

IFAD Strategic Framework 2011-2015



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Enabling poor rural people to overcome poverty



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The final draft was approved by the Executive Management Committee (EMC) chaired by the President of IFAD, Kanayo F. Nwanze. The Executive Board approved the IFAD Strategic Framework 2011-2015 at its May 2011 session.

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Abbreviations and acronyms

CFS	Committee on World Food Security
FAO	Food and Agriculture Organization of the United Nations
GAFSP	Global Agriculture and Food Security Program
MDG	Millennium Development Goal
RB-COSOP	results-based country strategic opportunities programme

Executive summary

IFAD's fourth Strategic Framework covers the period 2011-2015. It presents IFAD's overarching goal, objectives and thematic areas of focus. It also articulates the principles of engagement that will guide operations and how IFAD will deliver against the framework.

IFAD's unique mandate is improving rural food security and nutrition, and enabling rural women and men to overcome poverty. In today's changing global context, with new opportunities and challenges facing poor rural people, pursuing this mandate calls for honing IFAD's strategies and instruments to achieve greater and more sustainable impact. This does not entail radical changes in what IFAD does. Rather, it requires building on what IFAD has learned about small-scale agriculture and rural poverty reduction in more than 30 years, by better leveraging its comparative advantages together with a range of partners.

This Strategic Framework has been prepared in response to a global context characterized both by persistent problems and major changes. The former include persistent rural poverty on a massive scale, with close to 1 billion rural people living on less than US\$1.25 per day, and a high prevalence of food insecurity and hunger in some regions. The latter include increasingly diverse rural livelihoods; accelerating natural resource degradation and climate change; the growing economic importance of agriculture¹ and rising demand for food, biofuels, and other agricultural goods and services; higher and more volatile food prices; and growing private-sector investment in agriculture.

In this changing context, many factors – both long-standing and relatively new – keep rural households in poverty, leave them ill-equipped to face new risks and opportunities, and undermine rural food security and nutrition. These factors include: inadequate and insecure access to natural resources, particularly by rural women; natural resource degradation; limited human capital and skills; weak collective capabilities and organization; poor access to technology and financial services; insufficient integration into agricultural markets and value chains;² a lack of good employment opportunities; policy failures; and weak rural representation in policy processes.

Since the food price spike of 2007-2008, the international community has launched a number of initiatives to promote food security and nutrition, many of which include supporting small-scale agriculture. In parallel, greater global concern has emerged around climate change and its implications for agriculture and rural livelihoods. Many developing countries have begun to give higher priority to food security and nutrition, and sometimes to allocate more budgetary resources to agriculture. Prospects for

1 In line with IFAD standard practice, this Strategic Framework uses the term "agriculture" to include crop farming, livestock production, artisanal fishing and aquaculture, and forestry.

2 In this document, the term "agricultural value chain" means the chain of activities through which agricultural goods and services are produced, distributed and consumed. Each value chain includes a range of activities and actors upstream and downstream of production, including input suppliers, providers of financial and other services, farmers and livestock producers, agricultural workers, processors, transporters, traders, consumers, etc. Although value can be produced in each segment of the chain, small agricultural producers and workers typically capture a minor part of the value produced along each chain, for a variety of reasons.

enhanced South-South cooperation have also improved. The role of women in agriculture and in ensuring household food security and nutrition, and the need to support this role with targeted investments, are increasingly being recognized. These developments bode well for future progress in rural poverty reduction and small-scale agriculture. They also bode well for improved food security and nutrition in rural areas and beyond.

Against this backdrop, IFAD's work remains focused on poor rural people and their livelihoods and food security – and on small-scale agriculture as a crucial source of income and nutrition for many poor rural households, and a driver of rural economic growth. Throughout the years, IFAD has gained a wealth of experience that confers a comparative advantage in these areas. IFAD collaborates with partners to develop innovative and sound projects that respond to the constraints and priorities identified by poor rural people. It fosters the empowerment of poor rural women and men, their organizations and communities. It engages in policy dialogue on the basis of its field experience. In a changing global context,

IFAD will use this comparative advantage to be a leading player and an effective partner in emerging initiatives around rural poverty reduction, small-scale agriculture and food security. It will do so in a way that maximizes benefits for poor rural people, and helps direct more policy attention, resources and services towards them.

To use its comparative advantage to achieve greater impact, IFAD will be guided by a dynamic vision in which small-scale agriculture can respond to growing demand for food and other agricultural goods and services, generating income and a range of other benefits for poor rural people. For many small farmers and livestock producers, agriculture can provide a robust pathway out of poverty today and in the future. For this to happen, small-scale agriculture must be market-oriented to capture the opportunities afforded by growing demand for agricultural products. It needs to be more productive and more sustainable to thrive in an environment of scarce resources and energy. It needs to become more resilient to a changing climate. Finally, it needs to be integrated into dynamic rural spaces where rural-urban linkages play an ever greater role, and where non-farm activities within and around agricultural value chains increasingly provide employment and entrepreneurial³ opportunities for many poor rural people.

3 In this document, the term "enterprise" is often used to indicate commercially oriented activities in which poor rural people engage, as small- and micro-scale "entrepreneurs". The term is used to recognize the fact that many millions of poor rural women and men derive their income from producing agricultural or other goods and services for the market, and that market and price calculations largely determine their decisions with respect to these activities. Only by recognizing and addressing their needs and constraints as small and microentrepreneurs can development programmes support these women and men to overcome poverty sustainably.

In this context, IFAD's overarching goal is: enabling poor rural people to improve their food security and nutrition,⁴ raise their incomes and strengthen their resilience. This goal is underpinned by five strategic objectives:

- A natural resource and economic asset base for poor rural women and men that is more resilient to climate change, environmental degradation and market transformation;
- Access for poor rural women and men to services to reduce poverty, improve nutrition, raise incomes and build resilience in a changing environment;
- Poor rural women and men and their organizations able to manage profitable, sustainable and resilient farm and non-farm enterprises or take advantage of decent work opportunities;
- Poor rural women and men and their organizations able to influence policies and institutions that affect their livelihoods; and
- Enabling institutional and policy environments to support agricultural production and the full range of related non-farm activities.

In pursuit of its goal and objectives, IFAD will better orient its efforts on various levels. At the macro level, it will:

- Lead rural poverty reduction initiatives based on small-scale agriculture;
- Help countries scale up successes through IFAD-funded operations;
- Expand its policy engagement;
- Strengthen its pro-poor partnerships with a range of actors, including other United Nations agencies, public and private donors, and commercial enterprises that can bring pro-poor investment, assets and services to rural areas; and
- Enhance its knowledge broker and advocacy role.

At the programme and project level, IFAD will step up efforts on:

- Enhancing environmental sustainability and resilience in small-scale agriculture;
- Promoting win-win contractual arrangements to help small agricultural producers seize opportunities at lower risk in agricultural value chains;
- Supporting the development of technologies for sustainable intensification of small-scale agriculture;
- Increasing the capacity of financial institutions to provide a broad range of inclusive services to poor rural people;
- Promoting the capabilities of rural women and men, including young people; and
- Capitalizing on opportunities to use renewable energy sources at the farm and community levels, and promoting low-cost technologies using local resources to provide energy at the village level.

⁴ Attention to nutrition within IFAD originates in the Agreement Establishing IFAD of June 1976, which states in article 7.1(d)(ii), "Operations", that "emphasis shall be placed on improving the nutritional level of the poorest populations in these countries and the conditions of their lives." In this context, IFAD contributes to nutrition through its support to agriculture, which improves access to nutritious foods and high-quality diets and supplies essential food-based micronutrients to poor and marginal groups.

In terms of thematic engagement, IFAD will continue to focus on:

- Natural resources – land, water, energy and biodiversity;
- Climate change adaptation and mitigation;
- Improved agricultural technologies and effective production services;
- A broad range of inclusive financial services;
- Integration of poor rural people within value chains;
- Rural enterprise development and non-farm employment opportunities;
- Technical and vocational skills development; and
- Support to rural producers' organizations.

Gender equality and social inclusion will be addressed as cross-cutting themes in each of these areas, as will household strategies to improve food security and nutrition.

In all its work, IFAD will adhere to eight principles of engagement:

- A differentiated approach based on country context;
- Targeting;
- Supporting the empowerment of poor rural people;
- Promoting gender equality and women's empowerment;
- Creating viable opportunities for rural youth;
- Innovation, learning and scaling up;
- Effective partnerships and resource mobilization; and
- Sustainability.

In delivering on this Strategic Framework, IFAD will intensify its efforts to mainstream management for development results. It will continue to manage for quality by strengthening internal quality enhancement and quality assurance systems. It will also continue to pursue increased efficiency, delivering more in quantity and quality at lower cost. In addition, IFAD will develop new projects and programmes in partnership with a range of private-sector actors to bring greater benefits to small agricultural producers. It will step up advocacy and communication efforts around small-scale agriculture, rural development, and food security and nutrition. It will continue to amplify the voices of poor rural women and men in relevant debates. Finally, it will continue to promote profitable, sustainable and resilient small-scale agriculture as a key part of the response to growing demand for food and other agricultural goods and services – locally, in developing countries and globally.

Introduction

1

IFAD's fourth Strategic Framework covers the period 2011-2015. It presents IFAD's overarching goal, objectives and areas of thematic focus. It also articulates the principles of engagement that will guide operations and how IFAD will deliver against the framework.

This new Strategic Framework largely builds on the previous one (2007-2010), which retains much of its validity. In addition, it draws on the Report of the Consultation on the Eighth Replenishment of IFAD's Resources⁵ and is informed by existing policies, the annual reports on IFAD's development effectiveness and various reports by the IFAD Office of Evaluation.

The framework brings some adjustments to IFAD's current strategic objectives and principles of engagement. These changes are based on lessons learned from experience as well as an analysis of today's global context for IFAD's operations. This includes both long-standing and new challenges that poor rural women and men face, and new opportunities for them to contribute to and benefit from economic growth and enhanced food security.⁶

The new framework does not propose any major change in direction, or in IFAD's unique mandate – improving food security and nutrition and enabling rural women and men to overcome poverty. It does not call for IFAD to abandon its focus on rural poverty reduction or change its targeting approach. It recognizes that IFAD's mandate positions it well to play a crucial role in a global environment where rural poverty reduction and food security have moved to the top of

the agenda. However, the framework does call on IFAD to better leverage the comparative advantage it has built throughout three decades of work with poor rural people, to achieve greater and more sustainable impact in its operations, and to better contribute to the pursuit of the first Millennium Development Goal (MDG1) in its developing Member States.

The Strategic Framework provides the overarching direction for IFAD's future policies and guidelines, thereby ensuring policy coherence and consistency, while also building on existing policies. In addition, the framework guides the results-based country strategic opportunities programmes (RB-COSOPs) that frame IFAD's engagement in – and cooperation with – its developing Member States, and the individual programmes and projects that IFAD funds. It also provides the starting point for IFAD's engagement in policy dialogue and advocacy at the national, regional and global levels.

As in the past, the COSOP and project design will continue to govern the identification of IFAD's specific target group in individual countries, the design of a strategy of engagement with this group and with in-country partners, and the identification of specific partnerships and activities. Where needed, and as requested by IFAD governing bodies, new strategies and policies will be prepared during the period covered by this framework to provide more detailed guidance for the Fund in specific areas. This Strategic Framework, like the previous ones, does not prescribe the content of new strategies and policies but rather provides guidance on strategic orientation.

5 IFAD 2009. Report of the Consultation on the Eighth Replenishment of IFAD's Resources. Rome.

6 Many recent publications (some of them referred to in the next pages) offer an analysis of such new challenges and opportunities. These include the *IFAD Rural Poverty Report 2011*, the *World Bank World Development Report 2008*, the *UK Foresight Report on The Future of Food and Farming*, and yet others.

The changing context for agriculture and rural development: Rural poverty, livelihoods, resource degradation, climate change and market transformation⁷

2

The persistence of rural poverty and hunger. Despite rapid economic growth in many developing countries in recent years and the considerable strides some have made in raising per capita incomes, poverty remains a phenomenon of staggering proportions. Recent data place the number of people living on less than US\$1.25 a day at around 1.4 billion: a significant decline from 1.8 billion in 1990, but still an unacceptably high figure.⁸ Despite rapid urbanization in all regions, about 70 per cent of them – around 1 billion people – continue to live in rural areas.^{9,10} Moreover, as many as 1.8 billion people – more than one quarter of the world's population – live in rural areas on less than US\$2 a day (see maps below).

As poverty persists around the world, so do food insecurity and hunger. In 2009, the Food and Agriculture Organization of the United Nations (FAO) reported that, for the first time in history, the global number of undernourished people exceeded 1 billion. With the decline of food prices since the 2007-2009 crisis, the estimated figure for 2010 was 925 million people.¹¹ Of this total, 98 per cent live in developing countries: around 580 million people in Asia, 240 million in sub-Saharan Africa, more than 50 million in Latin America, and close to 40 million in the Middle East and North Africa.¹² As food prices rose again in late 2010 and early 2011, food security concerns are again high on the international agenda. Going forward, price volatility and price hikes are expected to become recurrent phenomena, with potential major implications for food insecurity and poverty in many countries.

⁷ This and the following section are largely drawn from the *IFAD Rural Poverty Report 2011*. Rome.

⁸ United Nations 2010, United Nations Research Institute for Social Development (UNRISD) 2010. *Combating Poverty and Inequality. Structural Change, Social Policy and Politics*. United Nations Research Institute for Social Development. Geneva. Selected data on rural poverty and other issues discussed in this section are in the annexes.

⁹ There is significant variation among regions in this regard: in Latin America and the Middle East and North Africa, the majority of the poor now live in urban areas, and East Asia has a roughly equal percentage of people living in poverty in rural and in urban areas. In sub-Saharan Africa and in South Asia, more than three quarters of people living on less than US\$1.25 a day continue to live in rural areas, and these are also the regions where the greatest numbers of poor rural people are located.

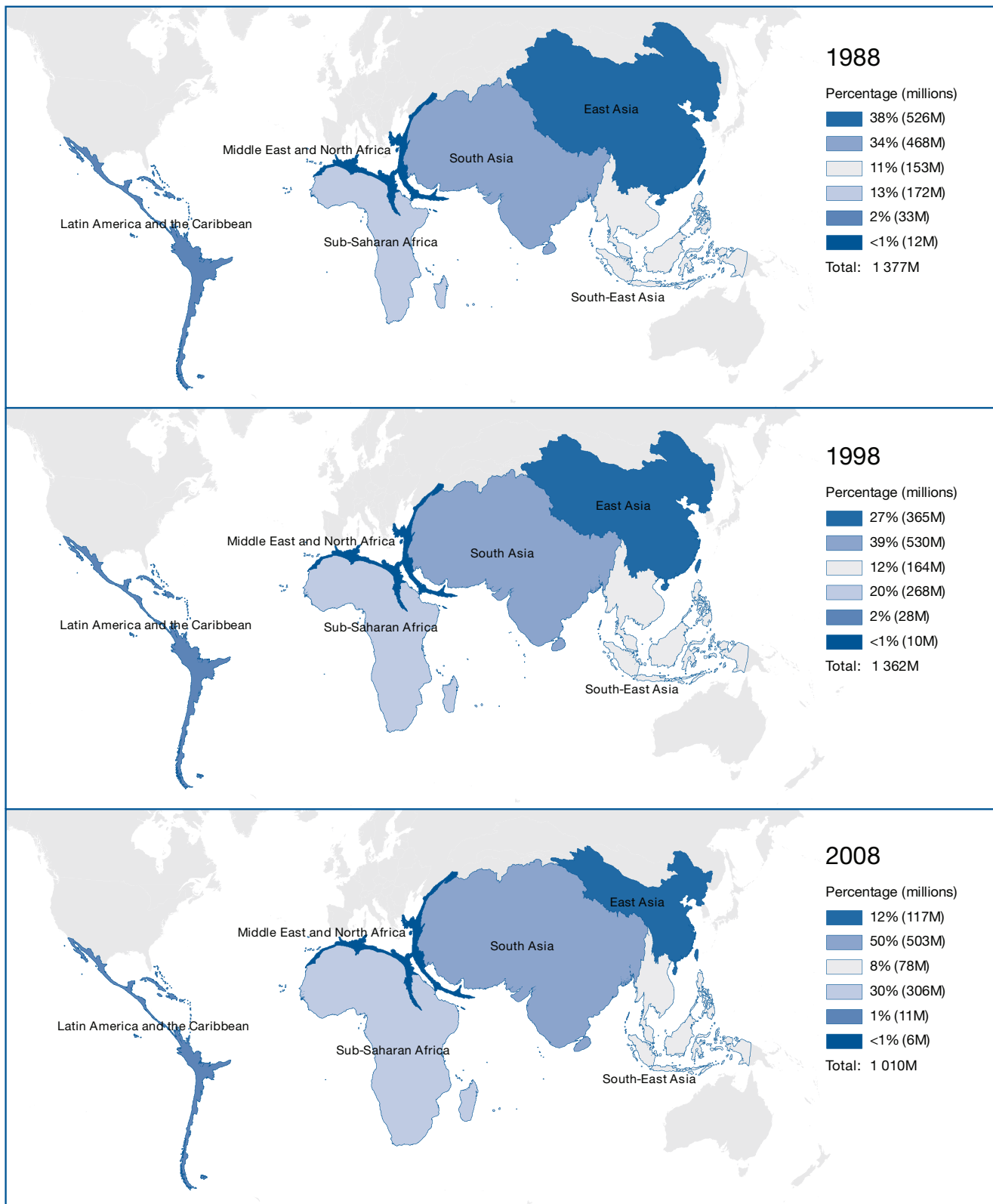
¹⁰ IFAD 2010. *Rural Poverty Report 2011*.

¹¹ Food and Agriculture Organization of the United Nations (FAO) 2010. *The State of Food Insecurity in the World*. Rome.

¹² *Ibid.*

Rural people living in extreme poverty
Millions of rural people living on less than US\$1.25/day

The size of each region reflects the percentage of rural people in extreme poverty globally living in that region



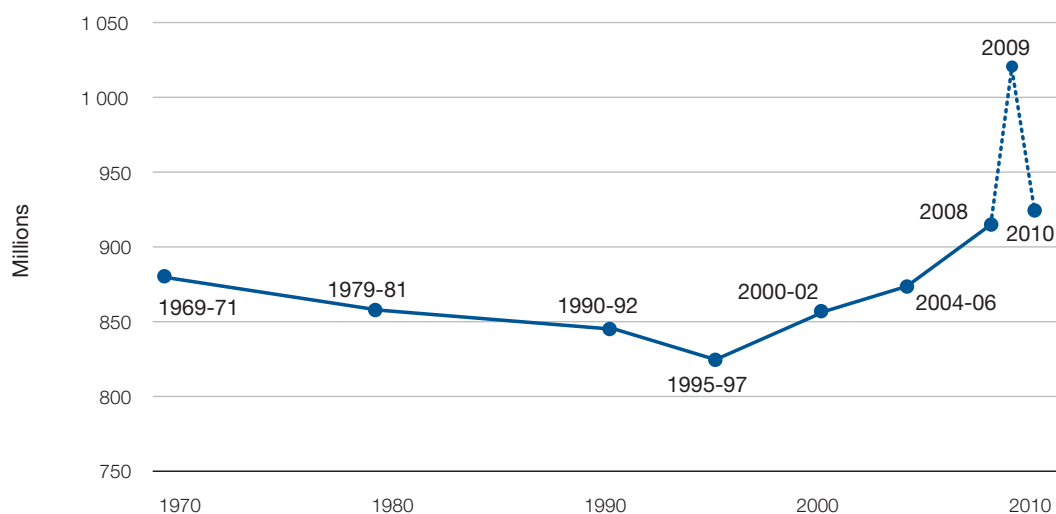
19-11-2010



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD.

Figure 1
Number of undernourished people in the world, 1969-2010



Source: FAO data; figure reproduced from the *IFAD Rural Poverty Report 2011*.

As a result of the persistence of poverty and hunger, recent studies indicate that meeting MDG1 – halving the number of undernourished people by 2015 – may be challenging.¹³ However, at the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals held on 20-22 September 2010, world leaders undertook to redouble their efforts to achieve the goals by the target date.

In most developing countries, **gender inequalities** continue to take a heavy toll on the economic and welfare prospects not only of rural women and girls, but also of their households and societies. They also continue to result in greater food insecurity and poor nutrition for poor women and children. Around the world, rural women play a key role in agriculture and in rural economies more broadly. They urgently require recognition and support, including gender-sensitive targeted policies, services, and public and private investments.¹⁴ Rural children and youth account for a very large proportion of the population living in poverty, and young people represent a major asset for the prospects of rural economies and of developing countries. However, securing opportunities for them to overcome poverty is a considerable challenge in most regions. In large parts of Latin America and Asia, finally, indigenous peoples and ethnic minorities are disproportionately affected by poverty, as a result of tenuous control over natural resources and various forms of marginalization, discrimination and exclusion.

¹³ Fan, Shenggen 2010. *Halving Hunger: Meeting the First Millennium Development Goal through "Business as Unusual"* Washington, D.C.: International Food Policy Research Institute (IFPRI).

¹⁴ Global Donor Platform for Rural Development 2010. *Gender and Agriculture*. Platform Policy Brief No. 3, September 2010.

Table 1
New and long-standing factors in rural poverty

New elements in the global environment for rural poverty reduction	Continuing factors in rural poverty
<ul style="list-style-type: none"> • Growing demand for food and other agricultural products and services (including agro-based biofuels) • Increased and volatile food prices • Growing commercial investment in agriculture • Increasing diversity of rural livelihoods and stronger rural-urban linkages • Intensifying resource and environmental degradation • Climate change • Changing architecture for food security and agriculture (international, regional, national) 	<ul style="list-style-type: none"> • Gender inequalities • Poor access to/control over land, water and other key natural resources • Limited human capital and access to education • Weak collective capabilities/organization • Poor access to technology • Poor access to financial services • Limited or unfavourable integration into markets and value chains • Lack of good employment opportunities • Ineffective policies and lack of political representation for poor rural people

Diversity of livelihoods and the “new rurality”. While hunger and poverty persist in many parts of the world, the livelihoods of poor rural households and communities are changing. At the household level, one striking aspect of such change is **the growing diversity and differentiation of livelihoods** both among and within poor households, with non-farm income sources increasingly important.¹⁵ In some areas, differentiation is a result of dwindling opportunities in agriculture for poor rural households.¹⁶ Elsewhere, most notably in parts of Asia and Latin America, differentiation is driven by new opportunities for enterprise development and wage employment within and beyond agriculture.

In many cases, a key driver of differentiation in rural livelihoods has been **more integrated rural and urban economies** – particularly small-scale urban economies in or near rural regions. Some have referred to this as the “new rurality”: a phenomenon characterized by stronger and often mutually beneficial links between rural and urban societies and economies.¹⁷

Resource and environmental degradation. In large parts of the developing world, the natural resource base upon which agriculture and other rural livelihoods depend is coming under increasing stress. Globally, one in five of the world’s plant species is threatened with extinction, and mounting evidence points to links between biodiversity and crop yields.¹⁸ An estimated 5 to 10 million hectares of agricultural land are lost to environmental degradation every year.¹⁹

15 In most countries, between 30 and 60 per cent of rural households rely on at least two sources for three quarters of their income.

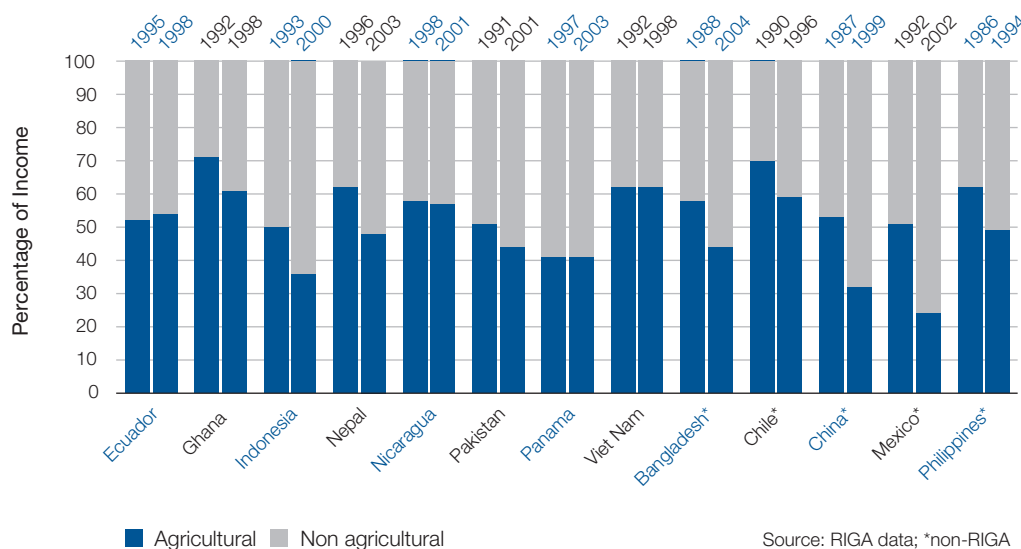
16 Important factors include: crowding out of small agricultural producers from more and more demanding markets; a deteriorating resource base; growing landlessness and competition regarding resources; and stagnating or declining productivity.

17 This integration has largely been made possible by improved transportation and communication infrastructure – not only roads but also telephones (fixed line and mobile) and other information and communication technologies, as well as by the decentralization of energy supply systems to rural areas in many countries.

18 Kew, Natural History Museum, and International Union for the Conservation of Nature (IUCN) 2010. *IUCN Sampled Red List Index for Plants*. London.

19 IFAD 2010.

Figure 2
The share of non-farm income over time in total rural household incomes



Source: IFAD Rural Poverty Report 2011 (partly based on data from the Rural Income Generating Activities – RIGA database of FAO)

In parts of Latin America, Asia and Africa, forest degradation is a major problem.²⁰ Also in Asia, growing depletion and degradation of water resources affect millions of poor people both in urban and in rural areas.²¹ The combined forces of water stress, soil salinization and soil degradation due to wind and water erosion pose serious challenges in the Middle East and North Africa, affecting an estimated 15.3 million hectares of cropland.²² In sub-Saharan Africa, an estimated 65 per cent of agricultural land and 30 per cent of pastureland are degraded. Soil erosion and desertification are daunting problems in many parts of the continent, compounding long-standing issues of soil fragility and nutrient depletion.²³

Climate change. A major factor accelerating natural resource degradation today is climate change. While the impact of climate change has varied across the developing world, and is expected to continue to do so, the overall result is likely to be declining crop and livestock production. This will be caused by “reduced water availability, increased temperatures, uncertain or shorter growing seasons, less arable land and new pest and disease patterns.”²⁴ Going forward, it is clear that the future of agriculture in developing countries, as well as the livelihoods and food security prospects of hundreds of millions of poor rural people, will increasingly depend on whether effective measures to address and adapt to climate change are taken.

Food price increases, volatility and underlying trends. Perhaps the most significant recent change in the global environment for small-scale agriculture and rural livelihoods in developing countries concerns food price trends. Overall, the era of low global prices within which agriculture operated since the 1970s seems to have come to an end. Most analysts agree that higher prices and greater price volatility are likely to characterize both global and

20 The Latin America region is estimated to have lost nearly 69 million hectares of forest cover between 1990 and 2005. Forest degradation also remains a major problem in parts of Asia, particularly in countries where timber and biofuel production have grown on a large scale in recent years.

21 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) 2009. *Sustainable Agriculture and Food Security in Asia and the Pacific*. Bangkok.

22 United Nations Economic and Social Commission for Western Asia (ESCWA) 2007. *Land Degradation Assessment and Prevention. Selected case studies from the ESCWA region*. New York.

23 IFAD 2010.

24 Ibid: 41.

domestic food markets in the near future – indeed, this is already occurring.²⁵ This can bring profitable opportunities that small-scale farmers can tap, under enabling conditions. It can also bring new opportunities for rural-based employment in agricultural value chains or ancillary services. However, it also brings risks linked to volatility for both food producers and consumers. Higher prices also put pressure on those poor rural people who are net food buyers, with negative impact on nutrition and on welfare expenditures – often harming rural women and children in particular.

A number of **long-term factors** underlie the trend in higher food prices. These include, in particular, rising demand for food for an expanding world population – notably a rapidly growing urban population (including a growing middle class) with increasing incomes and changing food habits. They also include a shrinking resource and energy base for food production. The world population is projected to reach at least 9 billion people by 2050. It has been calculated that, in order to feed this growing population, global food production will need to increase by 70 per cent; developing countries will have to be the major players in achieving this increase.²⁶

While production must increase, there is limited scope for expanding land under cultivation and the amount of water used in food production.²⁷ Hence, it is **growth in agricultural productivity** – for both crops and livestock – that is widely recognized as a prerequisite to achieve this goal. In recent years, productivity growth in developing countries has, however, lagged behind growth in demand, while post-harvest

and post-marketing losses remain high. After a period in the early 1980s in which developing countries' cereal yields grew at between 3 and 5 per cent, throughout the past decade yields have generally grown at an average of 1 to 2 per cent per year in the developing world, including Asia, while demand has risen in excess of 2 per cent per year.²⁸

Increasing demand for biofuels. Besides rising demand for food commodities, there is increasing demand for biofuels on global markets, driven by ever scarcer fossil fuels and by mandates and subsidies in some countries. During the early 2000s, liquid biofuel production based on agricultural feedstock grew threefold.²⁹ Production has spread from traditional producers such as Brazil and the United States to a number of developing countries in Asia, Latin America and Africa. Under appropriate conditions, biofuels offer significant market opportunities for small agricultural producers and poor rural communities. However, this requires that their entitlements over natural resources be strengthened and protected. It also

25 Organisation for Economic Co-operation and Development (OECD) and Food and Agriculture Organization of the United Nations (FAO) 2010. *Agricultural outlook 2010-2019*. Paris.

26 FAO 2009. *How to Feed the World in 2050. Conference synthesis report*. Rome.

27 For instance, it is calculated that the total arable area in developing countries may be increased by no more than 12 per cent by 2050, and most of the increase would take place in parts of sub-Saharan Africa and Latin America, whereas room for expansion of agricultural land is likely to be very small elsewhere. Even such an expansion, however, would be widely insufficient to increase production to the needed levels in the absence of robust growth in the productivity of agriculture. In addition, in some regions there are very narrow margins for further expanding access to water supply – to the contrary, in most of the Middle East and North Africa, in parts of Asia, and elsewhere, it is imperative to step up water use efficiency and conservation to prevent further depletion of water supplies.

28 IFAD 2010.

29 FAO 2008. *The State of Food and Agriculture 2008*. Rome.

requires sustained efforts to facilitate positive complementarities between food security and cultivation of biofuels. Biofuels – alongside a range of renewable energy sources in which both public and private investment has been growing in recent years – can also increase energy supply in rural areas, a critical enabling factor for rural economic growth and poverty reduction.

Growing commercial investment in agriculture and market transformation.

Growing demand and higher prices for food, biofuels and other agricultural products have led to increased engagement in agriculture by private-sector actors – from small producers to large-scale corporations.

The most widely documented example of growing corporate interest has been large-scale investment in agricultural land in some developing countries, which has caused significant concern about the impact on the natural resource entitlements and livelihoods of local small agricultural producers and communities. Another example is the rapid spread of large-scale retail and agribusiness chains across the developing world. These can offer new business opportunities for market-oriented small agricultural producers. However, these sorts of value chains often prefer to buy from a more limited number of larger producers, where this option is available to them. In future years, these trends are likely to continue, and new modalities of participation of small agricultural producers and other poor rural people in agricultural value chains are likely to continue to emerge.

Persistence of rural poverty at the household level

At the household level, the reasons for the persistence of rural poverty vary considerably from region to region and even within countries. However, there are a number of recurrent elements associated with poor rural households in all regions and across most contexts, as discussed below.

Limited access to and control over natural resources. Access to and control over key productive assets pose problems for poor rural households across regions.³⁰ For households whose livelihoods are based entirely or in part on agriculture, limited access to land, water and other natural resources is often a leading cause of poverty. In recent years it has become even more difficult for millions of poor rural households to secure their access to these resources. Reasons include concentration of control over land and other resources, competition for increasingly valuable resources, land fragmentation and the degradation of resources. **Rural women** in virtually all rural societies face specific challenges in gaining access to resources, to the detriment not only of their own welfare but also that of their households, communities and societies. In addition, women-headed households – a significant group among poor rural households in some regions owing to conflict, male migration or other factors – are often those most affected by insecure or insufficient access to key natural resources.

Resource degradation and climate change. The resources on which the livelihoods of millions of rural households depend – including land, water and forests – have become degraded in recent decades due to population growth, climate change, unsustainable patterns of use, and ineffective policies and institutions. For resource-poor households, resource deterioration very often means low and declining agricultural productivity and a high risk of crop and livestock failures. Not least, it can mean depletion of common property resources that represent an important source of income as well as a safety net and a complement to household nutrition. For many poor rural women, it also adds to workload and drudgery to fetch water and fuelwood for household use.

Natural resource degradation is in many ways compounded by climate change. While adaptation to **climate change** is feasible, a lack of resources hinders the ability of many small agricultural producers to access the necessary technology, knowledge and assets to invest in building their resilience to climate change and other sources of environmental risks.

3

³⁰ Ibid.

Weak human capital and limited access to education. Underdeveloped human capital and skills tend to perpetuate rural poverty, compound food insecurity and nutrition challenges, and reduce the ability of poor households to cope with a deteriorating environment and with climate change. They also limit people's ability to innovate and take advantage of economic opportunities such as those opened up by more integrated rural and urban economies and rising demand for agricultural goods and services. Improved access to high-quality technical and vocational skills development and to production support services that build the innovative capacities of small agricultural producers is crucial to turn agriculture into a profitable activity and one that is environmentally and socially sustainable. It is also crucial for creating and/or seizing good non-farm employment opportunities within agricultural value chains or in ancillary sectors. At present, this is a realm in which poor rural people are typically at a disadvantage as compared with their urban peers, and rural women and girls at a disadvantage compared with their male peers.

Weak collective capabilities and organization. Organizations of poor rural people take a variety of forms and purposes, from market participation to natural resources management, from community governance to providing financial services and promoting the rights of marginalized groups. Many studies, as well as IFAD's own experience, show that organization can help poor rural people by giving them confidence, security and power.³¹ It is also critical for overcoming social marginalization and for social and economic empowerment, including gender equality. The advantages of organization, however, are not enjoyed by all poor rural people. Their organizations often suffer from weak governance, accountability, and financial and management capacity. Often they are not inclusive. Rural women and the landless in particular are underrepresented in rural producers' organizations, particularly on the national scale and beyond.³² Many organizations also face a non-enabling policy and institutional environment.

Inadequate access to technology. Access to technology is essential for poor rural women and men as agricultural and food producers, processors and sellers, and as managers of scarce and deteriorating natural resources. However, a lack of access to appropriate technology is often a primary cause of poor and vulnerable rural livelihoods. Appropriate, forward-looking and affordable technological solutions to the productivity, environmental, climate and market challenges facing small agricultural producers and other poor rural people remain much needed across the developing world.³³ Existing technologies, on the other hand, need to become much more accessible to poor rural people, both women and men, and adapted to different needs and opportunities.

31 Berdegue, J. A., E. Biénabe, and L. Peppelenbos. 2008. *Keys to inclusion of small-scale producers in dynamic markets: Innovative practice in connecting small-scale producers with dynamic markets*. Regoverning Markets Innovative Practice Series. London: International Institute for Environment and Development (IIED).

32 IFAD 2010. *Promoting women's leaderships in farmers' and rural producers' organizations*. Special Session of the third global meeting of the Farmers' Forum in conjunction with the thirty-third session of IFAD's Governing Council, Rome 12-13 February 2010.

33 IFAD 2010. *Rural Poverty Report 2011*.

Inadequate access to financial services.

Rural people require a range of financial products, including savings, credit, insurance and transfer services, both to support their economic activities and to meet their individual and household welfare needs. Yet, about 2.2 billion of the world's poor adults – including most poor rural people – lack access to formal financial services.³⁴ There are many informal, semi-formal and microfinance institutions available to poor rural women and men in virtually all countries. However, these are generally unable to provide access to funding on terms that take into account agriculture's inherent risks or in amounts that can sustain the kind of agriculture that can lift people out of poverty. These institutions often cannot provide adequate insurance against shocks and risks in increasingly volatile climate and market conditions.³⁵ Financial services that can support the development of small rural enterprises within and around agriculture – particularly beyond the very small scale that may be served by microfinance – remain weak in most countries. The ability of formal financial institutions to reach out to both rural women and men is also often limited, despite recent progress in some countries.

Poor integration into local, regional and international markets and value chains.

Participation in markets for agricultural goods, services and wage labour (both in agriculture and in related non-farm activities in rural areas, but also in areas of out-migration) is essential for the livelihoods of poor rural people. Indeed, effective integration in regional and national economies through exchanges in various markets – for goods, labour and services – is one key precondition for sustained income growth and rural poverty reduction. This is provided that poor rural people are supported in becoming competitive market actors, and that markets offer opportunities for their participation on fair terms (including

decent work opportunities). However, market integration remains a problem for poor rural women and men in many regions. This is due to inadequate market and transportation infrastructure, high transaction costs, limited access to information, lack of finance, weak human and organizational capabilities, and non-enabling institutions and policies. In most contexts, gender inequalities are an important factor of limited or adverse integration in rural markets and value chains.³⁶

Absence of good agricultural and non-farm employment opportunities.

In many rural areas, opportunities for farm and non-farm employment and for enterprise development are scarce because of stagnating economic conditions. This stems in part from a long-standing urban bias in many countries in the funding of public investments in infrastructure, utilities, and social and economic services, leading to underinvestment in the enabling conditions for rural economies to thrive.³⁷ Poor governance and non-enabling institutions are also major disincentives to private investment at every level – including by poor rural people.

34 Chaia, A., A. Dalal, T. Goland, M.J. Gonzalez, J. Morduch, and R. Schiff. 2009. *Half the World is Unbanked*. Framing Note, Financial Access Initiative. Available at: http://financialaccess.org/sites/default/files/110109%20HalfUnbanked_0.pdf.

35 IFAD 2010.

36 FAO, IFAD, International Labour Organization (ILO). 2011. *Gender dimensions of agricultural and rural employment: Differentiated pathways out of poverty*. Rome.

37 Ibid.

Policy failures and weak political representation of the poor. Factors of a policy and political nature also contribute to persistent rural poverty. In particular, **policy decisions and investments that either result in the neglect of agriculture and rural areas, or are not adequately targeted to issues faced by poor rural people,** tend to perpetuate rural environments where opportunities for overcoming poverty are few, and rural economic activities undervalued. Similarly, **a lack of effective political representation** for small agricultural producers and other poor rural people – and for specific groups among them, including pastoralists, rural women, youth, and indigenous peoples and ethnic minorities, in different contexts – often leads to policies that do not respond to their needs. In a context of higher and more volatile food prices, the lack of effective political representation for small agricultural producers can lead to ill-advised policies that do not contribute to either rural poverty reduction or long-term food security.

The changing global architecture for food security and agriculture and IFAD's comparative advantage

The changing global architecture for food security and agriculture

New food security and nutrition initiatives.

Recent developments in agriculture and food security such as the food price crisis of 2007-2008 have prompted the international community – both donors and developing countries – to launch a number of important initiatives. Both directly and indirectly, such initiatives are intended, or have the potential to contribute to the achievement of MDG1. In 2008, for instance, the United Nations Secretary-General established the High-level Task Force on the Global Food Security Crisis to help coordinate efforts worldwide, while a Global Partnership for Agriculture and Food Security was established following the High-level Meeting on Food Security for All, held in January 2009 in Madrid, Spain.

Between 2009 and 2010, the intergovernmental Committee on World Food Security (CFS) at FAO underwent reform to contribute more effectively to country-led processes for food security and nutrition, promote greater inclusiveness in global policy debates and support evidence-based policy to achieve food security. The reformed CFS will provide a key setting for coordination of global and regional processes for food security and nutrition involving a broad range of stakeholders.

At the 2009 G-8 Summit in L'Aquila, heads of state pledged US\$20 billion – including both bilateral and multilateral support – for food security initiatives. Five principles for addressing global food security concerns were also laid out.³⁸ This led to the setting up of a multi-donor trust fund – the Global Agriculture and Food Security Program (GAFSP) hosted by the World Bank – which has begun providing support to national agricultural and rural development programmes.³⁹ At the November 2010 Seoul Summit, G-20 leaders declared support for the work of the CFS and for the GAFSP, and in a Multi-Year Action Plan on Development, they also called for greater policy coherence and international coordination to achieve food security, and for increased agricultural productivity and food availability.

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³⁸ These include investment in country-led plans, strategic coordination of donor assistance, comprehensive strategies that include sustainable agricultural development, nutrition and humanitarian assistance, leveraging multilateral institutions (including at the regional level), and sustained commitment of financial resources. See L'Aquila Joint Statement on Global Food Security. L'Aquila Food Security Initiative (AFSI), at http://www.g8italia2009.it/static/G8_Allegato/LAquila_Joint_Statement_on_Global_Food_Security%5B1%5D,0.pdf.

³⁹ IFAD is a member of the Steering Committee of the trust fund.

Environment, climate change and biodiversity initiatives. Global concern is rising about climate change adaptation and mitigation, and about environmental issues within development initiatives. A growing number of actors, including IFAD, are calling for an “evergreen revolution” that redefines the relationship between agriculture and the environment. Some refer to this agenda in terms of sustainable agriculture and sustainable agricultural intensification. Various recent studies emphasize the critical economic value of resources such as soil quality and biodiversity.⁴⁰ International public finance is targeting programmes that achieve the “multiple wins” of poverty reduction, food security, environmental sustainability, climate resilience, biodiversity protection and emission reductions. Meanwhile, international debate is ongoing to define an agenda to address climate change, which is likely to lead to different scenarios in terms of priorities and commitments in different countries.

Greater commitment to agriculture by developing countries. Reflecting the greater focus on food security is the increased commitment to agriculture by governments in developing countries. In Africa, greater determination to redress the effects of decades of underinvestment in agriculture is evidenced by the implementation in a growing number of countries of the 2003 Comprehensive Africa Agriculture Development Programme of the African Union. In Asia, the Association of Southeast Asian Nations has developed an Integrated Food Security Framework to underpin joint approaches, ensure long-term food security, and improve the livelihoods of farmers in the region. In Latin America and the Caribbean, recent and ongoing regional efforts to achieve food security include the Hunger Free Latin America and Caribbean Initiative, which provides a framework for a variety of food security initiatives.

Aid effectiveness agenda. The importance of the aid effectiveness agenda and, in particular, the principle of country ownership is now widely recognized. This principle is reflected in virtually all main donor initiatives to boost food security and support agriculture since the L’Aquila Declaration – including the five Rome Principles for Sustainable Global Food Security issued at the World Food Summit of November 2009. More broadly, it is a principle that has become increasingly ingrained in the work of donor agencies and international financial institutions since the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action. The allocation of funds by GAFSP also represents a new and far-reaching model for the application of this principle.⁴¹

40 The Economics of Ecosystems and Biodiversity (TEEB) 2010. *Mainstreaming the Economics of Nature*. Available at: <http://www.teebweb.org/InformationMaterial/TEEBReports/ta/bid/1278/Default.aspx>. The report calculates that the value of saving natural goods and services such as pollination, medicines, fertile soils, clean air and water is between 10 and 100 times the cost of preserving the habitats and species that provide these goods and services.

41 Countries are invited to submit project proposals based on their national food security programmes. The programmes are then evaluated by an independent technical committee. Proposals found to be technically sound and in line with GAFSP principles are accepted for funding, and a supervising entity provides technical assistance to the countries to fully design and implement the chosen project.

New potential for South-South

cooperation. Another important element of the new global development architecture is the emergence of a number of major new players – such as Brazil, China and India – in the global economy and in South-South cooperation.⁴² The support of these countries is presenting new opportunities for rural economies in developing countries – particularly given that emerging economies have been a major source of both demand and supply for agricultural products, agricultural technology and knowledge sharing.

Non-traditional private donors. In recent years, large private foundations have become major players in agriculture and food security. The Bill & Melinda Gates Foundation is a key contributor to the GAFSP and the Alliance for a Green Revolution in Africa (AGRA). The Ford Foundation is funding programmes to give rural communities stable and fair access to natural resources. The Rockefeller Foundation funds adaptation to climate change in African agriculture, and has also partnered with the Bill & Melinda Gates Foundation to support AGRA. Prominent European foundations such as the Syngenta Foundation for Sustainable Agriculture and the Yara Foundation are also supporting small-scale agriculture and community-level initiatives. Several of these initiatives recognize the key role of rural women in agriculture, and promote gender equality through targeted investment and dedicated support for women farmers.

IFAD's comparative advantage in the changing aid architecture: working with poor rural people and other partners to reduce poverty and improve food security

IFAD is a specialized agency of the United Nations, and the only international financial institution mandated to contribute exclusively to reducing poverty and food insecurity in the rural areas of developing countries. IFAD pursues its mandate with an understanding both of the centrality of agriculture to the livelihoods of poor rural people and of the broad elements that shape their ability to increase their productivity and incomes. In the past few years, IFAD has increasingly focused on the complexity of rural livelihoods and the important role of non-farm activities – both those within agricultural value chains and others, including migrant work.

Throughout three decades of operation, IFAD has accumulated experience, skills and knowledge on the issues confronting poor rural people – both women and men – as well as those facing governments pursuing rural poverty reduction and agricultural development objectives. It has become a significant contributor to national programmes for rural poverty reduction.

42 As stated in the declaration of the New Delhi International Conference on the Dynamics of Rural Transformation in Emerging Economies held in New Delhi, India, in April 2010 and featuring Brazil, China, India and South Africa, emerging economies also recognize that a broad-based, far-reaching and sustainable rural transformation is central to South-South cooperation. The text of the declaration is available at http://www.ruraltransformation.in/New_Delhi_Declaration_on_the_Rural_Transformation_of_Emerging_Economies.pdf.

Increasingly, it provides investment vehicles for governments, other donors and a variety of private-sector entities pursuing similar objectives. IFAD has also earned a reputation for the quality of its work with particular groups – notably indigenous peoples and ethnic minorities, and poor rural women – that tend to be excluded from mainstream development processes. It has built a strong track record as a trustworthy and trusted partner of governments and other national stakeholders.

Given continuing widespread rural poverty and hunger, and facing new challenges in terms of food security, IFAD's comparative advantage lies primarily in its mandate and accumulated experience. In addition, the particular ways in which IFAD has pursued its mandate constitute an important part of its comparative advantage. In this regard, as noted in the Strategic Framework 2007-2010, IFAD has a comparative advantage in a way of operating that is characterized by the following:

- **IFAD works with governments, civil society, the private sector** (from small agricultural producers and their organizations to larger commercial enterprises and service providers) **and other donors to develop and implement programmes to increase agricultural production, improve food security and nutrition, and raise the incomes of rural poor people.**

IFAD strives to respond to constraints and priorities identified by poor rural women and men. It seeks to address risks and opportunities confronting the poorer groups in the areas where they live – in some cases in remote and less-favoured areas where other donors have poor outreach.

- **IFAD champions the empowerment of poor rural women and men, including marginalized groups such as indigenous peoples and ethnic minorities.** IFAD has developed expertise in strengthening the skills, knowledge and confidence of poor rural people and in supporting their capacity to organize effectively. It has a recognized comparative advantage in helping to build the capacity of small agricultural producers' and community-based organizations to bring tangible benefits to their members, and to participate in relevant institutional and governance processes. In some regions, IFAD has also acquired substantial experience in supporting community-driven development.
- **IFAD engages in policy dialogue with governments and other partners on the basis of lessons learned from its field operations.** Through such dialogue IFAD has developed expertise in promoting institutional and policy processes that are conducive to reducing rural poverty and to successfully scaling up and replicating approaches piloted in IFAD-funded projects.

Working with poor rural people, governments and others to address local needs and constraints, supporting empowerment and engaging in experience-based policy dialogue will continue to be at the core of IFAD's operations. In addition, given the nature of its mandate, the Fund has acquired a unique comparative advantage among international institutions working in rural development and agriculture: **supporting the development of small-scale agriculture and related livelihoods to contribute to rural poverty reduction and food security.**

IFAD has acquired a capacity to work effectively around the following issues: enhancing secure access to natural resources by poor rural women and men, and supporting them to better manage these resources; developing – or providing access to – enhanced, locally adapted agricultural production, post-harvest and processing technologies; expanding access to a range of rural financial services; supporting better market access for small agricultural producers; promoting small and micro non-farm enterprises, often with a focus on activities within agricultural value chains; and supporting the engagement of rural producers' organizations in policy processes.

Increasingly, IFAD addresses a combination of these issues in the context of projects aiming to improve the functioning of agricultural value chains to benefit poor rural people.⁴³

As developing country governments and donors increasingly undertake initiatives in support of food security and small-scale agriculture, IFAD should use its experience to become a key player in such initiatives. In particular, IFAD should leverage its experience to show that investments in small-scale agriculture can be a major contributor to food security and nutrition, poverty reduction, environmental sustainability and economic growth. In so doing, IFAD can play a key role in supporting developing countries to achieve MDG1. Doing so does not require IFAD to become directly involved in a broader range of rural development issues – rather, to build on its comparative advantage, while working more effectively with a range of partners that have comparative advantages complementary to its own.

43 According to a February 2011 review of IFAD at the midterm point of the Eighth Replenishment period, about half of recently approved projects involve value chain development to the benefit of small-scale agricultural producers (IFAD at the Midterm of the Eighth Replenishment, paper prepared for the Consultation on the Ninth Replenishment of IFAD's Resources – First Session, February 2011). A recent IFAD study on this topic notes the following: "In IFAD, the term 'value-chain development' is used to cover a fairly broad range of different types of interventions, for example: support to the development of micro, small and medium enterprises (MSME) in rural areas; promotion of farmers' organizations and linking them to buyers or processors; promotion of linkages between small to medium enterprises (SMEs) and producers (whether organized or individual) using service providers; partnerships with large private enterprises willing to purchase from organized small producers on a contractual basis; by-passing of intermediaries to link organized farmers directly to the leading actor in the chain. Some interventions also provide support for a variable degree of physical transformation, which occurs up to the first or second point in the chain: (a) assembly, grading and packaging; (b) value-addition through processing and marketing. Most of all, they also emphasize the need to focus on reaching the Fund's target group." Raswant, V. and R. Khanna, with T. Nicodeme. 2010. Pro-poor rural value chain development. Thematic Study. Unpublished paper, page 5. Rome. Policy and Technical Advisory Division, IFAD.

The Strategic Framework: Overarching goal, strategic objectives, reorientation, areas of thematic focus and projected outcomes

A dynamic vision of small-scale agriculture and rural development

IFAD's mandate and comparative advantage position it well to make a decisive contribution to the efforts of its developing Member States to achieve MDG1 and to ensure food security for growing populations in the face of ever scarcer resources. In doing so, IFAD will be guided by a dynamic vision of rural development centred around small-scale agriculture. This reflects IFAD's appreciation of the magnitude and urgency of the task at hand. It also reflects its understanding of the changes taking place in the rural economies of developing countries, and of new risks and opportunities for IFAD's target group.

There are two interlinked elements to this dynamic vision. First, IFAD recognizes that small-scale agriculture continues to be a primary source of income for many poor rural people, and that non-market oriented agriculture is often part of household nutrition strategies, typically managed primarily by rural women. It also recognizes that small-scale agriculture can be a key contributor to economic growth and broader food security. More specifically, small-scale agriculture that is economically viable, profitable and sustainable (both in environmental terms and vis-à-vis climate change) will provide a robust pathway out of poverty for many poor rural people, while contributing to improved food security for many others.

The second element of the vision is better integration between viable, profitable and sustainable small-scale agriculture and the range of non-farm sectors that contribute, more or less directly, to agricultural value chains. Whether this concerns input provision, processing, marketing, transportation, or equipment supply and maintenance, there are a range of non-farm sectors that need to thrive for small-scale agriculture to be a driver of growth and food security. These sectors also offer employment and microentrepreneurial opportunities to poor rural women and men. In the future, many more women and men will find pathways out of poverty in these activities. This will be especially important for those who cannot make a living out of small-scale agriculture for reasons such as resource degradation or population growth. As part of this process, non-market oriented agriculture is expected to be a less important part of household nutrition strategies going forward.

Making the first element of this vision a reality requires, first of all, that governments and donors take appropriate initiatives in terms of policies, programmes and investments to enable small-scale farmers – women and men – to increase their productivity in a sustainable and resilient manner. This calls for broad support for a sustainable agricultural intensification agenda, as recently detailed in the *IFAD Rural Poverty Report 2011*.

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Second, governments and donors must take steps to enable small-scale farmers to thrive in agricultural markets, maximizing benefits and minimizing and better managing risks. This entails supporting small agricultural producers to respond effectively to market conditions – such as higher prices – while ensuring that agricultural and food markets provide clear signals and price incentives to producers.

If the second element of the proposed vision is to become a reality, investments must be made in areas ranging from input and service provision to post-harvest and marketing. An enabling environment is

needed for non-farm sectors that contribute to smoothly functioning value chains.

Poor rural people require opportunities to develop their capabilities as wage workers and microentrepreneurs in activities in and around these value chains. An inclusive rural financial sector is needed. Finally, more robust and fair linkages must be forged among a variety of actors engaged in and around agricultural value chains (see box 1 below). These and other non-farm activities are today important sources of income for large numbers of poor rural people, as recognized in IFAD policy documents and field practice in recent years. They will become even more important in the future.

BOX 1 An example of IFAD support to better functioning value chains: the case of the Facility for Farmers' Access to Markets (Macedonia)

“Between October 2004 and March 2008, the FFAM assisted farmers and agro-processors in establishing market linkages with local and international markets under the Agricultural Financial Services Project (AFSP). The activities supported under this pilot initiative included: pro-active brokerage, technical assistance and training, sectoral mapping exercises, agribusiness information system, and exchange programmes. Linkages between producers/processors and consumer markets were improved by removing blockages at all stages of the priority value chains (sheep, dairy, fruits, vegetables, grapes). This was done through strategic investment programmes (SIPs) designed to: (a) develop a phased programme of investments to support farmer-to-market value chains; (b) demonstrate stakeholder ownership, commitment and vision; and (c) create an enabling environment for financially viable and profitable investment opportunities. Objectives specific to each value chain were developed and validated by all actors prior to project support. The beneficiaries were: (a) emerging small and medium-sized, increasingly commercial individual farmers with potential to graduate to a higher level of asset ownership and income; (b) SMEs engaged in agro-processing; and (c) actors with potential for integrating the farmers with profitable markets through business development and advisory services. By end 2007, some 170 farmers enjoyed improved linkages to profitable markets through 9 agro-processing enterprises; 45 per cent of the farmers had less than 0.5 ha of land or a flock of less than 500 sheep. Production increases generated significant rises in seasonal wage employment for people without land or flocks, both in processing (33 per cent) and in farming (78 per cent).”

Source: Raswant and Khanna 2010, p. 18

Identifying and fostering positive synergies between agricultural production and the non-farm economy, as well as between rural and urban economies, is thus essential for achieving substantial and durable progress in reducing rural poverty and hunger.

Not all of the foregoing falls within IFAD's remit. However, IFAD is not being called upon to abandon its comparative advantage or stray from its mandate in pursuing this vision – but rather, to build on them to achieve greater impact. To this end, IFAD will work with a range of partners to identify areas where investment and action beyond its comparative advantage is most needed, and to catalyse such investment and action to benefit poor rural women and men. Going forward, partnerships will be crucial for IFAD to promote synergies between agricultural production and non-farm sectors, and to create a more enabling environment for poor rural women and men to build their pathways out of poverty and hunger.

IFAD's overarching goal

Based on the above analysis and vision, and in line with IFAD's mandate, IFAD's overarching goal is recast as follows:

Enabling poor rural people to improve their food security and nutrition, raise their incomes and strengthen their resilience.

Strategic objectives

The overarching goal is underpinned by **five strategic objectives**, namely:

- A natural resource and economic asset base for poor rural women and men that is more resilient to climate change, environmental degradation and market transformation;
- Access for poor rural women and men to services to reduce poverty, improve nutrition, raise incomes and build resilience in a changing environment;
- Poor rural women and men and their organizations able to manage profitable, sustainable and resilient farm and non-farm enterprises or take advantage of decent work opportunities;
- Poor rural women and men and their organizations able to influence policies and institutions that affect their livelihoods; and
- Enabling institutional and policy environments to support agricultural production and the full range of related non-farm activities.

Gender, targeting and social inclusion will be addressed as cross-cutting concerns under all five objectives. In addition, the whole range of household livelihood and nutrition strategies will continue to be addressed, to build resilience during the transition from non-market-oriented agriculture to sustainable agricultural and non-farm activities.

Strategically orienting IFAD's efforts to achieve its goal

To achieve its goal in light of the above vision, IFAD will build on the work it has done in recent years, while better orienting its efforts on various levels.

At the macro or corporate level, IFAD will:

- Take the lead among actors engaged in supporting agriculture, food security and rural poverty reduction, in line with its comparative advantage and unique mandate;
- Scale up programmes and operations in partnership with both public- and private-sector actors (including private foundations and commercial actors, in line with the principles outlined in IFAD's Private-Sector Development and Partnership Strategy adopted in 2005 and the forthcoming policy). The aim is to develop and harness economic and employment opportunities for poor rural women and men. IFAD will scale up initiatives on the basis of recent institutional learning, and will continue to work with partners to sharpen its understanding of effective scaling up;⁴⁴
- Expand its policy engagement in its developing Member States and in developing regions, both with governments and with rural producers' organizations and civil society at the local, national, regional and international levels;
- Forge stronger partnerships with commercial enterprises and private-sector donors, based on the principles outlined in IFAD's Private-Sector Development and Partnership Strategy and on the upcoming policy; and
- Enhance its knowledge broker and advocacy role.

The food security and environmental challenges faced by poor rural women and men and the changing development architecture for food security call for IFAD to take a leadership role in line with its comparative advantage and mandate. This will require IFAD to mobilize additional resources for small-scale agriculture and rural development through programmes and projects in which other donors and governments can invest. IFAD has already embarked on this path by acting as an implementing agency for the Global Environment Facility (GEF), the European Union and GAFSP. In the future, IFAD aims to become a partner of choice for governments and private entities seeking to support small-scale agriculture and rural development to enhance the livelihoods of poor rural women and men (principle of engagement 7).

IFAD will help countries scale up the operations it has supported with a view to broadening and sustaining the benefits for poor rural people. In cooperation with other partners and in line with their respective comparative advantages, IFAD will help countries to develop programmes that cover wider geographic areas and provide services to larger numbers of people. As IFAD's own resources will remain comparatively small in relation to the challenges faced by its Member States, enhanced partnership with other donors and with governments will be critical in scaling up programmes (see also principle of engagement 7 below).

44 Linn, J. F., A. Hartmann, H. Kharas, R. Kohl, and B. Massler. 2010. *Scaling up the fight against rural poverty. An institutional review of IFAD's approach*. Global Economy and Development Working Paper 43. Brookings, Washington, D.C.

IFAD will expand its policy engagement in its developing Member States by working with governments, farmers' organizations (local, national and regional), indigenous peoples' organizations and other partners to develop comprehensive and coherent rural development policies for poverty reduction and food security. This is in line with the priorities indicated in a number of country programme and corporate evaluations as a precondition for greater and more sustainable impact. IFAD will assist governments in putting in place the policy, legal and regulatory environment and in developing the necessary institutions to enable the emergence of dynamic agricultural value chains, which can respond to market demand and contribute to national food security and nutrition. It will continue to work with rural producers' organizations and other organizations of poor rural people to ensure that they play a more effective role in policy debates and institutional processes, representing the concerns of rural women and men – including young people.

As local and international private companies increasingly invest in agriculture, IFAD will partner with them to build mutually beneficial relations between small-scale producers and larger enterprises. A promising example of such an arrangement is contract farming between agribusiness enterprises and small-scale farmers. As noted, IFAD will continue to engage in this realm on the basis of existing and forthcoming relevant corporate strategies and policies. The strengthening of these partnerships will be facilitated by the development of new instruments that will enable IFAD to better engage with a range of private-sector actors, including but not limited to large private companies, when these are key players in value chains that offer economic opportunities and benefits to poor rural women and men. **These instruments will be defined in the upcoming policy on engagement with the private sector.**

IFAD can also make an enormous contribution to the rural development, poverty reduction, and food security efforts of its Member States by enhancing its role as a knowledge broker among countries, leveraging its 30 years of experience and its close relations with national governments and other stakeholders. IFAD will develop

knowledge products more systematically and make them available to a wider audience. It will also enhance its role in facilitating South-South cooperation, including by drawing lessons from successful experiences of middle-income countries that may be applied in low-income countries.

BOX 2 An example of IFAD facilitating public-private partnerships to the benefit of poor rural people

“Public-private partnerships can be an important component of strategies to expand market opportunities for smallholders. In Uganda, for instance, starting in the mid-1990s IFAD has promoted the concept of public-private partnerships for the oil palm sector. (...) While Uganda has favourable agroecological conditions to grow palm oil, a public-private partnership has been needed to bring together the necessary know-how and funds to develop the sector and to ensure that smallholders were part of the process. In this context, IFAD cofinanced the Vegetable Oil Development Project, which was designed to reduce Uganda’s reliance on imported vegetable oils while also increasing smallholders’ income by expanding their involvement in this sector. Under the project, the Government signed a direct foreign investment agreement with Bidco, a large private investor, which covered the construction of an oil palm refinery and the development of oil palm plantations and supporting infrastructure. Bidco brought to the partnership technical expertise and investment capital, while IFAD supported smallholders to contribute their land and labour to the partnership. Bidco was drawn to the initiative by the profitable market opportunities in this sector, as well as by the advantages that partnering with the Government and with smallholders could offer in terms of enabling access to a large consolidated area of land to establish production at a sufficient scale to be profitable. (...)”

The catalytic role of the donor in this public-private partnership has been substantial since the preparatory phase, including helping Government to prepare an environmental impact assessment, ensuring that equitable pricing for inputs and produce for smallholders was included in the framework agreement with the firm, developing mechanisms to ensure that negotiated prices were applied, and financing the establishment of farmers’ organizations and smallholder oil palm plantation development. According to an interim evaluation of the project, Bidco has been a good partner in the project, and investments have had significant economic and financial impact, on both producers and consumers, who have benefited from the improved local availability of affordable vegetable oil of an assured quality. Smallholders benefit in particular from the stable demand and prices for their produce (...), as well as from access to credit and extension services. They also benefit more indirectly from investment in local infrastructure (including electricity and transportation infrastructure) brought about by the project.”

Source: IFAD Rural Poverty Report 2011, page 141

At the level of programmes and projects, IFAD will pay greater attention to:

- Promoting environmental sustainability and resilience to risks associated with natural resource degradation and climate change;
- Enhancing the capacity of small agricultural producers to benefit from new market opportunities and building their resilience to related risks by strengthening their organizations and promoting win-win contractual arrangements in value chains, with a view to improving chain efficiency benefiting poor rural people;
- Promoting the development of technologies for the sustainable intensification of small-scale agriculture, targeting the constraints and priorities of poor rural women and men (both as concerns production for the market and, when appropriate, to complement household food security and nutrition);
- Increasing the capacity of financial institutions to broaden the range of inclusive services (including insurance, savings, credit and remittance transfers) they offer to rural women and men;
- Building the capabilities of poor rural women and men, including young people, to seize opportunities in agriculture and non-farm activities, together with partners (donors, non-governmental organizations, public and private service providers and educational institutions) with a comparative advantage in education, technical and vocational skills development, and agricultural research and development; and
- Capitalizing on opportunities to use renewable energy sources at the farm and community levels, and promoting low-cost technologies utilizing local resources to provide cheaper energy at the village level.

Areas of thematic focus

IFAD will continue to concentrate its efforts in a number of thematic areas of direct relevance to its mandate and comparative advantage. These reflect both the continued factors of poverty among rural households and IFAD's understanding of new risks and opportunities linked to a new global environment (as reflected, for instance, in the one relatively new area of focus of climate change).

- **Natural resources – land, water, energy and biodiversity.** IFAD will promote secure and equitable access to land and water for poor rural women and men and enhance their land tenure security, based on the IFAD Policy on Improving Access to Land and Tenure Security. It will also help poor rural women and men to manage these resources more efficiently and sustainably, to make rural livelihoods more resilient to environmental changes, address resource degradation and adapt to growing resource scarcities (see principle of engagement 8 below). IFAD will thus help build the resilience of agricultural supply to meet growing market demand, as well as the resilience of household food security and nutrition strategies, based on non-market-oriented small-scale agricultural activities.

- **Climate change adaptation and mitigation.** IFAD will mainstream adaptation and mitigation into its operations, tailored to different country contexts and priorities. This will enable poor rural people to better withstand the impact of climate change, build more resilient livelihoods, benefit from opportunities to provide environmental services and mitigate climate change, and improve food security and nutrition, agricultural productivity and incomes. Work in this area will be guided by the IFAD Climate Change Strategy.
- **Improved agricultural technologies and effective production services.** IFAD will continue to work with a variety of partners (including the Consultative Group on International Agricultural Research (CGIAR), national research agencies, farmers' organizations, and commercial technology providers) to develop and make available appropriate technology for small agricultural producers to raise their crop and livestock productivity and make their production systems more sustainable and resilient. At the same time, it will invest in strengthening the capacities of small-scale producers to enable them to participate in the development of new technologies, improve their understanding of their farm systems, and innovate and adapt new technologies. IFAD will also seek to enhance the availability of local energy and other rural infrastructure that small farms and non-farm enterprises need to boost their productivity, and that poor rural people (notably women) need

to reduce their workload and to improve household nutrition. It will also seek to enhance the availability of post-production technologies and services to strengthen the ability of small-scale producers and other poor rural people to capture greater value in value chains, and to mitigate the incidence and impact of local food price volatility.

- **A broad range of inclusive financial services.** Building on its considerable experience, IFAD will continue its work with private-sector institutions to make needed financial services available for both agriculture and related non-farm activities. Greater attention will be directed to providing services that enhance resilience and improve risk management at the farm and household levels, so that small-scale agricultural producers and other poor rural people can capture new opportunities in agricultural and related markets at reduced or at least better managed risk.
- **Integration of poor rural people within value chains.** IFAD will assist poor rural people in accessing dynamic local, national and international value chains that offer them profitable opportunities as small agricultural and non-farm entrepreneurs and as wage workers. It will also support rural women and men in capturing a larger share of value added. Work in this area will build on IFAD's Private-Sector Development and Partnership Strategy and the forthcoming policy, as well as other relevant policies. IFAD will also build on its experience and that of others with a comparative advantage in value chain development to identify, nurture and scale up successful organizational and contractual arrangements within value chains, to the benefit of poor rural people.

- **Rural enterprise development and non-farm employment opportunities.**

In partnership with others – including other donors, NGOs and commercial actors specializing in the provision of business services, financial services, infrastructure, energy, information and communication technologies and services – IFAD will support agricultural and non-farm rural enterprises that offer profitable opportunities for wealth creation and decent employment to poor rural women and men. It will do so by continuing to build on the IFAD Rural Enterprise Policy adopted in 2004, focusing on agricultural value chains and related activities.

- **Technical and vocational skills development.** Greater efforts are needed to help poor rural people, notably young people, acquire new skills in such areas as agricultural technologies, services, entrepreneurship and financial literacy, which are essential for them to seize new opportunities in agriculture and related value chain sectors.⁴⁵

Technical and vocational skills development has long been part of activities supported in the context of IFAD-funded projects. Under this framework, IFAD will work more closely with other development, research, educational and civil society organizations with a comparative advantage in advancing an agenda of capability development for sustainable agricultural intensification and rural entrepreneurship.

- **Support to rural producers’ organizations.** IFAD will continue to support the empowerment of poor rural women and men by promoting effective and sustainable rural producers’ organizations, and by engaging with existing organizations. Specifically, IFAD will aim to ensure that such organizations have: greater market power to take advantage of opportunities in markets for goods (input and output) and services (financial, technology supplies, etc.); capacity to deliver or facilitate the availability of needed services to their members; ability to effectively and inclusively represent the interests of their membership – including women, indigenous peoples, the landless and rural youth; ability to take part in policy, institutional and programming processes at the local, national and international levels that affect agriculture and rural economies (see principle of engagement 3 below).

⁴⁵ This is also well recognized by, and reflected in the recommendations of, the IFAD Rural Enterprise Policy, which states that: “Vocational training and access to cost-effective, pro-poor business technology will be considered as the building blocks of entrepreneurial support in rural areas. Through its projects and activities, IFAD will endeavour to improve the professional competency of potential entrepreneurs. This will be achieved through: - intensive exposure to vocational and training programmes (including apprenticeship schemes for young rural people and on-the-job training); and - greater access to information on technologies that meet the needs of the entrepreneurial poor. Through specific instruments/facilities, public or private institutions and NGOs engaged in pro-poor business-oriented technology research, IFAD will support both adaptation and manufacturing activities” (page 23).

Outcomes

To achieve its strategic objectives, IFAD will strive for **four sets of outcomes**.⁴⁶

- Increased incomes and enhanced food security and nutrition for rural people served by IFAD-supported projects in a given locality or region;
- Improved policy and regulatory frameworks at the local, national and international levels;
- Strengthened and more inclusive rural producers' organizations; and
- Strengthened in-country institutional capacities for pro-poor agricultural and rural development.

Outputs

IFAD's outputs will consist of:

- RB-COSOPs and projects developed in partnership with Member State governments and key stakeholders that IFAD finances or cofinances, and either directly supervises or supports in implementation;
- Policy dialogue and advocacy initiatives at the country, regional and international levels, involving governments, rural producers' organizations, other donors or other partners;
- Policies and strategies; and
- Knowledge products and learning tools generated by field experience.

⁴⁶ These will be reflected in the revised results measurement structure prepared as part of the IFAD9 replenishment exercise.

Principles of engagement

IFAD will follow eight principles of engagement, which reflect both its unique identity and values and its understanding of a changing global context. IFAD will adhere to these principles in pursuing each objective and across all thematic areas.

Principle of engagement 1: A differentiated approach based on country context

IFAD's experience points to the need to adopt a differentiated approach in supporting its developing Member States. Such an approach is based on the circumstances of each country in terms of income level and distribution, priorities, institutional and policy environment, and drivers of rural economic growth – notably the role of small-scale agriculture. As recognized by the IFAD Policy on Targeting, moreover, IFAD's target group, their livelihoods, and the factors underlying their poverty (as well as those that can provide pathways out of poverty), vary in different contexts. Country specificities will continue to be addressed through RB-COSOPs.

In recent years, IFAD and other donors have grown acutely aware of the importance of working more effectively in countries characterized by conditions of fragility – broadly understood as resulting from a combination of persistent high levels of poverty and vulnerability, and low institutional and governance capacity (which may also result in, or from, conflict). Under this Strategic Framework, IFAD's approach in this group of countries will, on the one hand, continue to be adapted to respond to the diverse causes of fragility in each country context. On the other hand, in fragile states and situations IFAD will strive to pay more attention to strengthening institutional and governance capacity. This includes local institutional development, provision or support to basic agricultural and rural services, support to rehabilitate basic agricultural and rural infrastructure, and empowerment of rural communities and grass-roots institutions. Separate outcome targets for fragile states will be developed in the new Results Measurement Framework 2012-2015.

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In line with the 2006 Policy on Crisis Prevention and Recovery, and building on the recommendations of the Report of the Consultation on the Eighth Replenishment of IFAD's Resources on IFAD's role in fragile states,⁴⁷ work in these areas will be strengthened by means of:

- A flexible approach to programme and project design, with a strong focus on building the capacity of community and government institutions;
- Greater simplicity in project objectives and activities;
- Attention to mitigating and responding to risks of natural disasters and conflict, particularly local conflicts regarding access to natural resources;
- Attention to reducing the vulnerability of poor rural people's households by means of building the resilience of livelihoods (including through better natural resource management), economic empowerment, food security and nutrition, and securing the land rights of poor rural women and men – and addressing exclusion based on gender, age or ethnicity;
- Cofinancing through harmonized procedures, where possible, in order to avoid increasing transaction costs to governments;
- Better analysis to underpin programme design and implementation, including through expanded country presence and direct supervision; and
- Attention to managing risk associated with engagement in fragile states, including security of the workforce.

Principle of engagement 2: Targeting

The 2006 IFAD Policy on Targeting will continue to guide IFAD's activities, to ensure that they reach poor rural women and men, and that they have maximal impact in reducing rural poverty and hunger in each context. IFAD will continue to use a variety of targeting tools to ensure that the largest possible number of poor rural people are able to benefit from new and emerging market opportunities, and that those who cannot do so immediately are supported in developing the skills and assets to do so in the near future. It will do so also with a view to ensuring that IFAD interventions do not result in some groups being "left behind". IFAD will also make continued efforts to ensure that its interventions are targeted to contribute to both key dimensions of MDG1, by strengthening both the incomes of poor rural people and their household food security and nutrition.

47 The continuity between the Strategic Framework and previous IFAD documents on the issue of fragile states is well illustrated by the following excerpt from the conclusions of the cited report: "IFAD's work in fragile states is guided by its Crisis Prevention and Recovery Policy and tailored to the needs of individual countries. In fragile states, IFAD's approach during the Eighth Replenishment period will be characterized by the following:

- A flexible approach to programme and project design, with a strong focus on building the capacity of community and government institutions.
- A greater focus on the key issues of vulnerability and resilience, economic empowerment, gender, indigenous peoples, food security, land rights and natural resource management.
- Greater simplicity in project objectives and activities, to take account of the limited capacity of many fragile states to manage and implement development projects.
- Better analysis to underpin the design and implementation of programmes and projects, through expanded IFAD country presence and direct supervision.
- Attention to mitigating and responding to the risks of natural disasters and conflict, particularly local conflicts over access to natural resources.
- Greater knowledge sharing, particularly with partners able to address more of the causes of fragility than IFAD alone can address.
- Cofinancing through harmonized procedures, where possible, in order to avoid increasing transaction costs to governments" (page 14).

In line with the IFAD Policy on Targeting, the Fund will pursue the identification of its target group in a participatory way in each context, 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” (page 12). It will do so on the basis of a recognition that its target group “cannot be defined a priori in geographical or occupational terms, or even in terms of specific income thresholds” (page iv). The Fund will tailor its investments to target the needs and priorities of poor rural people in the areas where it operates. It will design and support the implementation of programmes that respond to these needs, while proactively creating opportunities and capacity for those who face greater challenges in benefiting from programme activities and/or new market opportunities. In line with the policy, relevant activities will be defined at the level of each RB-COSOP and in the design of individual projects and programmes. The same applies to the nature and content of partnerships aiming to strengthen IFAD’s ability to reach out effectively to its target group in different contexts.

As per the policy, IFAD will:

- “Focus on rural people who are living in poverty and experiencing food insecurity, and who are able to take advantage of the opportunities to be offered (sometimes referred to as “the productive poor” or “active poor”);
- Expand outreach to proactively include those who have fewer assets and opportunities, in particular extremely poor people as referred to in MDG1;
- Include marginalized groups, such as minorities and indigenous peoples, and address their specific needs;
- Address gender differences and have a special focus on women within all identified target groups – for reasons of equity, effectiveness and impact – with particular attention to women heads of household, who are often especially disadvantaged;
- Recognize that relative wealth or poverty can change rapidly due to external shocks and that this vulnerability needs to be addressed;
- Clearly identify at the programme or project design stage who the intended target groups are and why, and consistently apply these categories, during implementation, in monitoring and evaluation (internal and external) of targeting performance. There will be cases when better-off people may need to be included – because of economic and market interdependencies, to avoid conflict, or to engage them as leaders and innovators. In such cases, the rationale and justification should be provided, and risks of excessive benefit capture carefully monitored;

- Identify and work with like-minded partners at local, country, regional and international levels to develop a shared understanding of both the dynamics of rural poverty in different contexts and successful targeted approaches;
- Pilot and share learning on successful approaches to targeting hard-to-reach groups; and
- Build innovative and complementary partnerships with actors that can reach target groups that IFAD cannot reach with the instruments at its disposal” (page 12). This will include, among other, continued collaboration with other Rome-based agencies.

In addition, IFAD will continue to use its engagement in cofinancing sector-wide and scaled-up programmes, policy dialogue, and pro-poor private-public partnerships, to ensure that benefits are oriented towards poor people and their participation in relevant decision-making processes.

Principle of engagement 3: Supporting the empowerment of poor rural people

IFAD has long recognized the importance of empowerment, particularly through organization, for enabling poor rural women and men to become more effective market actors and for promoting better governance and more effective policies and institutions affecting agriculture and rural development. To foster the development of profitable, market-integrated, and sustainable farm and non-farm enterprises in today’s environment, it is all the more important for IFAD to adhere to the principle of strengthening the capabilities of its target group in all its activities. Accordingly, IFAD will continue to support the empowerment of poor rural people by:

- Enabling them to strengthen and build their individual and collective assets, knowledge and skills, and capacity to innovate, with a focus on those capabilities that are most important for achieving sustainable agricultural intensification, and for effective market integration and participation;
- Helping them to build inclusive, effective and sustainable organizations;
- Increasing the decision-making and organizational capacity of poor rural women, indigenous peoples and youth, recognizing that social marginalization and inequalities prevent integration into agricultural value chains from being a pathway out of poverty for many rural people;
- Assisting producers’ organizations in developing the skills and knowledge to bargain effectively with other private-sector actors in value chains, so as to ensure that value chain development opens up opportunities for rural poverty reduction and improved food security and nutrition in rural areas; and

- Continuing to support rural producers' organizations in representing effectively and in an inclusive manner the interests of their members and constituents, and in contributing to relevant policy and governance debates and processes.

Principle of engagement 4: Promoting gender equality and women's empowerment

Closing gender gaps is central to achieving all the MDGs, and recognizing and supporting women's multiple roles in agriculture and rural economies is critical for food security and economic growth. Promoting women's empowerment and gender equality both in field operations and at the corporate level is also an important factor driving relevance, successful impact and sustainability. Accordingly, IFAD will vigorously pursue efforts to promote gender equality and women's empowerment in all its operations. It will systematically build a gender perspective into its operations, business processes, policies – including human resource policies – and monitoring instruments. To support rural women's empowerment in its operations, IFAD will pursue three core objectives: (i) economic empowerment, expanding women's access to and control over fundamental assets – capital, land, knowledge and technologies; (ii) women's strengthened decision-making role in community affairs and representation in local institutions; and (iii) women's improved well-being and reduced workload, through better access to basic rural services and infrastructure.

In addition, under this Strategic Framework IFAD will direct greater attention to:

- Supporting wealth creation among poor rural women, ensuring their integration as entrepreneurial actors and workers within agricultural value chains and in the broader rural economy surrounding agriculture;
- Developing the capabilities of women and girls so they can capture greater value from their participation in rapidly changing agricultural and rural economies and markets, whether as producers or wage workers. This is based on the recognition that agricultural value chain development is generally not gender neutral, and can thus have both positive and negative impacts on poverty and food security;
- Investing in strengthening the capacity of women and girls to farm sustainably and more productively in changing environmental and climatic circumstances, and to reduce the risks they face as agricultural producers; and
- Continue to support better and more equitable integration and participation by rural women in rural producers' organizations.

IFAD will develop an evidence- and results-based corporate policy on gender equality and women's empowerment in 2011. It has been recommended by the 2010 corporate evaluation of IFAD's performance with regard to gender equality and women's empowerment that this policy should cover not only IFAD operations, but also other key corporate business processes such as human resource management, communications, finance and budget.

Principle of engagement 5: Creating viable opportunities for rural youth

IFAD recognizes that rural young people are key actors in meeting the challenge of feeding a growing global population through sustainable and resilient small-scale agriculture that is market-oriented and market-integrated. They are also key actors in vibrant rural economies characterized by increasing integration between agriculture and a range of non-farm activities.

Accordingly, creating viable opportunities for rural youth in rural economies will be a principle of engagement for IFAD. Pursuant to this principle, IFAD will:

- Systematically consider the specific needs and constraints of young rural women and men in the design and implementation of its programmes;
- Take proactive measures and implement specific strategies to include rural youth, both women and men, in all initiatives aimed at developing small farm and non-farm enterprises in rural areas;
- Support the provision of appropriate training, support and advice to rural youth to help them capture existing opportunities, in partnership with other actors with a comparative advantage in this realm;
- Ensure that young people have equitable access to the services made available or facilitated by IFAD-funded programmes and projects, with special attention to young rural women;
- Seek greater inclusion of young women and men in the decision-making processes of rural producers' organizations; and
- Work with partners at the local, national and international levels to put young rural people at the top of the development agenda.

Principle of engagement 6: Innovation, learning and scaling up

Responding to a changing environment – with new challenges linked to environmental degradation, climate change and agricultural and food market transformations – requires a capacity to innovate and learn. At the same time, making a serious dent in rural poverty and achieving MDG1 under current circumstances calls for a more systematic focus on scaling up where appropriate.

In line with this principle, IFAD will:

- Continue to focus on developing demand-driven and innovative approaches to rural poverty reduction;
- Continue to promote innovation at all levels in its operations;
- Place greater emphasis on knowledge generation and sharing within IFAD and in its operations management, with a focus on building on operational experience;
- Scale up successful approaches and innovations, when appropriate, by treating scaling up as “mission critical”, and building on recent efforts to better understand the preconditions for successful scaling up and to systematize IFAD's approach in this regard; and
- Review existing policies and strategies on knowledge management and innovation to develop an integrated innovation, learning and scaling-up strategy focused particularly on RB-COSOPs and projects.

Principle of engagement 7: Effective partnerships and resource mobilization

Working effectively with strategic partners has long been key to the achievement of IFAD's goals and objectives. This approach gains new significance in today's context, which requires IFAD to strengthen its capacity to lead or contribute to national and international initiatives around small-scale agriculture, food security and rural poverty reduction – and to support complementarities among rural economic sectors and between rural and urban areas to enable agricultural value chains to thrive to the benefit of poor rural people.

Seeking partnership opportunities and enhancing its capacity to operate effectively with partners will be a principle of engagement for IFAD in all thematic areas and at all levels. IFAD will direct special attention to mobilizing resources from other sources – in particular, foundations and private companies and corporations – and to addressing competition for resources under new economic and financial circumstances and increasing risks (e.g. due to climate change). It will:

- Strengthen existing partnerships and develop new ones with national stakeholders, the international development community and civil society, including rural producers' organizations, always guided by the general principle of enabling poor rural people to overcome poverty, and more specifically by the goal and objectives laid out in this Strategic Framework;
- Provide investment opportunities for partners, notably other public and private donors, packaging them into large-scale investment programmes and projects that can have significant impact on rural poverty;

- Develop new strategic public-private cooperation at the local level in support of rural development, and formal partnerships at the regional and international levels. In so doing, the Fund will be guided by the principles laid out in IFAD's Private-Sector Development and Partnership Strategy, and by the forthcoming policy on engagement with the private sector. Public-private cooperation will focus on achieving the overall goal and objectives of this framework, and on the thematic areas defined thus far. IFAD's tools for engaging in such cooperation will be refined in the upcoming policy;
- Constantly review partnership arrangements to ensure their effectiveness and disengage with partners where a clear value-added is not observed;
- Step up its resource mobilization capacity and efforts, including by strengthening its resource mobilization unit, and by enhancing advocacy efforts in emerging economies and elsewhere;
- Continue to make use of bilateral arrangements with Member States for expanded resource mobilization; and
- Seek ways to better support and leverage South-South cooperation, with a view to gradually mainstreaming it into IFAD's work in the future.

Principle of engagement 8: Sustainability

In the past several years, a variety of evaluation documents at the corporate, country programme and project levels have underscored the critical importance of improved sustainability in IFAD activities and achievements, while noting recent progress in this regard. Under rapidly changing environmental, climate and market conditions, pursuing sustainability is even more important – albeit challenging – for effective programmes and projects. This embraces the dimensions of institutional, economic and social sustainability, as well as the pursuit of greater resilience in the face of shocks related to climate, market and price volatility, or fragility situations. IFAD will give higher priority to the sustainability of the projects and programmes it finances by:

- Continuing to improve project design quality to ensure development impact and sustainability;
 - Promoting national leadership in project and programme implementation;
 - Enhancing poor rural people's participation, and ensuring that projects and programmes are owned by poor rural women and men themselves;
 - Building the skills and organizations of IFAD's target groups so that they can engage in financially viable activities and maintain commercial relations with market intermediaries. In particular, while IFAD has considerable experience in working with farmers' organizations to link farmers to buyers, more effort is required to strengthen the capacity of small agricultural producers to emerge as competitive players in the market;
- Better integrating considerations of risk reduction and risk management in all its initiatives, particularly those aiming to support entrepreneurship and/or a shift to more sustainable practices in agriculture;
 - Assessing the financial, economic and social viability of its investments in order to assure more sustainable outcomes and contributions to rural economic development and equitable growth; and
 - Systematically pursuing environmental sustainability and climate change adaptation and mitigation in all its projects and programmes.

The table below presents an overview of the key elements of the Strategic Framework illustrated so far.

Table 2
Overview of the Strategic Framework

Principles of engagement:	
<ol style="list-style-type: none"> 1. A differentiated approach based on country context 2. Targeting 3. Supporting the empowerment of poor rural people 4. Promoting gender equality and women's empowerment 	
GOAL	OBJECTIVES
<p>Enable poor rural people to improve their food security and nutrition, raise their incomes and strengthen their resilience.</p>	<p>Objective 1: A natural resource and economic asset base for poor rural women and men that is more resilient to climate change, environmental degradation and market transformation</p> <p>Objective 2: Access for poor rural women and men to services to reduce poverty, improve nutrition, raise incomes and build resilience in a changing environment</p> <p>Objective 3: Poor rural women and men and their organizations able to manage profitable, sustainable and resilient farm and non-farm enterprises or take advantage of decent work opportunities</p> <p>Objective 4: Poor rural women and men and their organizations able to influence policies and institutions that affect their livelihoods</p> <p>Objective 5: Enabling institutional and policy environments to support agricultural production and the full range of related non-farm activities</p>
Areas of thematic focus:	
<ol style="list-style-type: none"> 1. Natural resources – land, water, energy and biodiversity 2. Climate change adaptation and mitigation 3. Improved agricultural technologies and effective production services 4. A broad range of inclusive financial services 	

- 5. Creating viable opportunities for rural youth
- 6. Innovation, learning and scaling up
- 7. Effective partnerships and resource mobilization
- 8. Sustainability

OUTCOMES

Outcome 1: Increased incomes and enhanced food security and nutrition for rural people served by IFAD-supported projects in a given locality or region

Outcome 2: Improved policy and regulatory frameworks at local, national and international levels

Outcome 3: Strengthened and more inclusive rural producers' organizations

Outcome 4: Strengthened in-country institutional capacities for pro-poor agricultural and rural development

OUTPUTS

Output 1: Results-based country programmes and projects (loans and grants)

Output 2: Policy dialogue and advocacy initiatives

Output 3: Policies and strategies

Output 4: Knowledge products and learning tools

- 5. Integration of poor rural people within value chains
- 6. Rural enterprise development and non-farm employment opportunities
- 7. Technical and vocational skills development
- 8. Support to rural producers' organizations

Delivering on the Strategic Framework

In delivering on the present framework, IFAD will continue to ensure that its quality and development results targets are achieved. Managing for development results, managing for quality and increasing efficiency in resource use will be a critical part of the process.

Mainstreaming management for development results

Strengthening IFAD's organizational effectiveness is critical to achieve improved in-country development results. IFAD's Results Measurement Framework is designed to enable all managers and staff to focus on managing performance and report on their contributions to IFAD's development results. At the corporate level, the following routes will be used to manage for development results:

- Strengthening IFAD's capacity to monitor and proactively manage performance and instill a culture of accountability for results at all levels of the organization, with the annual Report on IFAD's Development Effectiveness as the accountability mechanism to the Executive Board;
- Strengthening the enterprise risk management system to ensure that mitigation measures are in place for all perceived risks.

At the country level:

- IFAD's work will be guided by country strategies and project designs, agreed and regularly reviewed with governments and stakeholders.
- IFAD will refine the Results Measurement Framework to measure and report on the impact of its work and take action as required.

Managing quality

For IFAD to fully achieve its strategic goal and objectives, it must demonstrate a consistently high quality of programme and project design. To this end, the current internal quality enhancement system will continue to be strengthened. At the same time, and drawing on the experience of other international financial institutions, IFAD has developed a complementary, independent quality assurance system that is used to assess project readiness, core risk factors and policy compliance. In the period covered by this Strategic Framework, the following actions will be taken to ensure the quality of IFAD programmes and projects:

- Strengthening country strategy reviews at design, during implementation and at completion;
- Continuing to use the project design quality enhancement and quality assurance processes, improving them by systematically incorporating lessons learned from completion reviews and evaluations performed by the IFAD Office of Evaluation;

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- Enhancing tools for measuring and monitoring project performance during implementation. In this regard, an increased country presence and direct supervision will ensure closer collaboration between IFAD and project management units, and improved quality in project implementation;
 - Continuing to support locally developed approaches for rural poverty with relevant knowledge from IFAD and its partners;
 - Modifying and disseminating corporate policies and guidelines to ensure coherence in all key areas of the Strategic Framework and monitoring their application; and
 - Using its knowledge management strategy and practices to transform itself into a knowledge-sharing and innovative institution and centre of excellence for rural poverty reduction.
- Continue to develop its Strategic Workforce Plan to better align its human resources with corporate strategic priorities (including priorities linked to the needed better orientation of IFAD's effort under this framework) and to ensure the achievement of development results on a value-for-money basis. Furthermore, IFAD will intensify its efforts to create more structured pathways for capacity development, particularly of operational programme staff;
 - Continue to develop a results-based budget, in which annual resource allocations are based not on past allocations but rather on expected contribution to future development results on the ground;
 - Continue to strengthen both its internal financial resource management and its capacity for external resource mobilization; and
 - Make better use of information technology both in its operations with developing Member States (e.g. management of loans and grants), and in its internal business processes.

Managing for efficiency

IFAD will continue with its efforts to raise efficiency by pursuing an integrated set of processes to ensure that planning, resource allocation and workforce management are well linked under a results-based measurement framework. It will, in particular, devote an increasing share of its resources to programmes and projects that clearly contribute to development results. It will also continue to improve the overall efficiency of its business processes, with a view to both ensuring better management for development results and increasing its own financial sustainability. To this end, IFAD will:

- Benchmark its process costs with comparable organizations to measure the efficiency of its business processes;
- Explore opportunities for outsourcing services and service-sharing with other agencies;

The Medium-term Plan

The newly developed results-based Medium-term Plan (MTP) will be a key instrument in delivering on this Strategic Framework. The plan provides a clear overview of the Fund's strategic and operational objectives, programme of work, and allocation of human and financial resources. IFAD will continue to refine the MTP as the basis for planning all activities, budgeting and staffing. The MTP will serve as a key tool in the alignment of IFAD's human and financial resources with its strategic priorities as set out in this Strategic Framework.

Developing new instruments to meet evolving needs

Although traditional loans and grants will continue to be its main instruments, the Fund will develop new mechanisms, particularly as it expands its engagement with national and international commercial enterprises and private donors.

Pursuant to IFAD's Private-Sector Development and Partnership Strategy, IFAD's partnership with national and international private-sector actors aims to leverage additional investment and knowledge in rural areas. In line with the strategy, IFAD seeks to leverage private investments through project cofinancing and risk-sharing or investment in projects that reduce transaction costs for private-sector partners. This remains a key area of work for IFAD to leverage investment from commercial actors, notably agribusiness companies that can facilitate the market integration of small-scale producers, strengthen their capabilities, facilitate their access to key services and provide good non-farm employment opportunities.

Another key area of partnership will involve other donor agencies and financial institutions with a comparative advantage in investing in private-sector development. IFAD will expand its engagement with such partners to facilitate the provision of production, business and infrastructure (including energy and ICT) services, as well as inclusive financial services, to small agricultural producers and other poor rural people. The principles of engagement with these partners are laid out in the strategy, and they will be further defined in the forthcoming policy, along with new financial instruments to enable IFAD to strengthen its engagement with national and international private-sector partners.

More robust communications and advocacy

In this area, IFAD faces greater opportunities and greater challenges than in the past. These stem from IFAD's expanded country presence and growing programme of work and from the increased focus of the international community on agriculture and rural development. Meeting the communication and advocacy challenge will require more structured efforts around two pillars: internal communications (particularly among headquarters, country presence offices and the field) and external communications (targeting government audiences, civil society, the private sector and the media). IFAD will step up its communications and advocacy work by:

- Championing efforts to eradicate rural poverty and boost food security and nutrition;
- Seeking to position small-scale agriculture as a market-oriented endeavour as well as a type of livelihood, irrespective of size or scale;
- Continuing to be an advocate for increased investment in agriculture and rural development;
- Amplifying the voices of poor rural people, particularly women of all ages, young men and indigenous peoples;
- Sharing its corporate objectives and results on the ground with key audiences using a variety of tools and channels, including user-friendly communications products; and
- Taking a leadership role in agricultural development, food security and rural poverty reduction, enhancing its visibility both in the countries where it operates and on the global stage.



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