



# **ORGANISATIONAL STRATEGY**

## **2010 – 2012 IFAD**

**September 2009**

## Table of Contents

<b>I. Purpose .....</b>	<b>3</b>
<b>II. The organisation .....</b>	<b>3</b>
<b>III. Key strategic issues .....</b>	<b>6</b>
<b>IV. Priority results to be achieved through the cooperation .....</b>	<b>10</b>
<i>a) Development effectiveness of IFAD .....</i>	<i>11</i>
<i>b) Harmonisation and alignment .....</i>	<i>12</i>
<i>c) Poverty in Africa, and fragile states .....</i>	<i>13</i>
<i>d) Gender equality.....</i>	<i>14</i>
<i>e) Environmental and natural resource management, including adaptation to climate change .....</i>	<i>15</i>
<b>V. Summary results matrix .....</b>	<b>16</b>
<b>VI. References and acronyms.....</b>	<b>18</b>

## **I. Purpose**

I.1. This is the third Danish organisational strategy for the International Fund for Agricultural Development (IFAD). The organisational strategy forms the basis for Danish contributions to IFAD and it is an integrated part of the framework for Danish development cooperation. It sets out Danish priorities for IFAD's performance within the overall framework established by the Consultation on the Eight Replenishment of IFAD's Resources (2010-12) in December 2008. Furthermore, it outlines specific targets vis-à-vis IFAD that Denmark will pursue in its continued cooperation with IFAD. In its efforts to pursue Danish goals and priorities, Denmark will work closely with like-minded countries towards the achievement of shared objectives.

## **II. The organisation**

### **Basic data**

II.1. The International Fund for Agricultural Development, IFAD, is an international financial institution and a United Nations (UN) specialized agency. IFAD was established in 1977, and is the only international financial institution with an exclusive focus on poverty reduction and food security in rural agricultural areas. IFAD headquarters are situated in Rome, along with the two other UN agencies who work specifically with food security, the Food and Agriculture Organisation of the United Nations (FAO) and the World Food Programme (WFP). IFAD has 165 member states, of which 98 contributed to the 7<sup>th</sup> replenishment period of IFAD, covering 2007-2009.

II.2. IFAD provides loans and grants to governments based upon their requests and needs. In 2007, more than half of the resources of IFAD were spent in Africa and more than 40 % in the countries South of Sahara. About 90 % of IFAD resources are given as loans, while the remaining 10 % are given as grants. Loans are given on favourable terms, to developing countries and, to a smaller extent, to research institutions. IFAD has invested over US\$ 10 billion since 1977, and has reached more than 300 million people.

### **Mandate and mission**

II.3. IFAD was established with the purpose of financing agricultural development projects with a primary focus on raising small-holder food production in developing countries and on the surrounding structural and nutritional barriers for food security.

II.4. IFAD's mission is to "enable poor rural people to overcome poverty", through empowering women and men to achieve higher incomes and improved food security. To fight rural poverty and malnutrition, IFAD supports governmental recognised projects that deal with natural resource management, agricultural technologies, provision of financial services to the agricultural sector, market transparency and access, off-farm employment and enterprise and national policy development. Implementing and evaluating innovative approaches is a key role of IFAD.

II.5. IFAD's primary role in development is supporting projects financially, and ensuring that these projects develop sustainably with country ownership, so that IFAD support is not needed in the long run. IFAD works through partners on the ground, with IFAD consultants providing technical expertise in all phases of the projects and programme. IFAD is currently expanding their presence

on the ground, particularly to ensure coordination with other donors and to ensure the local situation is taken into consideration.

II.6. IFAD provides two types of financing: loans to governments (after these apply for them) and grants to institutions and organisations. Projects financed by loans to governments are implemented through existing structures, and often in partnerships with local organisations and community groups, NGO's and other donors. Examples of projects are helping farmers build water cisterns, providing technical and financial support to micro-finance initiatives, providing extension services to farmers to make them more competitive on markets, and supporting governments in developing agriculture-based policies, through dialogue and workshops.

II.7. IFAD also distributes grants to institutions and organisations. One example is financial support to research institutions to develop improved rice varieties. Another example is the small-grants initiative, providing financial support to improve indigenous peoples' access to decision making processes and empower people to find appropriate solutions to the problems they face, for instance through developing eco-tourism or developing partnerships with indigenous peoples organisations. Highly indebted countries can also receive grants, to ensure that they pursue a sustainable pathway of poverty reduction.

II.8. In 1995, IFAD adopted a role in active knowledge-sharing and in capturing the knowledge of others to provide a flexible approach to changing circumstances. By supporting research institutions, IFAD has a role in policy dialogue above the project level by linking together research and implementation. In line with the Paris Declaration, IFAD works within national contexts and government systems, and by engaging in policy dialogue with governments and partners.

## **Governance and management structure**

II.9. The member states of IFAD are, for governance purposes, organised in three groups: List A and B are traditional donor-countries from OECD and OPEC countries, respectively, while List C comprises members from developing countries, divided into sub-groups from Africa, Asia and Latin America. List C countries have over the years contributes with six to eight percentage of the budgets. Member states have decision-making power based on membership votes and according to their accumulated financial support to IFAD.

II.10. The Governing Council of IFAD, where all members meet yearly, is the highest decision-making body. In practice the Executive Board, which meets three times yearly, takes most decisions. The board is composed by 18 members and 18 alternates, representing all member groups of IFAD. The Executive Board is composed by 8 members from List A, 4 members from List B, and two members from each subgroup of List C. Decision making is based on consensus, and the board is chaired by the President of IFAD. Denmark is an alternate member of the Board to Japan.

II.11. IFAD management is lead by President Kanayo Nwanze (Nigeria) who was elected for his first 4-year term by the Governing Council in February 2009. The President was formerly IFAD vice-President for two years, and was elected by acclamation after a first round of voting.

II.12. In 2005, IFAD underwent an Independent External Evaluation (IEE), which initiated a major reform process, focusing on human resources and results-based management (RBM) and expanding

country presence to ensure sustainability of IFAD projects. IFAD is traditionally seen as an efficient provider of development assistance. Overall portfolio performance, comprising re-payments of loans and investment outcomes, is comparable to that of other international financial institutions (IFI's). Project-outcomes are evaluated and presented using a common methodological framework, and summarized yearly in the Annual Report on the Results and Impact of IFAD Operations (ARRI).

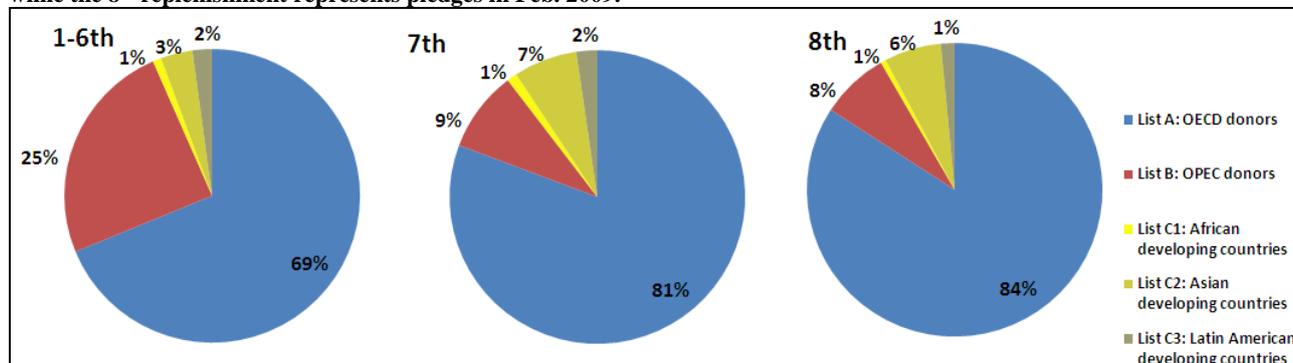
## Financial situation

II.13. IFAD has three-year budgets, which are decided through a replenishment consultation-process between member states and IFAD management, discussing the desired programme of work. The 8<sup>th</sup> replenishment budget, covering 2010-2012, was adopted by the Governing Council in February 2009 with a donors financing target of US\$ 1.2 billion. Donors had by February 2009 pledged US\$ 931 million, corresponding to an increase of 69 % compared to 7<sup>th</sup> replenishment. Total investments (loans and grants) are expected to reach US\$ 7.5 billion in the three-year period, including IFAD financing and co-financing. This will reach an estimated 60 million beneficiaries, and 40-50 % of financial resources are expected to reach Sub-Saharan Africa (SSA).

II.14. Co-financing represents funding provided by IFAD partners for particular projects; for every dollar IFAD invested in 2007, it received US\$ 1.25 in co-financing. This includes resources from bilateral donors, for instance the Belgian Survival Fund which targets combating hunger in SSA; multilateral contributions from other UN agencies and development banks; NGOs and other financing sources in recipient countries. Recently the Bill & Melinda Gates Foundation are becoming partners of IFAD, for instance providing support for the collection of household survey data in countries where the World Bank does not do so. Co-financiers see IFAD projects as a means to achieving their development objectives.

II.15. Approximately 90 % of IFAD financing is from OECD and OPEC member states. The United States, Saudi Arabia, Japan, Germany, Netherlands, and United Kingdom are among the largest. Denmark is among the 20 largest donors, along with new donors, such as China and India. These two countries make up 40 % of the contributions from developing countries. The share of the contribution from the OPEC countries has decreased over time. The developments are illustrated in Figure 1 below.

**Figure 1: Member states contributions, by List, by Replenishment. The first two graphs are based on actual contributions, while the 8<sup>th</sup> replenishment represents pledges in Feb. 2009.**



Source: 8<sup>th</sup> Replenishment Report Data, IFAD

### **III. Key strategic issues**

#### **The relevance and role of IFAD in the global architecture for development**

III.1. New structural challenges facing the world, in particular volatile food and oil prices, and the financial and economic crises, are threatening to reverse the progress in reaching the Millennium Development Goals (MDGs), especially in Africa. Climate change is expected to have a greater negative impact on the most vulnerable populations and even more so in Africa. IFAD poses a realistic possibility for the international community to channel additional funds to vulnerable communities.

III.2. With its specific mandate and experience within agriculture and rural development, IFAD has a comparative advantage through development effectiveness, good cooperation with governments and incorporation of lessons learnt. The increasing financial support to IFAD from member states is an expression of the growing consensus that investment in rural sectors is crucial for poverty alleviation and food security, and a renewed world focus on the role of agriculture for development and poverty alleviation.

III.3. By being a UN agency and an IFI, IFAD plays a unique role in the international financial and developmental framework. Cooperation within the One-UN initiative, where IFAD takes an active role, is crucial to achieving the MDG's. The poorest populations are a mandated target group for IFAD, ensuring that capital and investment gains are channelled back to these populations. At the same time, the workings and results frameworks of the organisation are similar to those of other IFI's, being growth-oriented and operating with incentive structures for enterprise development etc.

III.4. By engaging in policy dialogue with governments and developing policies that combine lessons learnt with knowledge from research institutions, IFI's, UN agencies and other partners, IFAD plays a role in the global architecture towards the promotion of human rights and good governance. One example is the IFAD Policy on Improving Access to Land and Tenure Security from 2008.

#### **The contribution of IFAD to MDG's**

III.5. IFAD's mission coincides with MDG 1, eradicating hunger and poverty. The poorest populations in the world receive the largest part of IFAD's portfolio, and specific concerns such as gender, indigenous people and environmental issues are specifically addressed through project design. The willingness and possibility of developing and testing innovative methods can contribute to rural development in the longer run.

III.6. Cooperation and alignment with governments and other donors is crucial for development effectiveness as outlined by the Paris Declaration and the Accra Agenda for Action. Knowledge sharing and advocacy, for instance through impacting national priorities, are other key issues for IFAD in achieving macro-level results. By expanding country presence, IFAD aims at improving the sustainability and thus long run relevance of the projects. Country presence and differentiated country approaches will ensure continuous dialogue with governments and harmonise project design and implementation with other donors.

## **The relevance of IFAD to Danish priorities**

III.7. IFAD combats poverty and hunger through strategies that cover a wide range of issues, including support to fragile states, environmental sustainability and gender equality and empowerment. To obtain these goals, innovative and entrepreneurial approaches are supported, and financial constraints and job-possibilities and creation are addressed. Economic growth as a main driver for development is a core value for IFAD, in line with the recommendations of the Africa Commission.

III.8. The Africa Commission includes initiatives within investment finance, competitiveness and entrepreneurship. This is to be done within a sustainable energy framework, and in cooperation with other main actors on the stage including IFI's. IFAD has a specific focus on rural finance and innovation and a close partnership with institutions such as the African Development Bank. IFAD is therefore a key channel to meeting Danish priorities with a maintained focus on rural poverty.

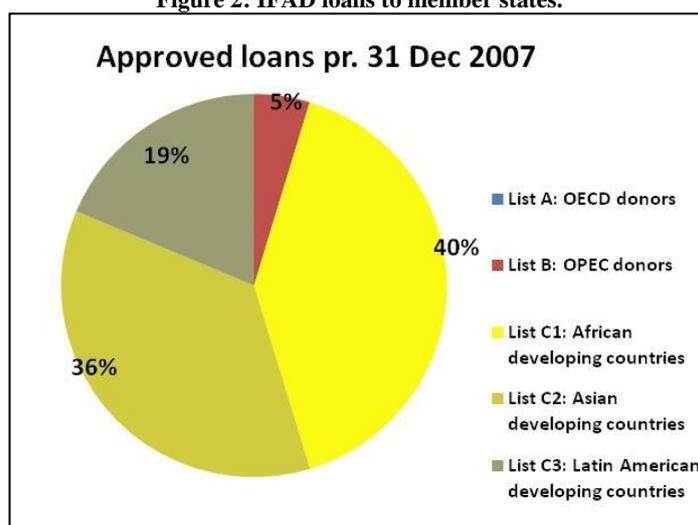
III.9. IFAD's goals are summarized by the wish to empower women and men to overcome poverty. In line with Danish development priorities, this includes direct reference to gender equality in project design and implementation, and contributes to the achievement of MDG 3. Targeting the rural poor people and with a commitment to channelling at least 40 % of funds to Sub-Saharan Africa, contributes to enforcing the Danish poverty focus through the projects of IFAD. However, Denmark will work for that a larger percentage of the funds is canalized to Sub-Saharan Africa.

III.10. IFAD's project portfolio will be greatly expanded during the 8<sup>th</sup> replenishment period. This will be reflected through up scaling by increasing the size and reach of current operations, thus reaching a greater number of beneficiaries in these areas. It will also provide IFAD with greater means to engage actively in strengthening institutional capacities and policies; strengthening country ownership is in line with Danish and international priorities.

## **The reach of IFAD support**

III.11. As can be seen in Figure 2, developing countries receive 95 % of IFAD funding; African countries have received 40 %, while Latin American and Asian countries have received approximately 20 and 35 % of the funding, respectively. OECD countries receive no funding from IFAD, and OPEC countries receive only 5 %. The allocation of funds to countries, and thus prioritization of IFAD, is based on an internationally recognized allocation system, building on facts such as the proportion of rural people in a country and re-payment records. A fundamental principle of IFAD is the equal right to IFAD services by all member states. In practice, developed countries receive only technical expertise through the knowledge sharing role of IFAD. However, this principle means that IFAD is active in both middle income countries (MIC's), fragile and non-democratic states.

Figure 2: IFAD loans to member states.



Source: GC 32/L.6, Appendix H

III.12. The possibility for MIC's to gain IFAD support is an incentive behind the support of these countries to the fund, and a characteristic of the governance structure of IFAD. Receiving technical support rather than financial support is an emerging trend for many MIC's. South-south learning will be a key focus area for IFAD, as pointed out in the 8<sup>th</sup> replenishment negotiations. Indigenous people represent 15 % of the poorest in the world, and are mainly located in Asia and Latin America. The wide distribution of IFAD funds ensures that beneficiaries under this classification receive 20 % of IFAD funding.

III.13. Paris and Accra agendas are priority areas for both Denmark and IFAD. IFAD works within differentiated and country-specific harmonization frameworks, and harmonization will be further strengthened through increased country presence. Whenever possible, IFAD works within government and other donor frameworks, and works to improve capacity by hiring staff locally, at all levels. In response to the global food crisis in 2008, IFAD works within the UN consensus Comprehensive Framework for Action (CFA) and works closely with CGIAR research institutions. Aid effectiveness efforts have been in focus for IFAD since the IEE report suggested weaknesses in this area.

### **Institutional assessment of IFAD**

III.14. In response to the IEE in 2005, IFAD developed a Strategic Framework 2007-2010 to ensure that the weaknesses pointed out were adequately addressed. These weaknesses included a low impact and sustainability level of projects; the need for a more strategic board and a management plan more focused on development outcomes. One key document tackling this was the Action Plan for Improving Development Effectiveness, addressing IFAD relevance, effectiveness and efficiency. From an aid effectiveness perspective, the sustainability of projects has been the main weakness of IFAD while the ability to attract co-financing can be seen as a strength.

III.15. The Strategic Framework builds on several results-based management principles on both managerial level and outcome level. Management strategies include a Corporate Planning and Performance Management system to ensure alignment within the organisation and results based planning and contracting at all levels. Additionally, an administrative resource reform has been undertaken, implementing the newest technologies for communications and cost-effectiveness. On

the development effectiveness agenda, IFAD has implemented quality assurance processes on all projects and a management system with focus on sustainable impacts on country level. A Human Resource reform contributes on both levels.

III.16. The reform process has shown results. In 2007, all projects were rated satisfactory on performance and on relevance, effectiveness and efficiency. 91 % were evaluated to have a rural poverty impact. However, there are still improvements to be made: some projects are only evaluated as moderately satisfactory, and 67 % of projects are rated sustainable. IFAD's gender approach has been criticized for not being sufficiently targeted, and not being flexible enough to adjust to local circumstances. IFAD will in 2009 evaluate evidence and experience on environmental issues, as IFAD's performance has not been as good in these areas as the performance of other organisations.

III.17. The above initiatives continue to be implemented through an on-going reform-process. Priority areas of the new President, Mr. Nwanze, include a more strategic role of the board and investment in the operational framework of IFAD. Based on the Strategic Framework, a Results Measurement Framework is being further developed. This will be based on indicators reflecting micro, project, programme and macro outcomes, and will be used as an active management tool and by the board. The framework also forms the basis for this document.

III.18. Within the international architecture, IFAD's main partners are the World Bank and IFI's, such as the African Development Bank, in the area of finance, and the FAO and WFP based on the food security-focus to development. Being placed in Rome with FAO and WFP provides large potentials for IFAD on knowledge-sharing and the reduction of administrative costs, as well as linking together finance and agriculture. Examples of cooperation are within the sharing of technical expertise and approaches to climate change adaptation.

### **Risk assessment of IFAD**

III.19. IFAD can be characterized as a very ambitious organisation. IFAD aims to be among the best in the world, while expanding and implementing new procedures and methods. The recent high replenishment results can be seen as a trust in the relevance and ability of IFAD. However, there are certain risks that must be monitored carefully. The ongoing reform process will be the main challenge to ensure development effectiveness. The process has already shown good results, including a more relevant and suitable staff. However, there might be changes in the top level management team, the impact which will have to be followed closely. More specifically, the performance of the newly elected president will be key to achieving the targeted outcomes. There is, from the President, and from the management in general, a seemingly open interest in listening to the board and developing a well performing organisation.

III.20. In a new international setting, with growing hunger and financial developments, IFAD faces the challenge of up scaling its programme of work and reaching a higher number of beneficiaries. IFAD has a very narrow mandate, which might limit its possibility to adapt, as compared to other IFI's. However, this is also one of the prioritizing strengths of IFAD. Such up scaling requires increased monitoring and evaluation to ensure that the best projects are carried out and up scaled. Larger programmes require increased focus on donor and government harmonization, and require that IFAD will be able to deliver on a macro-economic level in addition to project outcomes.

III.21. IFAD aims at decreasing administrative costs from 16 to 13.5 % during the 8<sup>th</sup> replenishment. This target is ambitious in light of the above challenges, but is rendered reachable by IFAD due to the increased level of budgeting, meaning that the decrease in fact represents an increased capacity in absolute terms. However, there is a risk of such administrative reform impacting the quality of the projects, which is not favourable.

### **Anti-corruption initiatives of IFAD**

III.22. As other organisations, IFAD activities must be monitored for fraud and corruption. In 2006 an Investigation Section was set up within the Office of Audit and Oversight. The section has the mandate to investigate all reported cases on corruption. Any suspicion of corruption can be reported confidentially to the office, through a webpage, e-mail, fax or telephone, or in person. All reports are investigated; either by the Office of Audit and Oversight, or by other relevant bodies, such as a partner government. The investigations include a review of documentation, field visits and interviews with relevant stakeholders. Findings are reported to the Sanctions Committee, who functions as an advisory board for the President in handling the cases. The President has full autonomy in determining the consequences of fraud or corruption.

III.23. The Office of Audit and Oversight works within the premises of IFAD's Anticorruption Policy, and produces an Annual Report on Investigative and Anticorruption Activities. All staff will by the end of 2008 have undergone awareness and sensitization training in these matters. The Danish Embassy in Rome regularly monitors the developments, which are captured on the anti-corruption webpage of the Foreign Ministry of Denmark.

### **Milestones and benchmarks**

III.24. IFAD has committed to delivering a number of new policies and other documents to the Executive Board throughout the 8<sup>th</sup> replenishment period. These documents will ensure that the framework behind IFAD's work is up to date. The documents are part of IFAD's challenge in ensuring development effectiveness and in ensuring that important issues, such as gender and climate change, are mainstreamed. Timely delivery of these, and structured consultation processes at the ground and headquarters level, will ensure that the role of the board can be strategic and that the policies are formed and adopted optimally.

III.25. The key documents of interest for the prioritization of Danish development assistance are policies, strategic documents such as follow-ups on the reform, and evaluations of IFAD development strategies and effectiveness. The 8<sup>th</sup> replenishment period will provide a policy paper on IFAD's engagement in MIC's (September 2010), a policy on environment and natural resources, a climate change policy (awaiting COP15 results), a mid-term review on the reform process in 2011, a review of the results-based incentive system, and an updated Strategic Framework for 2011 and onwards.

## **IV. Priority results to be achieved through the cooperation**

### **Introduction to IFAD key areas and actions**

IV.1. For the period 2010-2012, IFAD, guided by the IEE and member states, has identified several areas of work where special emphasis will be given to deliver results. These include differentiated

country approaches especially in relation to presence in MICs and fragile states; operational effectiveness including aid effectiveness and thematic issues; and organizational effectiveness and efficiency. Additionally, IFAD will focus on delivering and measuring results, and improving the implementation of the funding allocation system.

IV.2. The design of IFAD country strategies, programmes and projects are based on a number of actions, considerations and priorities, as discussed above. These all link up to the achievement of MDG 1 and the eradication of rural poverty through a comprehensive and sustainable approach. A number of these actions are of direct relevance to Danish development priorities, while a number are not. Targets are used to evaluate the performance of IFAD, in agreement with international agreements and principles, and to evaluate IFAD's performance within thematic areas. Within IFAD, targets are compared to baselines, wherever possible.

IV.3. The priority areas for Danish cooperation with IFAD will be emphasised whenever possible, through continuous dialogue at board meetings and informal discussions with IFAD staff and managements. Denmark will follow up on specific targets on a yearly basis in an Action Plan comprising relevant indicators of IFAD's Strategic and Results management frameworks. The indicators used are from the IFAD Results Measurement Framework and the targets set in the 8<sup>th</sup> replenishment negotiations. However, in terms of gender and targeting to Sub-Saharan countries the Danish indicators are at a higher level than what IFAD has indicated. The indicators and targets are used to identify if priorities are obtained or not, and will represent outcomes at different levels. The direct attribution of IFAD performance to these targets will vary; however, the overall achievements of these goals are the purpose of Danish development assistance. The common priorities to be obtained through cooperation with IFAD are:

- a) Development effectiveness of IFAD*
- b) Harmonization and alignment*
- c) Poverty in Africa, and fragile states*
- d) Gender equality*
- e) Environment and natural resource management, including adaptation to climate change*

## **Description of common priorities**

### **a) Development effectiveness of IFAD**

IV.4. Following the IEE, IFAD developed an Action Plan for Improving the Development Effectiveness, initiating the reform process. The Action Plan aimed at improving 1) the performance of IFAD as an organisation, including implementation of a RBM system and a human resource reform and 2) the sustainability and performance of IFAD projects and programmes.

IV.5. The continued reform process to ensure development effectiveness of IFAD is crucial for the relevance of IFAD, and for the achievement of the priority results described below. The RBM system is a key tool for providing strong incentive structures for staff at all levels. Along with administrative reform and results-based reporting and monitoring systems, IFAD has the potential of becoming a powerful actor, especially with an increased programme of work.

IV.6. Human resources reform is another key tool for IFAD to ensure that they have the relevant and most qualified staff, both for project design and implementation. Issues regarding mainstreaming gender, as elaborated below, require a strong policy and design team. The human resource reform includes expansion of country presence, which is crucial to sustainability and performance; ensuring appropriate staff, and the newest communication systems.

IV.7. IFAD measures overall project performance as a composite of project relevance, effectiveness and efficiency. Within this heading several other topics are particularly relevant: anti-corruption and transparency. This is important for aid effectiveness and for the trust in IFAD shown by governments and co-financiers. Denmark continuously monitors performance within this field, by assessing performance reports provided by IFAD.

IV.8. Sustainability was, in 2005, pinpointed by the IEE, and documented in ARRI, as a main weakness in IFAD's development effectiveness. Without sustainability, the relevance of IFAD as a development agency disappears. There has been progress, but Denmark will continue to hold IFAD accountable for developments in this area.

IV.9. A key factor for long run sustainability of IFAD support is the development of exit strategies in the project or programme design phase. Exit strategies can pinpoint areas for government involvement and takeover, and can identify roles for other actors, such as the private sector. The private sector has the potential to be a future engine for growth, especially in rural settings, and can contribute to reducing country dependency on IFAD and other donor financing. IFAD traditionally has a good performance on involvement of the private sector, if measured by the level of co-financing. However, the stringent development and application of exit strategies has been less successful.

*The Danish cooperation with IFAD will aim at:*

*a.1) Ensuring IFAD relevance, through a continued reform process, including HR reform and RBM*

*a.2) Strengthening sustainability of IFAD programmes and projects through the development of exit strategies*

#### **b) Harmonisation and alignment**

IV.10. In line with international commitments such as the Paris Declaration and Accra Agenda for Action, Denmark's support to IFAD will contribute to the implementation of aid effectiveness principles. The continued focus on the reform process as described above is crucial for IFAD's ability to live up to these international agreements.

IV.11. On the global level, IFAD can contribute to this by pursuing partnerships. By being both a UN agency and an IFI, IFAD is in a unique role to do this. Cooperation with the World Bank and the African Development Bank in particular ensures alignment on financial issues. Being a UN agency, IFAD enjoys a different position in the field and good cooperation from the governments. IFAD thus has a unique advocacy position concerning its rural poverty mandate. Cooperation within the One-UN is, essential for success of the UN reform in ensuring harmonization, alignment and aid effectiveness.

IV.12. It is a Danish priority that IFAD act within the global and UN frameworks, and be an active player in improving overall cooperation, including developing partnership with other UN agencies where possible and relevant. In the areas of IFAD comparative advantages and knowledge from experience, IFAD plays an important role in the global architecture, for instance through working within the CFA and advocating at COP15 in Copenhagen in 2009.

IV.13. Regarding food security and technical expertise, IFADs position in Rome together with FAO and WFP can ensure spread of knowledge, and complementarity of the work performed. In the development of policies and guidelines it is crucial that these, and other institutions, look to one another for the work done, to ensure effective policy development based on the best knowledge base and best practice, but also to ensure alignment of policies.

IV.14. Many donors are bilaterally present in countries where IFAD operates. Additionally, there may be several other development actors present. Harmonization between these donors will improve aid effectiveness and will increase the possibility for advocacy towards governments. Harmonization at the country level takes place by fitting into government structures and policy plans, to ensure country ownership and thus long run sustainability and development.

IV.15. Increasing country presence has been identified as a key action for IFAD to improve sustainability, but also to ensure continuous dialogue with governments, and other development partners in the field. Several pilot projects have been carried out, and implementation is expected to occur during the next few years. HR reform has ensured that IFAD has the necessary staff for doing so.

*The Danish cooperation with IFAD will aim at:*

*b.1) Promoting country ownership by increased country presence*

*b.2) Promoting partnership at global and local level, including through co-financing*

### **c) Poverty in Africa, and fragile states**

IV.16. IFAD will in the 8<sup>th</sup> replenishment period work within certain areas that are of particular importance for Danish priorities. With an increased programme of work, IFAD will upscale their efforts in existing areas. There must therefore be increasing attention on the focus areas regarding Africa, the poorest rural people and in supporting development in fragile states.

IV.17. Figure 2 shows that 40 % of IFAD loans are provided to Sub-Saharan African member states. IFAD expects to upscale this effort by targeting 25 million (out of a total of 60 million) beneficiaries in Sub-Saharan Africa, utilizing between 40 and 50 % of resources in this area. In line with Danish priorities and the outcomes of the Africa Commission, focus on innovation, innovative approaches and entrepreneurship in this geographical area is important. Denmark will work for that at least 50% of the resources are utilised in Sub-Saharan Africa.

IV.18. As described by the goal and mission of IFAD, the poorest populations will be in the focus of IFAD. Denmark will work to ensure that this remains a common factor in all project design. By supporting agriculture and structural deficiencies at the bottom of the value chain, development potentials from IFAD investments are large. Development is thus envisaged through growth, increasing the potential for private sector involvement and reduction of vulnerabilities.

IV.19. Fragile states provide a threat to their populations, to regional stability, and to human rights. IFAD targets such states on the premises of governments, by advocating for prioritization of resources and policy reforms in areas that affect the rural poor and to encourage agricultural spending. Such policies must be highly flexible and focus on capacity building within national governments. Co-financing is of importance in such work, to avoid spending IFAD financing on transaction costs to governments. Additionally, fragile states by themselves have trouble attracting investment capital without the “blue stamp” of an organisation like IFAD to ensure that the money is well spent and used with the best expertise.

IV.20. Fragile states are in need of technical assistance and in need of financial support and development assistance more than many other countries, as the capacity of the countries themselves is often low. This is a requirement despite the fact that investments in such countries might not yield a large return; a UN organisation is thus relevant for such work. Additionally, it is widely accepted that the agricultural sector, with rural poverty at the bottom of the value chain, has huge potentials for development in a broad sense. Work in fragile states requires differentiated country approaches to be sustainable; an approach that is adopted by IFAD. An organisation like IFAD targeting this sector is therefore important for promoting growth in such circumstances.

*The Danish cooperation with IFAD will aim at:*

- c.1) Ensuring poverty is a targeted priority area*
- c.2) Combating poverty and supporting the African continent, where the MDG's are most threatened*
- c.3) Supporting fragile states through technical expertise and advocacy to ensure optimal prioritization of policy and promotion of human rights*

#### **d) Gender equality**

IV.21. Focus on gender is of crucial importance from a development perspective, and it is critical to incorporate gender perspectives in all development policies, strategies and interventions at all levels, at all stages and by all involved actors – being it beneficiaries and IFAD staff in the field and in headquarters. It is a well established fact that providing micro credit opportunities to women is an effective form of empowering women and providing development opportunities; for the benefit of not only themselves, but also for the husband, children, and the society as a whole. Higher income for women improves the situation of their families – leading to greater spending on household welfare, nutrition and education of girls.

IV.22. IFAD has traditionally focused on the empowerment of both women and men. In 2008, the efforts were evaluated, leading a Gender Sourcebook, combining lessons learnt of IFAD, the World Bank and FAO. As expected, not all projects showed positive results. There are therefore still areas that need improvement. In 2009 the IFAD Independent Office of Evaluation will perform an extensive evaluation of IFAD's performance on gender equality and women's empowerment. Based on the findings, policy and guidelines will be adapted appropriately.

IV.23. Gender equality is a main priority of Danish development assistance and the achievement of MDG 3. Gender empowerment is critical for the education level of households, and it is particularly important to pay attention to gender aspects in fragile states, where gender disparities often are particularly sensible. Focus on this topic promotes basic human rights, and provides for more effective development assistance.

*The Danish cooperation with IFAD will aim at:*

*d.1) Working towards the development of a corporate policy and strategy on gender to promote human rights and obtain development potentials*

*d.2) Ensuring mainstreaming of gender aspects in all projects and programmes*

*d.3) Ensuring equal opportunities for women and men within IFAD staff and management*

**e) Environmental and natural resource management, including adaptation to climate change**

IV.24. With a focus on growth and development, it is important that IFAD see the potentials of environmental sustainability and adaptation to climate change. Mainstreaming and mitigation efforts are of primary concern, as IFAD works with the most vulnerable populations. IFAD has staff guidelines regarding environmental assessments and the handling of these in project design and practical implementation. Corporate policies will be developed in 2010.

IV.25. IFAD must ensure that adequate knowledge is incorporated into all strategies and the specific policies in question; however this must be done in an efficient way by not duplicating existing efforts, but rather cooperating with partners such as FAO and DAC/OECD. IFAD has an important role as an innovative institution, and therefore also the responsibility to cooperate with a wide range of institutions, including research institutions such as CGIAR. This can ensure that knowledge on adaptation is transferred to practical levels.

IV.26. Sustainable management of the environment and natural resources has been a key focus area for Danish development assistance throughout many years. Such a focus is important for long run sustainable livelihoods of populations; rural poor and indigenous people are most dependent on natural resources and therefore also most affected by unsustainable practices and climate change. Sustainable land management is additionally important for the mitigation of climate changes in the longer run. Promoting sound environmental and sustainable use of natural resources, including mitigation of, and adaptation to, climate change, is vital for Danish development assistance. An IFAD corporate strategy on climate change based on the newest knowledge from COP15 and other sources, is critical.

*The Danish cooperation with IFAD will aim at:*

*e.1) Ensuring that IFAD support takes environmental and natural resource challenges into consideration to mainstream sustainable development*

*e.2) Developing a corporate climate change strategy, possibly as part of a broader environmental policy, incorporating newest knowledge from partners, to mainstream sustainable development*

## V. Summary results matrix

	Goals	IFAD reference <sup>1</sup>	Indicator <sup>2</sup>	Target <sup>3</sup>	Target date	Baseline
<b>Priority a): Development effectiveness of IFAD</b>						
a.1)	Reform process	Action	Review the results-based incentive systems of the other international institutions and report to the Executive Board with options to better align staff incentives with institutional performance.	Board decision	September 2011	
a.2)	Sustainability	Target 2.1	% of country programmes rated 4 or better for contribution to: (a) increasing the incomes, (b) improving the food security, and (c) empowering poor rural women and men.	80 %	2012	69 %
<b>Priority b): Harmonization and alignment</b>						
b.1)	Country presence	8 <sup>th</sup> replenishment negotiations	In 2010, IFAD will undertake a self assessment of country presence and in 2011 it will present a country presence policy to the Executive Board. The assessment will evaluate the current experimentation with different forms on country presence. The country presence is expected to expand.	Board approval	2011	27 countries with country presence (2009)
b.2)	Co-financing	8 <sup>th</sup> replenishment negotiations	IFAD will strengthen its ability to mobilize co financing.	1:1.5	2012	1:1.1 (2007)
<b>Priority c): Fragile states and poverty in Africa</b>						
c.1)	Targeting poverty	Target 4.4	% of projects rated 4 or better at entry for rural poverty impact among the target group (such as through physical and financial assets, food security, empowerment etc.)	90 %	2012	84 % (2008)
c.2)	Africa	8 <sup>th</sup> replenishment	The financial support to Sub-Saharan Africa must	Min.50 %	2012	40 % (2007)

<sup>1</sup> The reference "Action" in this column refers to the "Implementation matrix from the Eight Replenishment period", Annex II of the Report of the Consultation on the Eight Replenishment of IFAD's Resources (GC 32/L.5), while "8<sup>th</sup> replenishment negotiations" refers to text from within the same document. References labelled "Target" are from the "non-paper on Results Measurement Framework for Eighth Replenishment Period (2010-2012)", April 28 2009.

<sup>2</sup> The text in this column is taken as directly as possible from the sources cited in footnote 1.

<sup>3</sup> The target is based on IFAD targets, but is in some cases adjusted to better reflect Danish priorities.

		negotiations	be substantial, with as many resources as possible reaching this region.			
c.3)	Fragile states		The share of the IFAD portfolio invested in fragile states must not decrease, despite the increasing programme of work	≥ 23 %	2012	26 states, 23 % of portfolio (2008)
<b>Priority d): Gender equity</b>						
d.1)	Corporate policy	Action	The independent Office of Evaluation will conduct an evaluation of IFAD's performance on gender equality and women's empowerment in 2009. Based on the findings of the evaluation, the Executive Board will consider the need to develop a corporate policy and implementation strategy on gender.	The development of a policy/strategy approved by the board	2012	Framework for Gender Mainstreaming (2008) and Guidelines for Incorporating the Gender Approach into Rural Development Projects
d.2)	Mainstreaming	Target 2.4	% of projects rated 4 or better at completion for gender equality	80 %	2012	69 % (2006–2007)
d.3)	IFAD management	Target 5.5	% of women in P5 posts and above	50 %	2012	30 % (2008)
<b>Priority e): Environmental and natural resource management, including adaptation to climate change</b>						
e.1)	Environmental management	Action	Present a policy on environment and natural resources [which could incorporate the climate change strategy referred to in paragraph 69, to the Executive Board].	Board approval	2012	Environmental and social assessment procedures
e.2)	Climate change	Action	Present a strategy on climate change to the Executive Board	Board approval	April 2010	

## VI. References and acronyms

### Core IFAD documents:

- Report of the Consultation on the Eight Replenishment of IFAD's Resources, GC 32 / L.5, including Addendum GC 32/L.5/Add.1
- Results Measurement Framework for Eight Replenishment Period (2010-2012), Non-paper, April 2009 (Restricted access)
- 2008 ARRI: Annual report on results and impact of IFAD operations evaluated in 2007
- IFAD Strategic Framework 2007-2010
- An Independent External Evaluation of the International Fund for Agricultural Development, Office of Evaluation, September 2005
- Action Plan for Improving Development Effectiveness, December 2005
- Financial information from documents: GC 32/L.5.Add.1, GC 29/L.4/Add.1, GC 27/L.2/Add.1, GC 24/L.5/Add.2, Resolution 56/XII and Resolution 37/IX
- 2007 Annual report on investigative and anti-corruption activities

### Other relevant IFAD documents:

- IFAD's role in fragile states, October 2008
- Policy on Improving Access to Land and Tenure Security, 2008
- Results Measurement Framework for reporting on progress achieved against IFAD Strategic Framework 2007-2008, September 2007
- Programme of work, Programme Development Financing Facility and administrative and capital budgets of IFAD and of its Office of Evaluation for 2008, February 2008
- A Joint Evaluation of AFDB and IFAD Operations in Agriculture and Rural Development in Africa, Interim Report, Document for the Operations Evaluation Department of the African Development Bank and the Office of Evaluation of IFAD, April 2007
- Assessment of IFAD's Action Plan, Final Report, by Ted Freeman (Goss Gilroy Inc. Management Consultants, Canada) and Stein Bie, (Noragric, The Norwegian University of Life Sciences), independent evaluation sponsored by the governments of Canada, Norway and the Netherlands, July 2008
- Gender in Agriculture Sourcebook, by IFAD, FAO and the World Bank, October 2008

All IFAD documents are available at the IFAD web page: [www.ifad.org](http://www.ifad.org)

### Internal documents from the Ministry of Foreign Affairs of Denmark:

- Håndakter til DANIDA styrelsen's besøg i Rom, February 2009 (restricted)
- Organisational Strategy 2006-2009 IFAD
- Mandatnotits, October 2008 (restricted)
- Guidelines for organisational strategies and annual action plans for multilateral organisations, October 2006
- Gender Equality Toolbox, 2008

The documents are available at the Ministry of Foreign Affairs of Denmark Aid Management Guidelines web page: [www.amg.um.dk](http://www.amg.um.dk)

**Relevant web pages:**

Millennium Development Goals: <http://www.un.org/millenniumgoals/>

Africa Commission: <http://www.africacommission.um.dk>

Ministry of Foreign Affairs of Denmark: [www.um.dk](http://www.um.dk)

One-UN: <http://www.ifad.org/deveffect/oneun.htm>

IFAD anti-corruption: <http://www.ifad.org/governance/anticorruption/index.htm>

Danida anti-corruption: <http://www.um.dk/en/menu/DevelopmentPolicy/AntiCorruption/>

**List of acronyms:**

ARRI: Annual report on the results and impact of IFAD Operations

CFA: Comprehensive Framework for Action

CGIAR: Consultative Group on International Agricultural Research

COP15: United Nations Climate Change Conference Copenhagen 2009

DAC/OECD: Development Co-operation Directorate of the OECD

FAO: Food and Agriculture Organisation of the United Nations

HR: Human resources

IEE: Independent External Evaluation report

IFAD: International Fund for Agricultural Development

IFI: International financial institution

MDG: Millennium Development Goals

MIC: Middle income country

NGO: Non-governmental organization

OECD: Organisation for Economic Co-Operation and Development

OPEC: Organisation of the Petroleum Exporting Countries

RBM: Results-based management

UN: United Nations

WFP: World Food Programme