

IFAD'S SUSTAINABLE DEVELOPMENT FINANCE FRAMEWORK

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Introduction

With the 2030 Agenda for Sustainable Development, UN Member States made a unanimous commitment to jointly tackling the interrelated challenges facing the world, including hunger and poverty. Three quarters of the world's poorest and hungry people live in the rural areas of developing countries and around 63 per cent of the world's poorest people work in agriculture¹. Investing in rural development is therefore central to achieving the Sustainable Development Goals and building global resilience in the face of climate change and other shocks.

IFAD is the only **United Nations specialized agency and international financial institution** with the specific mandate to eradicate poverty and hunger by investing in rural people² through financial and technical assistance to agriculture and rural development projects in developing member countries. Leaving no one behind – the ambition that cuts across the 2030 Agenda – is central to IFAD's mandate. IFAD is a multilateral organization with **178 member countries**. Membership is open to any state that is a member of the United Nations, any of its specialized agencies or the International Atomic Energy Agency.

IFAD's mission is to transform rural economies and food systems by making them more inclusive, productive, resilient and sustainable. **IFAD's vision** of inclusive and sustainable rural transformation fits closely with the ambition of the 2030 Agenda. IFAD's Strategic Framework (see page 7) affirms this vision as the basis for the organization's work. IFAD's overarching goal is to invest in rural people to enable them to overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods.

IFAD mainstreams four cross-cutting themes in its operations: environment and climate change, gender and women's empowerment, youth and nutrition. These four issues, combined with fragility, underpin some of the greatest challenges to achieving the SDGs; addressing them effectively, in collaboration with partners, builds the resilience of rural communities, reduces vulnerability and helps ensure that migration is always a choice rather than a necessity.

Rural people living in poverty and experiencing food insecurity in developing countries **are the target population** of IFAD-supported projects. Within this broad group, IFAD's comparative advantage lies in its targeting of the poorest of the poor and the most **vulnerable** people and those who are most likely to have little

¹ Olinto, P., Beegle, K. Sobrado, C., and H. Uematsu. 2013. The State of the Poor: Where Are The Poor, Where Is Extreme Poverty Harder to End, and What Is the Current Profile of the World's Poor? Economic Premise No. 125. October. PREM Network, the World Bank.

² Rural can be defined by administrative delineations, i.e. national definitions of rural and urban usually defined by population density. IFAD applies a broader definition, to recognize the rural-urban continuum. Thus, rural people refers to people living in rural, semi-rural and peri-urban areas on the continuum.

access to assets and opportunities due to social exclusion and **marginalization** (e.g. women, young people, indigenous peoples, persons with disabilities, people living in fragile situations, etc.).

IFAD-supported projects are of various types in several **sectors** within the agricultural space. In line with its Strategic Framework, IFAD contributes most significantly to the eradication of poverty and hunger (SDGs 1 and 2), as well as to the gender equality (SDG 5) and reduced inequalities (SDG 10), decent work and economic growth (SDG 8), action on climate change (SDG 13) and the environment (SDG 15). Other SDGs are also supported as shown in table 1. In total, IFAD supports directly or indirectly **16 out of 17 SDGs**.

Table 1: IFAD project types and SDG supported

Project type	Description of project activities	SDG target supported
 Environment and Natural Resources	Restoring and maintaining natural resource capital as a basic requirement for sustainable development.	1.4, 2.3, 5a, 10.3, 12.2, 15.1
 Production sectors	Improving agricultural production and limiting post-harvest losses. Five categories are included: Agricultural land resources, Agricultural water resources, Crops, Fisheries and aquaculture, and Livestock and pastoralism.	1.4, 2.4, 6.4, 6.5, 8.2, 9.1, 10.1, 12.2, 12.3, 12.8
 Inclusive rural finance	Banking and financial services, and financial market support.	1.4, 2.3, 4.4, 5.a, 8.1, 8.3, 9.3, 10.c, 15.a
 Social Services	Securing basic services such as social and health services. Categories include: Securing basic needs and services, and Accessing energy and housing.	1.4, 2.4, 4.3, 4.4, 4.5, 8.2, 8.6, 9.3, 10.c, 12.2, 14.b, 15.a, 16.7
 Access to markets	Accessing better markets, and improving networks, utilities and services to facilitate economic activities, including rural business development and transportation.	1.2, 1.4, 1.5, 2.3, 2.a, 2.c, 4.3, 4.4, 4.5, 5.5, 8.2, 8.3, 8.5, 8.6, 9.1, 9.3, 9.4, 9.a, 10.1, 10.2, 12.3, 12.8, 14.b, 16.7
 Policy and institutions	Creating an enabling environment for project implementation and sustainable rural transformation, including activities such as support to public administration in developing or implementing new policies, laws, regulations or reforms.	2.3, 5.5, 8.3, 12.1, 13.2, 16.1, 16.7, 17.3, 17.6, 17.7, 17.9, 17.13, 17.14, 17.15, 17.16
Cross-cutting themes		
 Climate change adaptation and mitigation	Enhancing small scale producers' and rural communities' low-carbon development and their resilience to environmental degradation and climate change impacts. Activities are along the whole value chain, such as improved seed varieties, agroforestry, improved storage facilities to reduce post-harvest losses, and renewable energy for agribusinesses. Innovative climate finance, such as micro-lending to reduce barriers to finance and technology for vulnerable populations.	15., 2.1, 2.3, 2.4, 4.5, 5.4, 6.4, 6.5, 7.1, 7.2, 9.4, 10.2, 12.2, 12.8, 12.a, 13.1, 13.2, 13.3, 14.2, 14.7, 15.1, 15.2, 15.3
 Gender and women's empowerment	Promoting gender equality in rural communities by helping rural women grow more food, connect to markets, increase their incomes, and become more literate and financially skilled.	1.4, 5.4, 5.5, 10.2, 16.7, 5.a, 5.c
 Youth	Fostering business development, new technology and innovation models, vocational training and education as well as emerging themes of decent work, and addressing issues of child labor in agriculture, adolescent girls, indigenous youth and youth with disabilities.	1.2, 2.3, 8.5, 8.6, 10.2
 Nutrition	Improving local food systems (mainly through increasing and diversifying food production), and raising awareness about and knowledge of nutrition. Integrating nutrition considerations into stages of the food value chain beyond production.	2.1, 2.2, 2.4, 3.4, 6.1



The contribution of IFAD-supported projects to the SDGs is measured at single project level through a set of Core Indicators (CIs) that are mapped to the relevant SDG goal and target, and measured on an ongoing basis.

IFAD's Sustainable Development Finance Framework (SDFF) applies to funds borrowed by IFAD in the form of private placement bonds aimed at scaling up IFAD's efforts to contribute to the 2030 Agenda and the SDGs.

The SDFF includes the following four core components of the International Capital Markets Association Green Bond Principles (2018), Social Bond Principles (2020) and Sustainability Bond Guidelines (2018), available at **ICMA**:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting

Use of proceeds

An amount equal to the net proceeds from private placement bonds issued by IFAD will be included in IFAD's resources. IFAD will use these resources to finance or refinance Eligible Development Projects (EDPs) and programmes in member countries. These resources will not be committed or earmarked for lending to, or financing of, any particular projects or programmes. The returns on the private placement bonds will not be linked to the performance of any particular project.

EDPs will be managed on a portfolio-based approach. The following table shows IFAD's EDPs by type, as described in table 1, and the corresponding green or social bond project category for reference.

All IFAD project types aim to transform rural economies and food systems by making them more inclusive, productive, resilient and sustainable to **IFAD's target population**.

Proceeds from bond private placements will not be used to finance IFAD's administrative and operating expenses, nor to finance expenses for grants, as these expenses are covered entirely by replenishment contributions³ from IFAD's Member States.

As mentioned above, IFAD-supported projects contribute to four cross-cutting themes: (1) Climate Change Adaptation and Mitigation, (2) Gender and Women's Empowerment, (3) Youth, and (4) Nutrition. These themes are intrinsic to IFAD's core mission and have strong linkages to its project portfolio. Accordingly, certain bond issuances may be thematic in nature, drawing on these priorities.

³ Replenishment contributions are grant financing contributions that IFAD receives from its Member States

Table 2: IFAD project types and green and social bonds project category

EDP type	Environment and Natural Resources	Production sectors	Inclusive rural finance	Social Services	Access to markets	Policy and institutions
GBP/SBP project category reference						
Environmentally sustainable management of living natural resources and land use	✓					
Sustainable water and wastewater management	✓	✓				
Terrestrial and aquatic biodiversity conservation	✓					
Food security		✓				✓
Employment generation through the potential effect of SME financing and microfinance			✓			
Access to essential services		✓		✓		
Socioeconomic advancement and empowerment				✓	✓	✓
Affordable housing				✓		
Affordable basic infrastructure					✓	✓

Process for project evaluation and selection

EDPs go through a rigorous review and approval process to ensure that they align with IFAD’s mission and meet development priorities of borrowing governments, as detailed in the jointly developed Country Strategic Opportunities Programmes (COSOP) or Country Strategies.⁴ The process includes: (i) a two-step quality enhancement and quality assurance process with substantive input from technical experts as well as peer reviewers through the Operational Strategy and Policy Guidance Committee (OSC), the Project Design Review Meeting and the Quality Assurance Group (QAG) meeting; (ii) screening to identify potential adverse environmental or social impacts and designing policies and concrete actions to mitigate any such impacts; and, (iii) approval by IFAD’s Executive Board⁵. IFAD integrates the following four cross-cutting mainstreaming areas into its lending activities, helping its borrowers to create sustainable development solutions: environment and

⁴ www.ifad.org/en/cosop
⁵ www.ifad.org/en/project-design-and-management

climate change; gender and women's empowerment; youth and nutrition. IFAD applies the Multilateral Development Banks (MDB) methodology for climate finance tracking in each project.

Projects are subject to the Policies and Criteria for IFAD Financing,⁶ the Guidelines for IFAD Financing Terms and Conditions,⁷ the General Conditions for Agricultural Development Financing⁸ and IFAD's Social, Environmental and Climate Assessment Procedures,⁹ each as updated and amended from time to time.

Management of proceeds

The proceeds from bond private placements sourced under the SDFF will be allocated within IFAD's investment portfolio to a special sub-portfolio linked to IFAD's lending operations to "EDPs" as described above.

Pending disbursement to IFAD's programmes and projects, an amount equal to the net proceeds from the sale of the private placement bonds will be invested in accordance with IFAD's prudent Investment Policy Statement¹⁰. Disbursement requests for EDPs and programmes will take place in accordance with IFAD's established policies and procedures.

Reporting

IFAD will produce an **annual impact report under the SDFF**. The report will include the total amount of financing approved under the framework with a lookback period of 36 months, disbursement patterns and outstanding balance of proceeds from private bond placements as well as planned or achieved results.

IFAD's agenda for results management is embodied in its **Development Effectiveness Framework**¹¹ which embeds a comprehensive set of actions for timely and adequate collection of information to identify the results achieved by IFAD-supported projects.

All IFAD-supported projects report on a set of **Core Indicators (CIs)**¹² linked to IFAD's mandate, which are in turn mapped to specific SDG goals and targets to measure IFAD's contributions to the 2030 Agenda. Specific indicators for each of the mainstreaming areas (environment and climate change, gender and women's empowerment, nutrition and youth) are also included in each project's design and results framework (see table 3).

IFAD provides supervision and implementation support to all the projects it finances and is committed to transparent reporting of its financing on an annual basis. The supervision process comprises regular reports by the implementing government agency on project activities, including a mid-term review of project progress. Each project's progress, outputs, outcomes and impact are monitored by the borrowing government and by IFAD throughout the implementation phase in order to obtain data to evaluate and measure the effectiveness of the operations.

Each project reports through a corporate-level results management system on an ongoing basis, with aggregation and reporting undertaken annually. The contribution to each SDG goal and target is tracked automatically in IFAD's online Operational Results Management System (ORMS).

Project completion reports self-assess performance and results at the end of a project. These are complemented by project evaluations that the Independent Office of Evaluation of IFAD (IOE) conducts on a sample basis. The IOE also issues an Annual Report on Results and Impact of IFAD Operations¹³, which examines IFAD's overall programme performance each year. It is IFAD's principal external accountability tool and allows IFAD to monitor the effectiveness of its work. Project information is available on the **IFAD website**.

⁶ www.ifad.org/documents/38714170/39132730/ifad-financing.pdf/9fa17549-96e0-4e45-9d50-f01e892e44b1

⁷ www.ifad.org/en/document-detail/asset/41074488

⁸ www.ifad.org/en/document-detail/asset/39500875

⁹ www.ifad.org/en/secap

¹⁰ <https://webapps.ifad.org/members/eb/128/docs/EB-2019-128-R-38.pdf>

¹¹ <https://webapps.ifad.org/members/eb/119/docs/EB-2016-119-R-12.pdf>

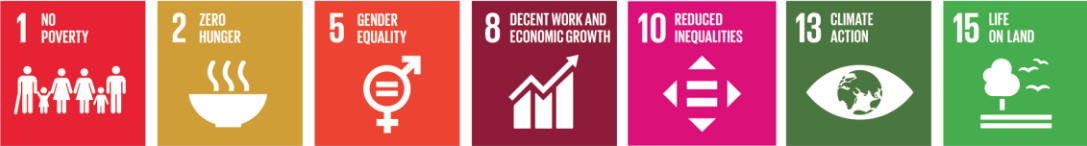
¹² <https://webapps.ifad.org/members/eb/120/docs/EB-2017-120-R-7-Rev-1.pdf>

¹³ www.ifad.org/en/web/ioe/arri

Table 3: EDP type and example of Core Indicator measured by IFAD

EDP type	Example of Core Indicator measured
 <p>Environment and Natural Resources</p>	<p>1.1.1 Number of persons whose ownership or user rights over natural resources have been registered in national cadasters and/or geographic information management systems</p> <p>1.2.1 Percentage of persons/households reporting improved access to land, forests, water or water bodies for production purposes</p>
 <p>Production sectors</p>	<p>1.1.2 Number of hectares of farmland under water-related infrastructure constructed/rehabilitated</p> <p>1.1.3 Number of rural producers accessing production inputs and/or technological packages</p> <p>1.1.4 Number of persons trained in production practices and/or technologies</p>
 <p>Inclusive rural finance</p>	<p>1.1.5 Number of persons in rural areas accessing financial services (savings, credit, insurance, remittances, etc.)</p> <p>1.1.6 Number of financial service providers supported in delivering outreach strategies, financial products and services to rural areas</p> <p>1.1.7 Number of persons in rural areas trained in financial literacy and/or use of financial products and services</p>
 <p>Social Services</p>	<p>2.1.2 Number of persons trained in income-generating activities or business management</p> <p>2.1.3 Number of rural producers' organizations supported</p> <p>1.1.8 Number of persons/households provided with targeted support to improve their nutrition</p> <p>1.2.9 Households with improved nutrition Knowledge Attitudes and Practices (KAP)</p>
 <p>Access to markets</p>	<p>2.1.1 Number of rural enterprises accessing business development services</p> <p>2.1.2 Number of persons trained in income-generating activities or business management</p> <p>2.1.3 Number of rural producers' organizations supported</p> <p>2.1.4 Number of supported rural producers that are members of a rural producers' organization</p> <p>2.1.5 Number of kilometers of roads constructed, rehabilitated or upgraded</p> <p>2.1.6 Number of market, processing or storage facilities constructed or rehabilitated</p> <p>2.2.1 Number of jobs created</p>
 <p>Policy and institutions</p>	<p>Policy 1 Number of policy-relevant knowledge products completed</p> <p>Policy 2 Number of functioning multi-stakeholder platforms supported</p>
Cross-cutting themes (example)	
 <p>Climate change adaptation and mitigation</p>	<p>3.1.1 Number of groups supported to sustainably manage natural resources and climate-related risks</p> <p>3.1.2 Number of persons provided with climate information services</p> <p>3.1.3 Number of persons accessing technologies that sequester carbon or reduce greenhouse gas emissions</p> <p>3.1.4 Number of hectares of land brought under climate-resilient management</p> <p>3.2.1 Number of tons of greenhouse gas emissions (CO₂) avoided and/or sequestered</p>

Overview of IFAD's Strategic Framework 2016-2025



<p>STRATEGIC VISION</p> <p>Inclusive and sustainable rural transformation</p>			<p>PRINCIPLES OF ENGAGEMENT</p> <p>Targeting</p> <p>Empowerment</p> <p>Gender equality</p> <p>Innovation, learning and scaling up</p> <p>Partnerships</p>									
<p>OVERARCHING GOAL</p> <p>Poor rural people overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods</p>												
<p>STRATEGIC OBJECTIVES (SOs)</p> <table border="1"> <thead> <tr> <th>SO 1</th> <th>SO 2</th> <th>SO 3</th> </tr> </thead> <tbody> <tr> <td>Increase poor rural people's productive capacities</td> <td>Increase poor rural people's benefits from market participation</td> <td>Strengthen the environmental sustainability and climate resilience of poor rural people's economic activities</td> </tr> <tr> <td colspan="3"> <p>Areas of thematic focus</p> <ul style="list-style-type: none"> • Access to natural resources • Access to agricultural technologies and production services • Inclusive financial services • Nutrition • Diversified rural enterprise and employment opportunities • Rural investment environment • Rural producers' organizations • Rural infrastructure • Environmental sustainability • Climate change </td> </tr> </tbody> </table>				SO 1	SO 2	SO 3	Increase poor rural people's productive capacities	Increase poor rural people's benefits from market participation	Strengthen the environmental sustainability and climate resilience of poor rural people's economic activities	<p>Areas of thematic focus</p> <ul style="list-style-type: none"> • Access to natural resources • Access to agricultural technologies and production services • Inclusive financial services • Nutrition • Diversified rural enterprise and employment opportunities • Rural investment environment • Rural producers' organizations • Rural infrastructure • Environmental sustainability • Climate change 		
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International Fund for Agricultural Development
Via Paolo di Dono, 44 - 00142 Rome, Italy
Tel: +39 06 54591 - Fax: +39 06 5043463
Email: ifad@ifad.org
www.ifad.org

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