumption of diverse, nutritious foods (including biofortified crops with higher nutrient value). To ensure the connection between increased incomes and production and better nutrition, IFAD's programmes will also work to raise nutrition knowledge and education and seek to improve practices and behaviours that lead to year-round healthy diets for all household members, including those dealing with food choices, and food quality, storage, preservation and preparation.

<sup>27</sup> IFAD Rural Finance Policy: [www.ifad.org/gbdocs/eb/96/e/EB-2009-96-R-2-Rev-1.pdf](http://www.ifad.org/gbdocs/eb/96/e/EB-2009-96-R-2-Rev-1.pdf).

IFAD also recognizes the multisectoral nature of the causes of malnutrition. Consequently, its approach will be to optimize the complementary contributions that food and agriculture can make to improve nutrition, including by engaging with partners with expertise in other sectors, particularly health, education and water and sanitation. A focus on women is also important given their major roles in food production and marketing, and caring for the household, which are significant factors in nutrition outcomes.

### **SO2: Increase poor rural people's benefits from market participation**

Improving the engagement of poor rural people in markets for goods, services and wage labour – both in agriculture and in non-farm activities – that provide them with enhanced, predictable and stable incomes is essential for rural poverty reduction. Building or expanding agricultural value chains, reducing risk and transaction costs along them, improving the terms on which smallholder farmers participate in them, and creating employment along the value chain, are all features of IFAD's approach.<sup>28</sup> Improvements in farm-to-market roads, better storage facilities and wholesale market places will encourage farmers to invest in better production technologies, and private companies to source more products from smallholder farmers. Influencing public policies and strengthening institutions and organizations in the rural landscape that improve the terms of poor people's engagement with markets will be fundamental.

### **Areas of thematic focus**

**Diversified rural enterprise and employment opportunities.** IFAD has long recognized the importance of supporting the complementary development of agricultural and non-farm activities. It has demonstrated this more systematically in recent years, through a prominent shift within its operations towards the development of local value chains and vocational education and apprenticeships. Guided by its Private-Sector Strategy<sup>29</sup> and Rural Enterprise Policy,<sup>30</sup> IFAD works to strengthen mutually beneficial partnerships between the public sector, the private sector and small rural producers. IFAD seeks to leverage private- and public-sector investment to create new markets for smallholder farmers' produce and for other rural people in related services such as input provision, processing, marketing, transportation, or equipment supply and maintenance. Of course, the support for inclusive rural finance and access to agricultural technology and production services noted under strategic objective 1 will also be critical for diversifying rural enterprises and employment opportunities.

Going forward, IFAD will continue to build on its experience and that of others with a comparative advantage in micro-, small and medium-sized enterprise (MSME) and value chain development in order to scale up successful contractual arrangements, value chain business models and multistakeholder approaches such as the 4Ps mechanism. It will also explore alternative financial and non-financial instruments to support rural MSME growth, including remittances-backed investments funds and diaspora investment. IFAD will support value chain actors and their financial institutions to develop and use more sophisticated value chain financing instruments such as warehouse receipt systems, leasing, equity financing and guarantee fund schemes.

<sup>28</sup> An analysis of social, economic and environmental risks that need to be considered and mitigated in the context of agricultural value chain development is provided in Sustainable inclusion of smallholders in agricultural value chains: Scaling up note; IFAD, 2015: [www.ifad.org/knotes/valuechain/vc\\_sun.pdf](http://www.ifad.org/knotes/valuechain/vc_sun.pdf).

<sup>29</sup> Private-Sector Strategy: Deepening IFAD's engagement with the private sector: <https://webapps.ifad.org/members/eb/104/docs/EB-2011-104-R-4-Rev-1.pdf>.

<sup>30</sup> IFAD Rural Enterprise Policy: [www.ifad.org/gbdocs/eb/78/e/EB-2003-78-R-14.pdf](http://www.ifad.org/gbdocs/eb/78/e/EB-2003-78-R-14.pdf).

And it will support rural people's engagement in environmental services markets where these offer promising opportunities for improved livelihoods. At all times, IFAD will promote responsible business practices in line with the Principles for Responsible Investment in Agriculture and Food Systems approved by the Committee on World Food Security, as well as the principles advocated by the United Nations Global Compact.

**Rural investment environment.** Shaping environments where rural MSMEs can thrive and larger numbers of small-scale producers and rural people can sustainably and profitably engage with their businesses (through value chains, job creation or service provision) will be an important focus of IFAD's policy engagement efforts at country and international levels. In this context, IFAD country programmes will increasingly include policy engagement to improve rural investment environments as part of their specific objectives, and facilitate multi stakeholder platforms in which all actors, including from the private sector, discuss and agree on the key issues involved in improving the investment climate for small-scale rural producers and other rural entrepreneurs. Working with a variety of partners, IFAD will support governments to develop policy, legal and regulatory frameworks and relevant institutions that foster competitive, transparent and dynamic domestic markets offering remunerative, stable and predictable prices for IFAD's target group, and promote broad-based improvement in other conditions (discussed under strategic objectives 1 and 3) that will enable their success in these markets over the long-term.

**Rural producers' organizations.** Given the limited scale of smallholder farmers' enterprises and the transaction costs associated with engaging in high-value markets, bringing them together into organizations and bulking their products often facilitates access to markets, and is indeed critical to the long term viability of their integration in value chains. IFAD will assist farmers' organizations in achieving economies of scale for procuring inputs, technologies and services; reducing produce collection and transaction costs; enhancing value added through processing and better handling/storage; and overcoming asymmetrical relationships in value chains. IFAD will continue to actively promote the capacity of farmers' organizations to take part in policy, institutional and programming processes at the local, national and international level that affect agriculture and rural economies.

**Rural infrastructure.** In rural areas of many countries, infrastructure remains woefully inadequate. This results in underinvestment in agricultural production, agricultural supply chains and related production services. It undermines rural peoples' ability to reach their productive potential and to access and effectively participate in markets. While closing these gaps in rural areas is often an expensive long-term proposition, these investments have enormous potential to boost production, reduce transport and transaction costs, improve the competitiveness of poor rural producers, create rural-urban synergies, offer rural people and their communities more remunerative, diversified and resilient livelihoods, and spur growth in rural economies.

In this regard, IFAD's focus, in collaboration with public and private partners, will be on improving and effectively managing basic infrastructure linked to rural production systems: constructing or rehabilitating irrigation and water management systems, tertiary roads, local energy generation, and upgrading of storage facilities and warehouses (critical to reducing post-harvest losses, mitigating the incidence and impact of local food price volatility, and decreasing pressure for more food production). For large-scale rural infrastructure development, IFAD will partner with the public sector and other donors who will provide the bulk of investment, with IFAD focusing on complementary projects to ensure that smallholder farmers and other poor rural people are able to take advantage of the opportunities presented by these investments.

**SO3: Strengthen the environmental sustainability and climate resilience of poor rural people's economic activities**

Rural livelihoods are affected by a variety of risks and shocks, resulting from, inter alia, environmental factors and climate change, market and policy failures, and conflict. Making sustainable progress in building the asset base, capabilities, and market opportunities for poor rural people requires that risks and shocks are addressed in a comprehensive manner, thereby building resilience in rural people's livelihoods. Many of the thematic areas noted under strategic objectives 1 and 2 will expand or improve the asset base of poor rural households and allow them to diversify their activities to mitigate risk

thereby improving their resilience. In working in these thematic areas, IFAD will base projects and policies on a deeper risk assessment and a better understanding of the interconnections between smallholder farming, rural economic activity and the wider landscape.

In this context special attention needs to be paid to environmental sustainability and climate resilience in agriculture while also promoting a reduction of greenhouse gas emissions from agriculture and agrifood value chains, and harnessing under utilized synergies that exist between adaptation and mitigation. IFAD's work in this area will be guided by its Environment and Natural Resource Management Policy,<sup>31</sup> Climate Change Strategy,<sup>32</sup> the 10-point Climate Mainstreaming Plan,<sup>33</sup> and the Social, Environmental and Climate Assessment Procedures (SECAP).<sup>34</sup>

**Areas of thematic focus**

**Environmental sustainability.** IFAD will expand its support for the development, dissemination and uptake of improved agricultural technologies and practices that raise the productivity, sustainability and resilience of smallholder production systems. Its interventions will focus on addressing four main sources of threat: resource degradation, pollution, loss of habitat and biodiversity, and natural hazards. In this vein, IFAD will pursue "multiple-benefit" approaches that simultaneously enhance biodiversity, increase agricultural productivity and lower greenhouse gas emissions from the agriculture sector while contributing to poverty reduction.

<sup>31</sup> IFAD's Environment and Natural Resource Management Policy: Resilient livelihoods through the sustainable use of natural assets: [www.ifad.org/gbdocs/eb/102/e/EB-2011-102-R-9.pdf](http://www.ifad.org/gbdocs/eb/102/e/EB-2011-102-R-9.pdf).

<sup>32</sup> IFAD Climate Change Strategy: [www.ifad.org/gbdocs/eb/99/e/EB-2010-99-R-2-Rev-1.pdf](http://www.ifad.org/gbdocs/eb/99/e/EB-2010-99-R-2-Rev-1.pdf).

<sup>33</sup> As contained in the Report of the Consultation on the Tenth Replenishment of IFAD's Resources, IFAD10/4/R.2/Rev.4 (p.9, para 37) <https://webapps.ifad.org/members/repl/10/4/docs/IFAD10-4-R-2-Rev-4.pdf>.

<sup>34</sup> Managing risks to create opportunities: IFAD's Social, Environmental and Climate Assessment Procedures: <https://webapps.ifad.org/members/eb/113/docs/EB-2014-113-R-14-Rev-1.pdf>.

IFAD will continue to place strong emphasis on facilitating the restoration and sustainable management and use of ecosystems and their services in projects and through policy engagement and partnership-building. Its programmes will develop capacities and incentives for rural people to become better stewards of natural resources by fostering creation of environmental service markets for carbon sequestration, watershed management and safeguarding biodiversity. Support will also be provided to bring forest areas under improved forms of participatory management, along with assistance to initiatives certifying forests as sustainably managed. Collaboration with and engagement of indigenous peoples' communities in the provision of environmental services that are sensitive to their traditional knowledge and culture will be an area of focus in this regard, in order to enhance the resilience of the ecosystems in which they live.

**Climate change.** Over the framework period, IFAD's objective is to reach 100 per cent climate mainstreaming, making it arguably one of the most advanced IFIs on climate integration. Through its Adaptation for Smallholder Agriculture Programme (ASAP) IFAD will continue to expand the promotion of climate-resilient agricultural practices, and in so doing, also enhance its contribution to the realization of carbon sequestration benefits. In this context, increased attention will be given to the following:

- Better analysis of climate risks and vulnerabilities using state-of-the-art technologies including those related to earth observation, climate modelling, geographic information systems and early warning systems;
- Greater recognition and improved analysis of the specific climatic risks faced by individual countries such as weather-related disasters, sea-level rise and reduced agricultural productivity;

- Better analysis of environmental and climatic risks in value chains to ensure sustainability of the selected commodities and understand their current and potential impact on natural resources;
- Enhanced climate resilience by promoting diversification as a risk management strategy to enhance farmers' livelihoods, including through specific interventions such as production and marketing of indigenous crops that are drought-resistant and enable low-input farming;
- Affordable risk management strategies and safety nets, such as weather index based insurance, to help rural people improve their financial security and protect their livelihoods in the event of extreme weather events and natural disasters.

Improved sustainability of project outcomes will be underpinned by the application of the Social, Environmental and Climate Assessment Procedures (SECAP), which set out a minimum risk assessment process that recognizes the necessary heterogeneity of IFAD investment responses given widely different country and community circumstances, and further mitigate the risk of IFAD programmes causing environmental or social harm. Climate risk screening will be integrated into the quality enhancement process for all projects and COSOPs.

In order to successfully deliver on this strategic objective, IFAD will increase its role in managing climate finance. Drawing on the success of the ASAP IFAD will use diverse funding channels to cover the additional cost of climate mainstreaming, including through multilateral funding sources such as the Green Climate Fund, Global Environment Facility (GEF), Least Developed Countries Fund (LDCF), Special Climate Change Fund (SCCF) and bilateral cofinancing.

## Outcomes

### **Enabling policy and regulatory frameworks at national and international levels**

IFAD's aim is for national and international level policy and regulatory frameworks that effectively support smallholder agriculture and rural development to be in place and used to their full potential. IFAD will engage with relevant stakeholders – national and sub-national governments, farmers' organizations, civil society, the private sector and other development partners, including organizations promoting regional cooperation – to enhance policy frameworks or strengthen their implementation and resourcing. In supporting policy and regulatory reform and innovation, IFAD will promote a focus on issues relevant to its strategic objectives and areas of thematic focus defined above and promote stronger representation of the interests of the rural poor and their own organizations, taking into account the policy and institutional lessons that it and its partners have learned.

### **Increased levels of investment in the rural sector**

As indicated above on page 12, current levels of investment in the rural sector are grossly inadequate relative to requirements. Indeed, the enormous investment needs in the areas of agriculture and rural development, and their critical role in achieving the SDGs, are unequivocally highlighted in the Addis Ababa Action Agenda. In addition to general advocacy for greater commitment of resources, IFAD will provide for increased investment in the rural sector through its replenishment mechanism combined with

borrowing; its country programmes, which will be specifically designed as collaborative scaling-up devices to attract additional resources from public, private, domestic and international sources; and the creation of new mechanisms for investment through IFAD itself, including innovative lending facilities and thematic multi-donor trust funds.

### **Improved country-level capacity for rural policy and programme development, implementation and evaluation**

In line with aid effectiveness principles and given that the country programmes IFAD supports are nationally executed, strengthening the capacity of national stakeholders (government agencies in particular, but also non-governmental organizations (NGOs), private-sector service providers, or organizations of poor rural people) to formulate, manage, implement and evaluate national policies and programmes for smallholder agriculture and rural development is critical. An important element of IFAD's work with government institutions will be to promote transparency, responsiveness and accountability in the planning, financing and provision of public-sector services. IFAD may also assist governments in redefining the role and the core functions of public-sector institutions for agriculture and rural development and promote an environment of learning through careful evaluation of programmes. IFAD will further support government efforts 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.

## Pillars of IFAD's results delivery

### Country programme delivery

COSOPs are the core instrument for planning, managing and monitoring the full array of IFAD's financial (loans and grants) and non-financial (knowledge management, partnership-building and policy engagement) operations at the country level – supporting national development priorities and in coordination with a range of partners.<sup>35</sup> While investment projects will remain critical in catalysing valuable public and private financing for the agricultural and rural sector, IFAD country programmes will increasingly seek to expand their development impact by supporting a strengthening of national policy frameworks (for this, country-level policy engagement plans will be a requirement for all COSOPs). Within the broader context of its scaling up agenda, a key part of their role will be to generate evidence on the impact of policies and programmes with a view to supporting national stakeholder efforts to strengthen them and the associated investments that support their implementation. A key dimension of COSOPs will be to identify how project investments, grant-financed activities and policy engagement can most effectively combine to achieve agreed strategic objectives.

### Programme design and implementation

**support.** Simplification, implementation readiness and realism in the design of IFAD's programmes and projects will be fundamental to their success. Since the advent of direct supervision in 2006, experience has demonstrated that limiting the number of components, activity areas and implementation agencies have been important factors in improved project outcomes. IFAD will stress the implementation readiness of projects to minimize delays at start-up, a recurring factor in underperformance. Additional focus will be placed on realism of design so that project outcomes are clearly achievable, given existing implementation

capacity, and that project budgets correspond to best estimates for major expenditures.

Supervision and implementation support will be strengthened, including as a result of the extension of IFAD's country presence and of operating in a more decentralized manner, and through more proactive monitoring and follow-up of projects at risk. Greater emphasis will also be placed on improving the use of data and lessons from M&E systems to enhance project implementation on an ongoing basis.

### Targeted and tailored country approaches.

Recognizing that challenges and opportunities vary considerably across countries, IFAD adopts approaches that are tailored and targeted according to country context. As a principle, its approach to programme design is to align interventions with the stated needs and strategies of its partner countries and its own policies. Nevertheless, IFAD has learned important lessons from its operations in fragile and conflict-affected states and situations, low-income countries (LICs), middle-income countries (MICs), and Small Island Developing States (SIDS), which will shape the broad direction of future engagements with them.

In fragile and conflict-affected states and situations, IFAD's programmes will be designed with more realistic objectives, in line with local implementation capacities. Focus will be on strengthening partnerships with, and developing the capacities of, NGOs and civil society organizations, with particular attention to building the resilience of community-level organizations to shocks; and support to overall institutional capacity development.<sup>36</sup>

<sup>35</sup> COSOPs are a strategically relevant tool in shaping IFAD's engagement with its developing Member States, however, they are resource-intensive and time-consuming. In the interest of operational efficiency, IFAD will prepare COSOPs for countries with larger project portfolios (defined by specific criteria), while for other countries it will prepare an expanded project concept note that contains essential strategic elements of COSOPs.

<sup>36</sup> IFAD's operational approach in these contexts will be further guided by a forthcoming strategy on its engagement in fragile and conflict-affected states and situations.

IFAD will play an important role in supporting MICs to reduce rural poverty given its mandate and the significant number of rural poor in such countries. An increasing number of IFAD's developing Member States are reaching MIC status and borrowing on blend and ordinary terms, and IFAD's financing model has to adapt to this changing reality. IFAD's engagement will focus on helping governments address issues of rural-urban inequality, uneven rural-urban growth, and youth unemployment by supporting enhancement of pro-rural poor policies, strategies, programmes and institutions. Its engagement will consist of lending and non-lending activities, with a wide offering of knowledge management, policy development and SSTC services, including reimbursable technical assistance programmes for MICs that seek only technical support. IFAD will develop increasingly differentiated approaches for, and among, MICs and for countries in fragile situations. The IFAD10 commitment to provide updated information on IFAD's strategy on engagement with MICs to the Executive Board will be met in April 2016 following completion of the corporate-level evaluation of IFAD's performance-based allocation system by IOE.

IFAD recognizes the specific challenges and vulnerabilities facing SIDS. Its approach for these countries will focus on three thematic areas: sustainable small scale fisheries and aquaculture; opportunities and employment for smallholder agriculture; and environment and climate change.

**IFAD's decentralization.** Increased proximity to clients and partners is pivotal to enable IFAD to fully realize the desired impact of the operations it supports. Gains from expanded and improved decentralization and client focus will be realized through six medium term objectives: establishment of additional IFAD country offices (ICOs); improved portfolio performance through supervision and implementation support; increased

partnerships, resource mobilization and policy engagement; more systematic analysis and sharing of country programme knowledge; enhanced capacities of decentralized staff; and streamlined business processes.

IFAD will optimize efficiency and complementarity of functions, service delivery and knowledge flows between ICOs and headquarters, ensuring a more country-based approach to the provision of day-to-day programme support. Layers of approval will be reduced and the accountability and delegated authority of decentralized offices enhanced.

Once fully established, ICOs will serve approximately 70 per cent of the total number of IFAD-funded projects and will absorb over 80 per cent of IFAD's total financing. Future locations and models of decentralization will follow criteria established by IFAD's Executive Board, with particular attention to country programme size and country circumstances, and cost-effectiveness.

### **Knowledge building, dissemination and policy engagement**

#### **Knowledge management processes and products.**

IFAD recognizes that a core purpose of its knowledge management efforts must be to identify, develop and promote successful and innovative approaches and interventions that have demonstrated potential to be scaled up. As such, building a comprehensive evidence base of development solutions for the rural sector and strengthening IFAD's capacity to more effectively bring these to bear in policy processes at country, regional and global levels will be key priorities. This agenda will involve deeper analysis of results and lessons from operations; systematic production of data and evidence of effectiveness; more proactive mobilization of knowledge from partners; and a strategic approach to internal and external knowledge-sharing and communication that assembles and compellingly conveys knowledge and evidence tailored to specific needs of different audiences.

Key knowledge management instruments and products will include the revamped IFAD grants programme (guided by the 2015 IFAD Policy for Grant Financing), the establishment of a corporate knowledge and research agenda, and the launch of a strategic publications programme. Broader publications such as the flagship Rural Development Report, and derivative research and policy products, will be released with greater frequency, and a new periodic report on rural policy reforms and investment priorities will be launched. IFAD recognizes the critical role of communication of results and lessons in ways that will inspire support from policymakers and other key stakeholders, and will increase its investments in this area with a focus on high-quality strategic communications.

**Impact measurement.** IFAD's aim to build evidenced-based knowledge that improves country-level results rests upon rigorous measurement of project impact. To this end, IFAD will implement a multi-pronged strategy that moves beyond the current focus on its Results and Impact Measurement System (RIMS). Quantitative and qualitative approaches will be used as appropriate, focusing on attributing impact to projects and designed to learn lessons that can influence project design and country policy engagement. Cutting-edge impact evaluation methods, including experimental and non-experimental approaches, will be used and fully embedded into project designs. There will be a greater focus on facilitating learning from impact evaluations performed by IOE as well as relevant impact evaluations performed by outside institutions.

#### **South-South and Triangular Cooperation.**

As a global institution IFAD will promote SSTC as a key mechanism for delivering relevant, targeted and cost-effective development solutions to partners across the globe. It will play a more significant role as a knowledge-broker for SSTC by facilitating opportunities for sharing relevant

innovations, technologies, methodologies and lessons between policymakers, development practitioners and the private sector. IFAD plans to strengthen its comparative advantage and expand its work in this area in terms of both knowledge-based cooperation and investment promotion, seeing it as an integral part of its business model and of its country programming process.

**Global policy engagement.** IFAD's impact on the ground is strongly affected by developments at the global level – to which it also contributes. The design of Agenda 2030 is just one example of this realization, complementing other parallel and interrelated processes of convergence around a global agenda for financing for development and climate change. Going forward, IFAD will seize opportunities to bring its operational knowledge to these and other international policy processes of strategic relevance for IFAD.<sup>37</sup> It will aim, in particular, to: (i) position inclusive and sustainable rural transformation as a key part of the implementation, financing, and monitoring of Agenda 2030; (ii) promote enabling policy changes around key drivers affecting inclusive and sustainable rural transformation, with an emphasis on reforms and innovations that enhance scope for greater and more effective investments in rural areas; (iii) create space for, and support, the concerns and voices of rural people in international policy processes; (iv) advocate for more effective mobilization and leveraging of international and domestic financing flows for inclusive rural investments; and (v) expand and deepen both its internal communications and strategic external communications to advance these aims.

<sup>37</sup> In this context, the Committee on World Food Security (CFS) will remain a key forum for IFAD's global engagement, serving as a unique multistakeholder platform for policy deliberations on a range of matters related to IFAD's mandate. IFAD will use its engagement in the CFS Advisory Group to inform and influence policy debates and processes of relevance to its work, and identify innovative and viable policy solutions to challenges in the realm of smallholder agriculture and rural development.

### **Financial capacity and instruments**

Achieving inclusive and sustainable rural transformation and fulfilling the ambitious SDG targets will require mobilization of substantially greater resources within a rapidly changing development financing landscape. In full adherence with the Agreement Establishing IFAD, access to IFAD's resources in terms of level and conditions will take into account IFAD's evolving financing model and objective economic and social criteria of IFAD recipient countries. IFAD will continue to develop a stronger, more innovative and efficient financial complex, allowing it to play its role as an agency of the United Nations and an IFI to the full.<sup>38</sup>

**Resource mobilization.** IFAD will aim to achieve robust growth in its programme of loans and grants over the next 10 years. Resource mobilization efforts will continue to focus on strategic partners, public and private, with whom IFAD can realize the highest possible return on investments in agriculture and rural development. IFAD is well prepared for this, having transitioned from operating solely as a fund to an institution that accesses resources through a broader range of financing mechanisms.

**Additional financing sources.** While the replenishment will remain the main source of financing, under the Additional Resource

Mobilization (ARM) Initiative, IFAD will continue to pursue complementary financing channels such as supplementary funds, cofinancing and borrowing (in line with the Sovereign Borrowing Framework established in 2015).<sup>39</sup> Capitalizing on its expertise and experience as an IFI, IFAD will consolidate its position as a reliable manager of funds supporting rural development. In consultation with and as agreed by the Executive Board, IFAD will explore the feasibility and scope for borrowing from the market.

**Financial products.** With a view to better respond to its clients' needs and demands, IFAD will seek to diversify and tailor the financial products it offers to partner countries and enhance its role as a catalyst for increased public and private investment in the rural sector. In this context, it will assess the viability of products used by other IFIs, such as:

- Direct equity investments: by effecting limited direct investments in projects or enterprises, IFAD can achieve the dual objective of monitoring them very closely and acting as a catalyst for much larger private-sector investments; and
- Provision of credit guarantees: possibly in cooperation with other IFIs who already offer this financial product, IFAD may develop this capability in order to facilitate smallholder farmers and SMEs' access to credit.

**Cofinancing.** Domestic and international cofinancing by public and private partners is critical for expanding the impact of IFAD's programme of work. Significant opportunities for increased cofinancing will arise from partnering with domestic financiers, especially in middle-income countries, from bilateral and multilateral development banks, and from international institutions providing climate financing. The latter is rapidly growing in terms of actual and potential flows, and IFAD is already committed to playing a stronger role in mobilizing funds to address climate change from the GEF, LDCF, SCCF and the newly established Green Climate Fund.

<sup>38</sup> While a midterm review of the Strategic Framework will be carried out in 2020, an update of the document may be undertaken after each IFAD Replenishment Consultation, if so requested by the Consultation.

<sup>39</sup> Sovereign Borrowing Framework: Borrowing from Sovereign States and State-Supported Institutions: <https://webapps.ifad.org/members/eb/114/docs/EB-2015-114-R-17-Rev-1.pdf>.

**Financial management capacity.** IFAD will continue to upgrade its financial management capacity in terms of skills and tools. This will affect the areas of investment portfolio management, in order to protect financial resources in the context of extremely volatile markets, and risk management, so as to enable IFAD to more effectively capitalize on new resource mobilization opportunities. To this effect, work has already started to better manage financial risks and to be more flexible in accommodating the currency of choice in the provision of loans to borrowers.

**Loans and grants administration.**

In anticipation of changes in the financing mix and programme delivery model, IFAD will enhance the efficiency of existing disbursement arrangements while seeking assurance that funds are used for the intended purpose. Risk-based assurance mechanisms will be further refined to enable use of country systems and development of differentiated regional or country strategies for financial management and procurement. This will be supported by client capacity-building as a key driver of strengthened fiduciary accountability. Automation of loan and grant administration will be continued based on a new borrower portal and improved electronic disbursement processes.

**Institutional functions, services and systems**

In delivering its development results, IFAD will seek to strengthen the effectiveness and efficiency of its institutional platform for support to Members' governance activities, partnerships, human resource management, information and communication technology, oversight, internal advisory services, and facilities and administrative support.

**Institutional efficiency.** IFAD's key business processes will be further rationalized and streamlined, building on gains from the implementation of the recommendations of the IOE corporate-level evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operations, to ensure more

cost-effective delivery of development results and responsiveness to partner country needs and priorities. Internally, IFAD will provide a proactive and responsive service that builds on client self-sufficiency through user-friendly reports, dashboards and portals so as to enhance accountability and corporate decision-making processes across the organization. As required, IFAD's information and communications technology architecture and systems will be upgraded to support these reforms.

**Technology, facilities and resources.**

IFAD will ensure that its staff has the tools, facilities and resources to best contribute to its mandate. From a secure, stable platform, technology solutions will aim to facilitate and enhance the Fund's operations, beyond the traditional focus of administrative efficiency. These will be used to streamline the way in which IFAD delivers and assesses its programmes, to better harness data coming from IFAD operations, and to foster a culture of data sharing, knowledge management and data analytics across the organization and beyond.

Consistent efforts will be made to enhance the skill sets and competencies of IFAD's workforce in light of evolving operational objectives, and to refine IFAD's human resources management policies and practices to promote a high-level of workforce engagement and performance. Dynamic internal communications will support these efforts and further unify IFAD's global team.

**Internal oversight.** High standards of internal oversight will be maintained to provide independent assurance and advice to Management and governing bodies over the efficient and effective implementation of planned initiatives and the adequacy of the Fund's risk management processes. IFAD will strengthen its capacity to prevent and fight corruption and misuse in its activities and operations.

# Performance and risk management and accountability

## 5

IFAD's progress in realizing this Strategic Framework will be measured through the results measurement frameworks (RMFs) agreed with Member States in the context of the Consultation on the Tenth Replenishment of IFAD's Resources (IFAD10) and future replenishment consultations. Performance assessments will draw on a range of third-party mechanisms in complementarity with IFAD's own self-evaluation system, including arm's length reviews of project quality-at-entry and annual in-country client-partner surveys. Moreover, in line with the IFAD Evaluation Policy, IOE evaluations will continue to be used as critical instruments to promote accountability for results and learning for improved effectiveness. Results relative to targets in the RMF and other commitments agreed with Member States will be reported annually to the Executive Board and its Evaluation Committee in the Report on IFAD's Development Effectiveness (RIDE) and the Annual Report on Results and Impact of IFAD Operations (ARRI) produced by IOE, as well as at the midterm reviews of IFAD's replenishments.

The Strategic Framework, along with the RMF and commitments agreed with governing bodies will be key elements of IFAD's performance planning and management system, consisting of: three-year medium-term plans to ensure that operations, workforce and finances are focused on fulfilling agreed commitments and targets; a results-based budgeting system to promote optimal and economical use of internal resources; and a proactive internal results monitoring system to facilitate prompt remedial action by Management as performance issues arise.

The achievement of IFAD's development results faces risks depending on the local, country, regional or global context, and these risks may be of a policy, political, institutional, technical, environmental, security, financial or economic nature. Risk management and mitigation play a crucial role for IFAD. They will continue to be implemented as part of each country programme and project development process, and at the corporate level through a formal enterprise risk management system that supports management of key organizational risks, and strengthens IFAD's ability to achieve its overall objectives.







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