



ANNUAL REPORT 2010



Enabling poor rural people
to overcome poverty

The International Fund for Agricultural Development (IFAD) works with poor rural people to enable them to grow and sell more food, increase their incomes and determine the direction of their own lives. Since 1978, IFAD has invested about US\$12.9 billion in grants and low-interest loans to developing countries, empowering more than 370 million people to break out of poverty. IFAD is an international financial institution and a specialized UN agency based in Rome – the United Nation’s food and agricultural hub. It is a unique partnership of 166 members from the Organization of the Petroleum Exporting Countries (OPEC), other developing countries and the Organisation for Economic Co-operation and Development (OECD).*

* As at time of press, June 2011

IFAD at a glance, 1978-2010^{a, b}

TABLE 1

		2006	2007	2008	2009	2010	1978-2010
Operational activities^c							
Loan and DSF grant approvals							
Number of programmes and projects		27	34	29	33	33	859
Amount	US\$ million	515.0	520.3	552.2	670.4	794.2	11 926.6
Grant approvals							
Number		109	77	71	99	88	2 315
Amount	US\$ million	41.8	35.7	40.9	47.0	51.2	749.5
Total IFAD loan and grant operations	US\$ million	556.8	556.0	593.1	717.4	845.4	12 676.1
Cofinancing	US\$ million	96.1	424.5	305.0	313.4	691.7	8 786.9
Multilateral		67.3	398.5	198.0	285.2	578.6	7 003.0
Bilateral		27.0	17.3	13.3	25.0	74.3	1 334.1
NGO		0.6	1.0	3.5	0.7	10.4	41.4
Other ^d		1.3	7.8	90.2	2.5	28.3	408.3
Domestic contributions	US\$ million	290.5	267.1	282.7	372.0	928.3	10 822.6
Total programme and project cost^e	US\$ million	906.5	1 215.4	1 144.3	1 362.5	2 427.4	31 618.2
Programmes and projects							
Number of effective programmes and projects under implementation		187	196	204	218	234	
Number of programmes and projects completed		26	25	24	24	20	594
Number of programmes and projects in the pipeline		56	58	69	65	74	
Number of approved programmes and projects initiated by IFAD		25	28	26	26	28	699
Number of recipient countries/territories (current portfolio)		85	85	87	90	95	
Loan disbursements	US\$ million	387.5	399.1	433.8	428.5	457.6	7 667.2
Loan repayments^f	US\$ million	148.5	175.1	186.4	201.0	274.1	2 522.3
Membership and administration							
Member States – at end of period		165	164	165	165	165	
Professional staff – at end of period ^g		203	227	233	235	260	

Sources: Project and Portfolio Management System; IFAD financial statements for 1978-2010; IFAD's Accounting System.

^a IFAD loans and debt sustainability framework (DSF) grants for investment programmes and projects are denominated in special drawing rights (SDRs). For the reader's convenience, tables and charts use figures shown in US\$ equivalents, as per the President's report for each programme or project presented to the Executive Board. Any discrepancy in totals is the result of rounding.

^b 1986-1995 figures include the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification.

^c Excludes fully cancelled programmes and projects. Excludes the Programme Development Financing Facility (PDFF).

^d Includes financing under basket or similar funding arrangements, financing from private-sector resources and financing that was not confirmed at the time of Executive Board approval.

^e Includes DSF grants, component grants and contributions to IFAD's replenishments, and excludes grants not related to investment projects.

^f Loan repayments relate to principal repayments and include repayments on behalf of Heavily Indebted Poor Countries (HIPC) Debt Initiative countries.

^g Approved positions (excluding those of the President and Vice-President).

CHART 1
IFAD loan and grant operations, 2006-2010
 Amounts in US\$ million

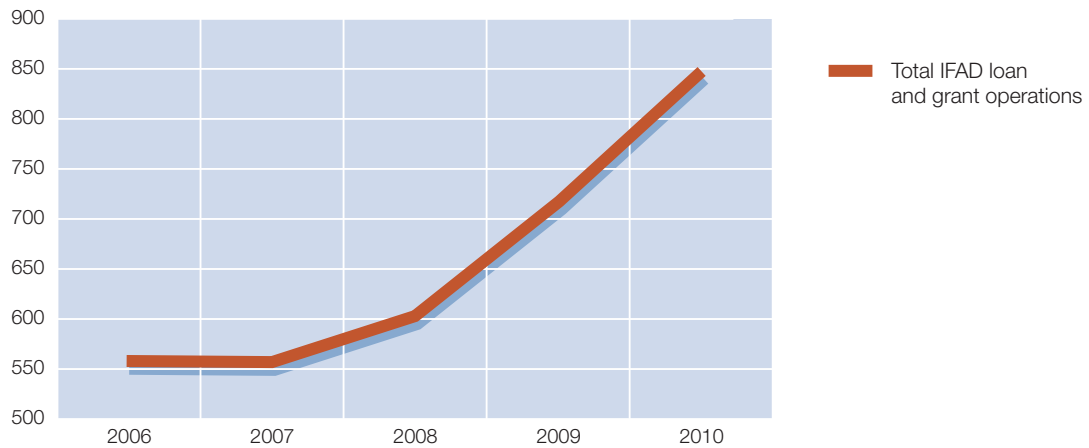


CHART 2
IFAD loans and DSF grants, cofinancing and domestic contributions, 2006-2010
 Amounts in US\$ million

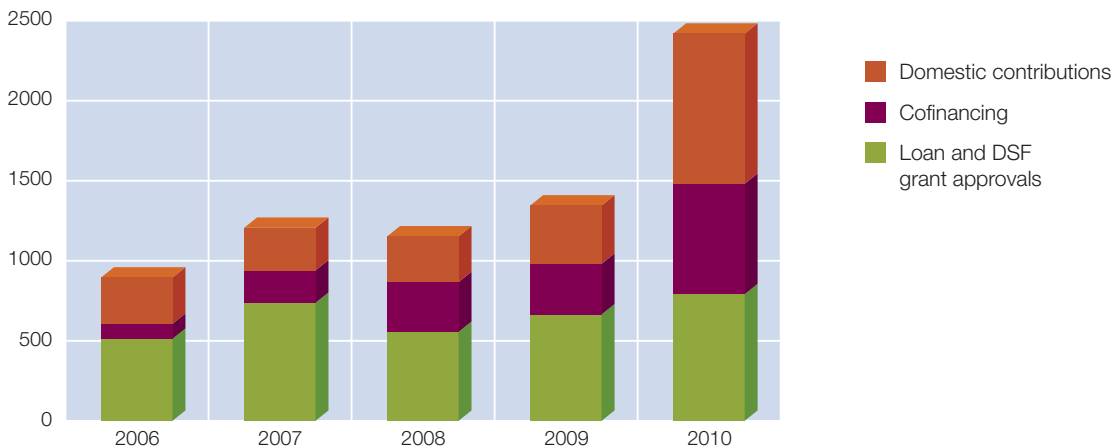


CHART 3
Loan disbursements and loan repayments, 2006-2010
 Amounts in US\$ million

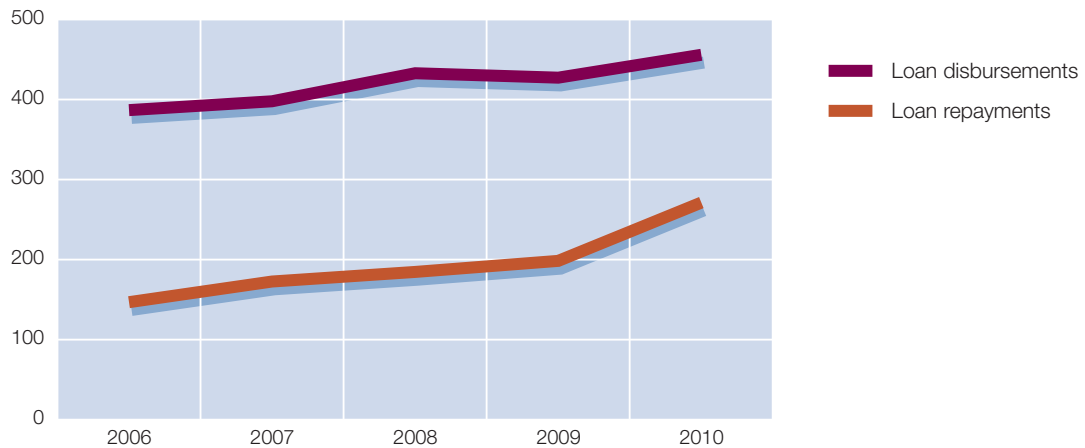


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President's foreword



Annual reports traditionally look back. And this one indeed highlights IFAD's achievements and work over the past year. But I also want to look forward, especially as the clock ticks down towards the 2015 deadline for the Millennium Development Goals. Our sights and our efforts are focused on the future, and our commitment to young people is a linchpin in this respect. Today's young rural people are tomorrow's farmers, business people and leaders. Investment in their education, their abilities and their options is the best investment in the future of us all.

First, a review of the past year. Despite the economic challenges of 2010, we made important strides:

- We increased the amount of cofinancing mobilized by about 140 per cent over 2009, to a total of US\$1.6 billion.
- In the first year of our Eighth Replenishment, for every dollar donors contributed, we mobilized another six dollars from our partners.
- We continued to expand our country presence, with 30 country offices approved by the end of the year.
- We released our flagship publication, the *Rural Poverty Report 2011*, which gives a comprehensive picture of the state of rural poverty today.

This year we have also given the Annual Report a more human face, with stories from the regions. You can read about the difference that access to markets

has made to farmers in Guatemala's isolated El Quiché region, where, for example, a job in a packing plant has enabled a mother to send her two children to school. You can learn the story of a small community in Tonga where the people built a much-needed road to the harbour. Among their innovative strategies was a social networking website, set up by a young person in the community, to solicit donations from friends and relatives overseas.

And that brings me to our focus on the future, because the image of a creative, energetic young person helping an isolated rural community through social networking perfectly captures what IFAD is working towards: a rural sector in which young women and men live interesting, fulfilling lives while providing the food that will be needed by an estimated global population of 9.1 billion by 2050.

Today's young generation is the largest ever with more than 1 billion human beings aged 15 to 24. In developing countries, they make up about 20 per cent of the population. In rural areas many of them are growing up on smallholder farms. If they get the support they need to run those farms like small businesses – training, secure land tenure, credit, access to new technologies and environmentally sustainable methods – many will choose to stay. Others will also opt to remain if decent jobs are available off the farm in the enterprises and business support services that make up a thriving local economy.

But young people will not resist the siren song of the city – though we know that many of them will find only misery there – unless the rural life exerts its own pull.

How do we create these vibrant rural economies? The programmes and projects IFAD supports are generating the conditions for smallholders and other poor rural people to become entrepreneurs in the new and evolving markets. Our work includes advocating for lower transaction costs, supporting rural producers' organizations, extending affordable financial services into rural areas and ensuring that smallholder farmers have access to infrastructure, utilities and information. Encouraging partners to invest in good governance is also a key ingredient.

Another aspect of our 2010 work that looks to the future is the Rural Poverty Report. It is the world's most up-to-date compendium of information and statistics on the lives of poor rural people in developing countries. And our operations are already being guided by its findings, which include four essential steps to eliminate poverty and hunger:

- Help poor rural people better manage the risks they face.
- Sustainably increase agricultural production, while recognizing the profound impact that climate change is already having.
- Facilitate equitable access to new and changing markets by viewing smallholder farms first and foremost as businesses.
- Encourage the growth of non-farm rural jobs.

Achieving all this requires stronger and wider collaboration among all actors. So another fundamental component of our approach going forward is a redoubled focus on partnerships. Our long-standing partners will continue to play a key role in our work in the coming years. But at the same time, we have begun to cooperate with the private sector, recognizing that responsible private-sector engagement is essential to expanding economic opportunities in rural areas.

We are also looking at innovative financial partnerships to further expand our programme of work. The Spanish Food Security Cofinancing Facility Trust Fund, which was approved in 2010, is a good example. Through a loan of over €285 million – equivalent to about US\$400 million – from the Government of Spain, and a grant of €14.5 million, we will be able to scale up our operations, while we

continue to provide much-needed financial support to small-scale farmers.

Poor rural people themselves are our number one partners. Their knowledge and opinions are the crucial foundation for all strategies to empower them. This is why the growing participation of representatives from farmers' organizations on every continent in the Farmers' Forum is so important. 2010 saw a successful third global meeting of the Forum with 70 farmers' leaders representing millions of smallholders. About 40 per cent of those attending were women.

Poor rural people and their partners face challenges on every side. But challenges force us to focus and they also open new opportunities. We know that smallholder agriculture can lead economic growth in developing countries and lift millions out of poverty. But it has to be market-oriented, profitable and environmentally sustainable. Climate change is with us to stay, and farmers in the developing world must be enabled to adapt to it and to contribute to its mitigation.

In countries like Brazil, Ghana, the United Republic of Tanzania and Viet Nam, we are already seeing the power of smallholder agriculture to generate economic growth. This gives me hope as we move closer to 2015. I am convinced that much of the progress towards eradicating poverty and hunger will come in countries that have given subsistence farmers the tools and the means to transform themselves into proud, self-sufficient, small-scale entrepreneurs.



KANAYO F. NWANZE
President of IFAD



The issues that shape IFAD's work

2010 was marked by change and uncertainty in every sphere: volatile and rising prices, economic uncertainty, extreme weather events, and a roller coaster of social and technological development. Poor rural people around the world are the hardest hit by the negative changes. And they all too often struggle to take advantage of the positive changes – the new technologies that would make their lives easier, or the market opportunities that would boost their incomes.

IFAD works with poor rural women and men to strengthen their resilience and their capacity to cope with the negative changes. And at the same time we build their ability to tap into the new developments and seize the opportunities that could change their lives.

Overall, our work is guided by the IFAD Strategic Framework 2007-2010. This charts our direction and defines how we contribute to achieving the Millennium Development Goals, particularly Goal 1 to eradicate extreme poverty and hunger. The framework sets our objectives and results, and establishes our principles of engagement. Our basic goal is to empower poor rural women and men in developing countries to achieve higher incomes and improved food security.

Our objectives are to ensure that poor rural people have better access to:

- natural resources, especially land and water, and improved natural resource management and conservation practices
- improved agricultural technologies and effective production services
- a broad range of financial services
- transparent and competitive markets for agricultural inputs and produce
- opportunities for rural off-farm employment and enterprise development
- local and national policy and programming processes

Six principles of engagement guide our work:

- We focus on our strengths in agricultural and rural development, working with partners to meet other needs of poor rural communities.
- We target the poorest and most vulnerable people with the capacity to benefit from the programmes and projects we support.
- We empower poor rural women and men – individually and collectively.
- We encourage innovation and work with partners to scale up successes.
- We work in partnership to multiply the effectiveness of our interventions.
- We design and manage programmes and projects for quality, impact and sustainability.

This chapter covers the major issues that we address in our work, including empowering young rural people, strengthening food security, forging value chains, promoting responsible investment in agriculture and enabling people to cope with climate change. It also introduces the *Rural Poverty Report 2011*, which gives a comprehensive picture of rural poverty today.

The Rural Poverty Report 2011

One billion people live in poverty in rural areas. The *Rural Poverty Report 2011* captures both how they experience poverty and what can be done about it.

The report titled *New realities, new challenges: new opportunities for tomorrow's generation* takes a comprehensive look at rural poverty, including its global consequences and the prospects for eradicating it. It provides moving testimonies of rural women and men from around the world. Their observations and opinions shed light on how individuals experience poverty and struggle to overcome it. Launched in December, the report reflects the vast changes that have taken place since publication of the previous edition in 2001.

Poor rural people face myriad risks, both old and new. The report points out that developing better ways of addressing these risks is crucial to making real progress in reducing rural poverty.

Smallholder agriculture, too often seen as a symbol of endless poverty, can provide a route out of it. The report emphasizes the opportunities that domestic food markets can offer the next generation of farmers. It indicates that smallholder agriculture must simultaneously become more productive, environmentally sustainable and resilient to the effects of climate change.

But agriculture will not lift all rural women and men out of poverty. The non-farm economy offers them growing opportunities, whether linked to agriculture or to other newer drivers of rural growth. The report highlights four main areas that are key to creating opportunities for poor rural people:

- investing in rural areas, so that they will want to live and work there
- reducing risks and helping people manage them
- scaling up support for rural education and skills development
- strengthening rural organizations

For more on the *Rural Poverty Report 2011*:
<http://www.ifad.org/rpr2011/index.htm>

Young rural people: the farmers and entrepreneurs of tomorrow

There are more than 1 billion people in the world today between 15 and 24 years of age. This is the largest young generation in history. In developing countries, where they make up about 20 per cent of the population, they will soon be responsible for growing their people's food and building their nations' economies. This is why IFAD works to engage the energy and creativity of young women and men.

But the current generation of rural young people is severely at risk of unemployment, underemployment, indecent working conditions and outright exploitation. The recession has hit them hard – global unemployment rates among young people increased from 11.9 per cent in 2007 to 13.0 per cent in 2009. Young people in rural areas often find work only in the informal sector or on family farms, earning meagre incomes. The situation is especially bad for young women.

The loss of this important potential resource would hurt countries as much as individuals. Young

farmers are needed to increase food production, which projections say will have to grow by 70 per cent in the next 40 years. And if young people are thwarted in finding livelihoods, nations will face the potential unrest spawned by a frustrated generation without skills or hope.

By investing in adolescents, governments can help them unleash their potential. This is why we work with countries to help young women and men obtain training and access to assets. With skills in modern farming technologies and business practices, young smallholder farmers and rural workers can develop the ability to run their operations in a businesslike way while raising yields sustainably. This is crucial as countries address climate change.

To succeed, young rural people need:

- skills in new farming methods and modern technologies
- training in business and entrepreneurship
- support for microenterprise development
- apprenticeships and voluntary work experience
- access to credit facilities and other financial services
- appropriate career advice and follow-up services

The United Nations proclaimed an International Year of Youth starting on 12 August 2010. IFAD has given a grant of US\$300,000 to the International Labour Organization (ILO) to assess programmes and strategies promoting decent and productive employment for young people in rural areas. The review will explore best practices by IFAD and other partners in this area, and make recommendations for designing improved strategies and programmes.

To highlight the importance of investing in rural young women and men, IFAD is to hold a high-level panel discussion within the context of the 2011 Governing Council, on the theme Feeding Future Generations: Young Rural People Today – Prosperous, Productive Farmers Tomorrow.

Food security

The global food and economic crisis pushed the number of hungry people over 1 billion in 2009. Though the Food and Agriculture Organization of the United Nations (FAO) reported that the number fell somewhat in 2010, volatility is expected to continue. The threat of emergencies is always present, exacerbated by growing demand for food and energy, and uncertainties due to climate change.

The era of low food prices is likely over, and many poor people in developing countries will be hard hit. Global food security therefore remains centre stage on the international development agenda.

All IFAD-funded programmes and projects address food security in some way, and we play a key role on policy issues in international forums. We promote smallholder farming as the solution to meeting increased global food demand, through environmentally sustainable methods that also take into account nutrition and rural livelihoods.

During 2010, we took part in the following events and processes:

- The World Economic Forum and other global forums, where IFAD continues to advocate for linking smallholders to the private sector. Kanayo F. Nwanze, President of IFAD, was recently appointed Chair of the Forum's Global Agenda Council on Food Security, which aims to shape and strengthen global responses in times of food crises.
- Following a request from the G20 at its Seoul meeting in November, IFAD is collaborating with FAO and other agencies on a report to be presented by March 2011. Our focus is on the tools and policies needed to mitigate the risks arising out of food price volatility affecting farmers and other poor rural people. And on how to make smallholder agriculture more resilient in developing countries.
- Building on the 2009 reform of the Committee on World Food Security (CFS), IFAD worked with FAO and the World Food Programme (WFP) to enable the CFS to take on a central role in global coordination for food security and nutrition. We seconded a staff member and contributed a grant of US\$200,000 to support the work of the CFS Secretariat. IFAD staff took the lead in preparing a paper entitled *Land tenure and international investment in agriculture* for a policy round table held at the 36th session of the CFS in October.
- IFAD also takes part in the Steering Committee of the Global Agriculture and Food Security Program (GAFSP), a multilateral trust fund established to scale up assistance to low-income countries. We are one of seven multilateral institutions designated to assist countries in the design and implementation of GAFSP-funded projects (see page 53). The programme's defining features are

low administrative costs, focus on farmers' needs and private sector involvement. At the end of 2010, a total of US\$925 million had been committed by Australia, Canada, Ireland, the Republic of Korea, Spain and the United States, as well as the Bill & Melinda Gates Foundation.

Value chains, rural financial services and weather insurance

Increasingly, IFAD is financing value chains – the activities, services, facilities and information that help farmers add value to their product and reach markets. Links in the value chain include roads, cooperatives, financial and business services, processing facilities and price information.

Effective value chains mean that smallholder farmers make a fair price for their produce. The proportion of our projects that include value chains has increased dramatically over the past 12 years – from 3 per cent of projects in our programme of work in 1999, to 46 per cent by 2009. Currently, we are supporting:

- development of farmers' groups to improve producers' bargaining power, manage produce in bulk and lower transaction costs
- on-farm storage so that farmers can hold back part of their harvest until prices rise
- contract farming – an agreement between the buyer and the producer establishing buying and selling conditions
- outgrower schemes, which link producers to larger farms or processing plants
- linkages between producers and processors, along with infrastructure development
- development of small and medium-sized enterprises for value-added processing

According to recent estimates, 2.7 billion people around the world have no access to formal financial services. And only 10 per cent of even the most basic formal financial services reach rural communities.

Approval of an updated Rural Finance Policy by IFAD's Executive Board in 2009 set the stage for work in 2010. One result was revised 'decision tools' to help staff who implement rural finance projects. The tools give background information on key issues, define common terms, and highlight potential risks and opportunities.

Improving rural financial services is a priority in all the regions where we work. In East and Southern

Africa, for example, more than half the programmes and projects we support reinforce financial services (see page 22). In Asia and the Pacific, about 70 per cent of programmes and projects reporting in 2010 are involved in microfinance activities (see page 26).

Smallholder farmers largely operate at the mercy of the weather. Extreme weather and disasters such as floods and droughts often devastate crops, leaving communities hungrier and farmers poorer. IFAD and WFP have worked in partnership to develop a Weather Risk Management Facility to increase the access of poor smallholders to weather index-based insurance. This offers farmers insurance based on a weather index, which correlates insurance with local weather patterns, such as rainfall levels. Payouts for a whole village can be triggered at one time, eliminating the need for individual field loss assessments.

In 2010, the Facility completed two pilot projects. In Ethiopia, index insurance was developed to reduce the drought-related risks faced by smallholders growing haricot beans. In China, the first-ever application of weather index insurance was designed to reduce smallholders' vulnerability to drought and heatwaves. The Weather Risk Management Facility is also working with Wageningen University in the Netherlands, on a mapping exercise to determine how vulnerable various crops are to weather and climate risk.

Climate change, water and natural resource management

No group is more threatened by climate change and environmental degradation than smallholder farmers and rural communities in developing countries. Dependent on rainfall and lacking access to institutions and markets, they have little capacity to cope with shocks such as food price spikes, droughts or floods. Water resources are under increasingly severe stress and competition, because demand for water is growing in rich and poor societies alike. Damage to ecosystems is further reducing poor rural people's incomes and hampering their chances of escaping poverty.

With the right support however, smallholders can play a key role in providing food, fuel and fibre crops for themselves and the 9 billion or more people our planet is expected to host by 2050. They currently feed one-third of humanity and are important stewards of biodiversity all over the world.

Smallholders have a major role in managing the ecosystems they live in and depend on – drylands, forests and swamps – that also serve as watersheds, carbon sinks and wildlife habitats. For them to fulfil their potential role as global food producers and ecosystem managers, it is crucial to help smallholders use their natural assets sustainably.

IFAD grants and loans, complemented by grants from the Global Environment Facility (GEF), support initiatives that work with communities to restore and protect the environment, and aid their efforts to adapt to climate change (see page 50). Successful approaches empower women, encouraging them not just to participate, but to take on leadership roles.

Land and water management

IFAD supports sustainable land and water management practices that are helping to halt or reverse land degradation, desertification and declines in water availability and quality. In Mongolia, where the rural economy depends on livestock raised mainly by poor households, climate change and land and water use practices are putting too much pressure on grasslands, worsening animal health and productivity. In 2010, building on lessons learned in the Syrian Arab Republic and elsewhere, IFAD began helping herder groups there to re-establish traditional and sustainable management techniques. An associated GEF grant is supporting innovative index-based livestock insurance to protect pastoralists from weather and market shocks.

Payments for environmental services, including watershed restoration and maintenance, are a potential source of substantial financing to support rural communities' management of their natural assets, and provide benefits to downstream water users or other communities. Innovative techniques for promoting service payments, through negotiated environmental service contracts with poor communities, were tested this year in Africa. The testing was funded by an IFAD grant to the World Agroforestry Centre (ICRAF), Pro-poor Rewards for Environmental Services in Africa (PRESA). The grant is linked to IFAD investment projects in Guinea, Kenya, Uganda and the United Republic of Tanzania. Similar work with ICRAF is ongoing in Asia, where RUPES-II (Rewarding Upland Poor for the Environmental Services They Provide) is currently active in 15 sites in China, Indonesia, Nepal, the Philippines and Viet Nam. A key emerging lesson is

that a 'payment' can also be a reward or incentive, such as the provision of secure land rights.

To promote more sustainable and equitable water management practices, IFAD is also part of a global community of practice encouraging multiple water use systems. These systems work to secure synergies in water use for different purposes, from different sources, by different people, at different times throughout the year. To support expansion of access to safe drinking water in rural areas in sub-Saharan Africa, in 2010 we created an internal inventory of actors, funding agencies and operators – a water, sanitation and hygiene 'yellow pages' – to guide country stakeholders in mobilizing expertise that complements our own.

Strategic planning at national level is equally important. IFAD supports Azerbaijan's new five-year country programme, which includes a strategic objective of 'enhanced natural resource management for improved food security'. This will ensure that sustainable approaches guide the formulation and implementation of countrywide development policies and activities.

Confronting climate change

Achieving global results in the face of climate change calls for change on the ground and at scale. To play their role, smallholder entrepreneurs need financing to invest in knowledge and information. They also need new technologies and capital so they can adopt climate-resilient practices, such as cropping systems and seeds resistant to drought or salt.

Warming of the climate system is unequivocal, and agriculture is particularly vulnerable to resulting impacts including changes in cropping patterns, loss of soil fertility and decreasing water availability.¹ In Peru, an IFAD-supported project on the Andean Plateau is working across an area of almost 78,000 square kilometres to help over 21,000 families farming the steep slopes to become more resilient to these changes. Farmers are being provided with information that allows them to diversify their crops, and shore up erosion-reducing terraces and stonewalls. The stones also soak up the sun's warmth during the day and release it slowly at night, which reduces freezing and crop loss. Water from unpredictable rain and precious melting ice is being collected in new pits for use in irrigation.

Because climate-regulating ecosystems do not follow political boundaries, preserving and rehabilitating them calls for regional cooperation too. The degradation of the vast peat swamp forests of Southeast Asia, an important deposit of soil carbon and biodiversity, is one of the most crucial ecosystem degradation issues countries face today. An IFAD-GEF regional grant is supporting the implementation of a strategy by the Association of Southeast Asian Nations (ASEAN) to address this situation.

Supporting biodiversity

Healthy ecosystems, and the diverse plant and animal species that inhabit them, underpin sustainable agricultural practices and food production systems. Through grants to research partners, and through investment projects that focus on poor farming communities, especially women and indigenous peoples, IFAD supports an ecosystem-based approach that recognizes biodiversity as an important natural asset of poor rural people. This year, activities included an IFAD grant of almost US\$1 million to Bioersity International to support on-farm conservation of agro-biodiversity; an IFAD-GEF grant to support pro-poor ecotourism in northern Viet Nam's Ba Be Lake; and the promotion of minimum tillage conservation agriculture practices and organic cotton farming in Brazil's semi-arid Sertão region.

IFAD joined other United Nations agencies and the international community in commemorating the International Year of Biodiversity. And we highlighted poor rural people's role in conserving and managing biodiversity. We strongly advocated in international forums, including the United Nations Framework Convention on Climate Change Conference in Cancun, for an 'evergreen revolution' with smallholders. This would rapidly scale up investments in sustainable agricultural approaches that increase yields and livelihood resilience, and enhance rather than degrade the environment.

New technologies and knowledge management

Rural energy linked to agriculture is a constant in our agenda. Research into biofuels that do not compete with food production is taking place both in semi-arid conditions in India and in more humid

¹ Intergovernmental Panel on Climate Change: Fourth Assessment Report: Climate Change 2007: Synthesis Report: http://www.ipcc.ch/pdf/assessment-report/ar4/syr/ar4_syr.pdf

conditions in Ghana. Use of animal and plant waste is under development. In rural China, for example, 'biogas digesters' – a natural processing system for organic materials – provide the energy to light households in several provinces. Off-grid rural electrification and natural gas pipelines are being implemented in IFAD-funded projects in Armenia and Mozambique.

Through national, regional and global communities of practice, IFAD supports knowledge-sharing, learning and innovation, including smart applications of information and communication technology for water and weather forecasting. We support the Improved Management of Agricultural Water in Eastern and Southern Africa (IMAWESA) – a network of water practitioners in East and Southern Africa.

To coordinate our work on poverty reduction, climate change and environmental protection, IFAD established an Environment and Climate Division early in 2010. A Climate Change Strategy, approved by our Executive Board in April, will help us ensure that our investments are sustainable by taking into account communities' needs to adapt to a changing climate. Work has also begun on IFAD's first Environment and Natural Resource Management Policy, which is aimed at enabling poor rural people to sustainably manage their natural assets.

Land tenure and responsible investment in agriculture

Competition for land has never been greater. A rising world population, climate change and declining soil fertility are reducing availability, while population, and associated demand, is growing. Without secure land tenure, poor farmers are vulnerable to hunger and have little hope of pulling themselves out of poverty. Improving their access to land and productive resources is one of IFAD's strategic objectives.

The growing interest of large-scale private investors in land and agricultural investments has prompted concerns about land and resource rights of vulnerable groups. Yet such investments could help make up the global shortfall in agricultural investment. Protecting communities' interests, while encouraging investment that benefits them, requires a delicate balancing of the incentive structure. In 2010, we continued to work with various partners to promote responsible public and private investment in land and agriculture. We also contributed to

generating debate on the issue and kept a focus on the needs of smallholders.

We recognize smallholder farmers, small-scale agro-processors and traders as the principal investors in land and agriculture in the developing world. A number of efforts are under way at international levels to encourage fairness in negotiations over such investments:

- We are cooperating with FAO, the World Bank, the United Nations Conference on Trade and Development, and others in the development of the *Voluntary guidelines on responsible governance of tenure of land and other natural resources* and the *Principles for responsible agricultural investment that respects rights, livelihoods and resources*. The Voluntary Guidelines build on the *Framework and guidelines on land policy in Africa* which were developed with financial and technical support from IFAD, among others. We have also supported the participation of farmers' groups and other civil society organizations in these initiatives.
- With FAO, the Swiss Agency for Development and Cooperation (SDC), other multilateral and bilateral donors, civil society and the private sector, we participated in a workshop on Land, Investment and Development organized by the Global Donor Platform for Rural Development network, and facilitated a round-table discussion on Land Tenure and International Investment at the annual meeting of the Committee on World Food Security.
- IFAD made presentations on responsible agricultural investment to various subcommittees of the United States Congress.
- IFAD's President addressed the issue of responsible investment directly in April, through a keynote speech at the World Bank's Annual Conference on Land Policy and Administration.

Over the years, we have supported mutually beneficial partnerships between rural communities and outside investors in IFAD-funded projects. In 2010, we began to share lessons learned for the benefit of poor rural women and men. With FAO in Mozambique, we initiated a focused learning process to facilitate successful partnerships, with support from the Governments of Finland, the Netherlands and Switzerland.

With FAO and SDC, IFAD also cofinanced two reports by the International Institute for Environment and Development: *Making the most of agricultural investment: a survey of business models that provide opportunities for smallholders* and *Alternatives to land acquisitions: agricultural investment and collaborative business models*. And we provided funding for an international workshop on collaborative business models.

Gender issues in agriculture and natural resource management

In developing countries, rural women's triple responsibilities include farm work, household chores and earning cash. This often adds up to a 16-hour day, which is much longer than men's. Globally, men's agricultural landholdings average almost three times the size of women's. The gender inequities that persist in all regions ultimately hinder the development of women, their communities and their countries. World Bank studies show that food production could increase by 10 to 20 per cent in many sub-Saharan African countries if women faced fewer constraints.

Addressing those constraints was the goal of a rural women's leadership meeting held in February, in conjunction with the Farmers' Forum third global meeting at IFAD headquarters. Sixty participants, including 35 women farmers, represented every continent. The meeting identified access to productive assets and economic opportunities, and the shrinking quantity and quality of natural resources, as issues that especially hamper women as farmers and leaders. Attendees also called for quotas for women's participation in farmers' organizations as a necessary, although not sufficient, condition to increase women's role and voice. Technical and managerial capacity-building was also identified as a priority.

A joint initiative with FAO to build capacity on a regional scale is being financed by a US\$1.5 million grant from IFAD. It is working to improve knowledge management on gender, agriculture and rural livelihoods. The programme covers all five regions, and has supported capacity-building initiatives, training and studies.

Economic empowerment for women and improved decision-making at all levels are the first and second pillars of our gender strategy. The third pillar is improving women's well-being and

reducing their workload. *Lightening the load*, a joint publication with Practical Action, was issued in 2010 addressing the critical issue of labour-saving technologies and practices for rural women.

The IFAD Office of Evaluation reported on our performance in promoting gender equality and women's empowerment this year. The evaluation confirmed the validity of our strategic approach. It emphasized the crucial role IFAD has played over the years in reforming value-chain policies to open opportunities for women and measuring progress. But it also highlighted the scope for further progress, especially in promoting innovative solutions that can be scaled up.

Recasting the image of rural women from beneficiaries of aid to stakeholders and managers is another IFAD aim. We fully support the United Nations General Assembly statement made in September that gender equality and the empowerment of rural women are essential for economic and social development, and for achievement of the Millennium Development Goals (MDGs).

Remittances

At well over US\$350 billion each year, remittances that migrant workers send home to developing countries surpass foreign direct investment and development assistance combined. On average, 30 to 40 per cent goes to rural areas. These funds provide the basic food, clothing and shelter that are essential to lifting millions of people out of poverty. The truly transformative potential of these funds, however, lies in their investment in education, health care and small businesses.

IFAD manages the US\$18 million multi-donor Financing Facility for Remittances. It was set up in 2006, and supports the development of innovative, cost-effective and easily accessible remittance services around the world. Its projects and activities aim to:

- cut the costs of transferring hard-earned money
- provide much-needed banking services for unserved rural populations
- promote productive rural investment of migrants' capital in their home countries

The Facility now has a network of over 150 partners in the field from the private, public and civil society sectors. These institutions are typically microfinance

institutions, credit unions, NGOs and international money transfer operators, but also commercial banks, cooperative banks and local financial service providers. For every US\$2 invested by the Facility, partners have provided over US\$1 in additional project funding. It has a portfolio of over 40 projects in as many countries all across the developing world.

Successful projects funded by the Facility have made some big changes for people sending and receiving money:

- In francophone Western Africa, the Universal Postal Union has connected nearly 300 post offices with rural families receiving remittances, reducing transfer time from two weeks to just two days. Before the project started work, these communities had no access to banking services of any kind.
- In Nepal, the Centre for Micro-Finance has trained ten microfinance institutions on how to provide targeted financial products and services linked to remittances, to be used by migrant workers' families in seven districts. In parallel, it has organized financial literacy courses for 1,000 migrant workers' families.
- The Cameroon Cooperative Credit Union League has cut the cost of sending and receiving money in 24 rural areas by an average of 17 per cent. Eighty per cent of these localities had never been connected to a money transfer system. Over just 18 months, US\$1.7 million has been sent and received, while the amount of savings has increased by 12 per cent.
- Oxfam Novib has connected 5,000 Ethiopian migrants in the United States with over 3,000 recipients in their home country, using an online remittance transfer network.

A complete overview of the results of the Facility from 2006 to 2010 is available online on the IFAD website page dedicated to the Facility's publications: <http://www.ifad.org/remittances/publications.htm>

Indigenous peoples

An estimated 370 million indigenous peoples live in more than 70 countries around the world. Isolated, vulnerable and disadvantaged, they account for around 5 per cent of the world's population, but about 15 per cent of poor people. They play a vital role as stewards of natural resources, and have intimate

knowledge of their environment. IFAD's policy on working with indigenous peoples embraces their cultural heritage and distinctiveness as assets.

Since our founding, we have supported around 140 rural development programmes with indigenous peoples as major stakeholders and partners. Over the past seven years, we have dedicated about 20 per cent of annual lending to initiatives involving indigenous peoples, mainly in Asia and Latin America. We also support the Indigenous Peoples Assistance Facility (see page 50).

In 2010, IFAD's Executive Board approved 12 projects, supported by loans and grants – 4 each in Africa, Asia and Latin America – to assist indigenous and tribal peoples, ethnic minorities and pastoralists.

Disaggregated data for nine projects show that total funding benefiting indigenous peoples amounts to about US\$106 million. These initiatives focus on agricultural development, livestock development, capacity-building in communities, and improving natural resource management and biodiversity conservation.

In Mali, for example, IFAD is supporting a rural development programme that raises incomes of nomadic people by improving livestock productivity. The programme is also strengthening capacities to identify, plan and implement activities among the nomadic Kel Tamasheq (also known as Tuaregs) and the Peul people.

Health has been one focus of our work in the Ngöbe-Buglé *comarca* of Panama, through a project that started in 2003 and is due to finish in 2011. Following the introduction of culturally sensitive reproductive health practices in hospitals and communities, the number of newborns registered in hospitals has more than doubled. Prenatal care visits have increased more than fivefold, from around 3,700 in 2006 to over 20,000 in 2008. Maternal deaths and HIV incidence have also fallen. This same project has helped more than 1,600 people become literate, and strengthened around 125 microenterprises, generating approximately 250 employment opportunities.

An IFAD-supported project working with indigenous peoples in India won the government's endorsement as a development model for its successful approach to empowerment. The project in the North Eastern Region emphasizes 'demand-driven' interventions that respect indigenous knowledge. Thanks to a focus on horticulture and

cultivation of perennial crops, most participating households have moved from a position of food insecurity for three to four months of the year to a state of actual or near food self-sufficiency all year round.

Rural institutions

Rural institutions are pivotal to reducing poverty and fostering sustainable development. They empower poor rural people by enabling them to access services, technologies and markets, and to influence policy through a collective voice. And they promote social cohesion and stability. These organizations include farmer, producer and water user groups; rural workers' associations; savings groups and credit unions; and self-help groups, often formed of women and young people.

During 2010, work started under two large grants supporting the development of rural institutions. The grants went to the International Center for Agricultural Research in the Dry Areas (ICARDA) and ICRAF, and were each worth US\$1.5 million.

IFAD is committed to improving institutional analysis during project design and to strengthening institutions and organizations during project implementation. This boosts programme response to the needs and capacities of poor rural people. As part of this process, in 2008 we published a sourcebook titled *Institutional and organizational analysis for pro-poor change: meeting IFAD's millennium challenge*. During 2009 and 2010, we applied its principles through participatory methods in IFAD-supported field operations.

In November 2010, we completed a field application report summarizing experiences with rural institutions in 14 countries. The report was produced in collaboration with the Belgian Fund for Food Security. It will form the basis for a synthesis paper, which will then be used to prepare guidelines for policymakers and practitioners. On the same theme, IFAD's continuing partnership with FAO resulted in a joint publication in 2010 titled *Learning from good practices in building agricultural and rural development institutions*. The study documents successful experiences in creating effective institutions that enable rural people to improve their livelihoods.

During the year, we also strengthened our collaboration with other institutions in this area, such as the Global Forum for Rural Advisory Services (GFRAS), WFP, the International Food Policy

Research Institute (IFPRI), the Swedish International Development Cooperation Agency (SIDA) and the World Bank. We took part in two key meetings – the First Intercontinental Meeting of GFRAS in Viña del Mar, Chile, in November, and the Workshop on Inclusive Partnerships for Agricultural Research for Development, held in Nairobi in February – as part of the preparation for the Global Conference on Agricultural Research for Development (GCARD).

We maintain a website on rural institutions with documents and best practice on institutional analysis and strengthening. It also links to other sources of information on institutions, and is used by project implementers in partner countries, project design teams and universities: <http://www.ifad.org/english/institutions/index.htm>



Programme of work for 2010

2010 was the first year of our Eighth Replenishment period (see page 63), which runs until 2012. During these three years, we are working to raise the level of our new commitments by 50 per cent, and to widen and increase the impact of the programmes and projects we support. Our Member States have given us the resources and the mandate to play a material and proactive role in accelerating global investment in smallholder development. And this includes the mobilization of new partnerships and resources.

The substantial rise in cofinancing mobilized during the year confirmed that we are right on track. Cofinancing from external cofinanciers and domestic sources increased by about 140 per cent over 2009, to a total of US\$1.6 billion. The increase was seen in all types of cofinancing – from domestic sources, multilaterals, bilaterals and NGOs. Together with IFAD's own financing for programmes and projects, the resources mobilized reached US\$2.4 billion, about 80 per cent more than the total for 2009. Disbursements also reached a record high of US\$457.6 million.

At the end of the year, IFAD was financing a total of 234 ongoing programmes and projects in 91 countries and one territory. Our investments in these activities were worth US\$4.2 billion. Cofinancing and funds from domestic sources amounted to US\$4.5 billion, bringing the total value of these programmes and projects to US\$8.7 billion. An estimated 100 million poor rural people are expected to benefit.

During the year, the Board approved 33 new programmes and projects, supported by loans and debt sustainability framework (DSF) grants. About 85 per cent of the total amount approved was in the form of DSF grants and highly concessional loans. The largest share of new financing for programmes and projects went to IFAD's two sub-Saharan African regions – West and Central Africa, and East and Southern Africa – which together received over 50 per cent of 2010 investment (Chart 12). (More detailed information is shown in the chapter on Financing Data and Resource Mobilization.)

For 2011, IFAD proposes an indicative programme of work of new loan and grant commitments of US\$1 billion. In addition to this, commitments of US\$500 million will be under IFAD direct management but mobilized outside our regular resources.

Number of ongoing programmes and projects by region and country at end 2010

234 programmes and projects
91 countries and one territory

West and Central Africa

54 projects
22 countries

East and Southern Africa

50 projects
16 countries

Asia and the Pacific

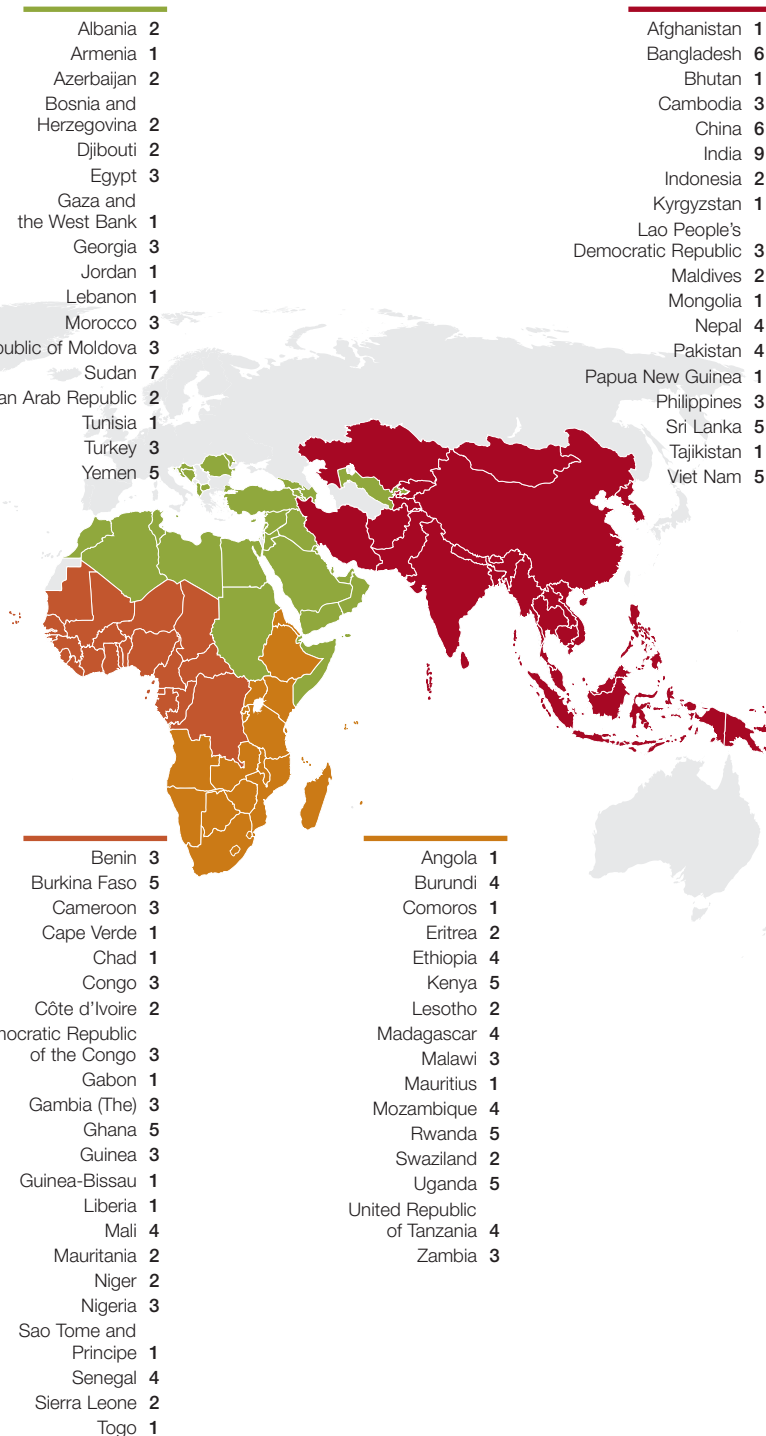
58 projects
18 countries

Latin America and the Caribbean

30 projects
19 countries

Near East, North Africa and Europe

42 projects
16 countries and one territory



West and Central Africa

24 countries: Benin, Burkina Faso, Cameroon, Cape Verde, the Central African Republic, Chad, the Congo, Côte d'Ivoire, the Democratic Republic of the Congo, Equatorial Guinea, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, the Niger, Nigeria, Sao Tome and Principe, Senegal, Sierra Leone and Togo

Overview

West and Central Africa is one of the poorest and most vulnerable regions in the world. The total population is about 482 million, of which some 55 per cent live in rural areas. In countries for which data is available, about 52 per cent live on less than US\$1.25 a day.² While there is an overall trend towards increasing social and political stability, the legacy of armed conflict in some countries has affected the lives of about 200 million poor people in the region.

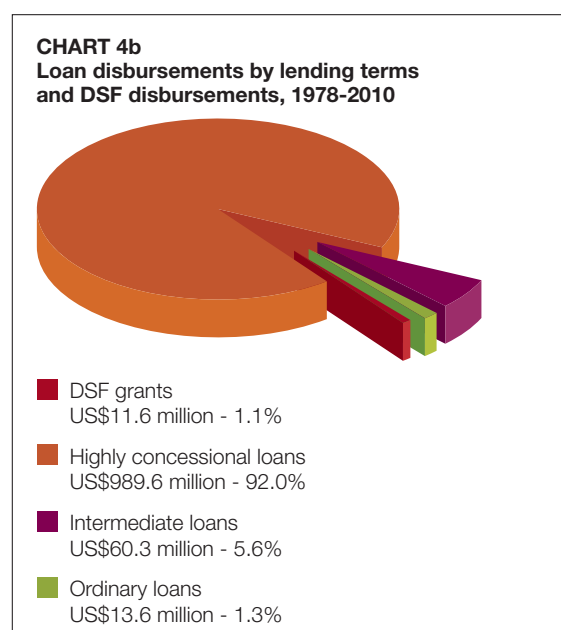
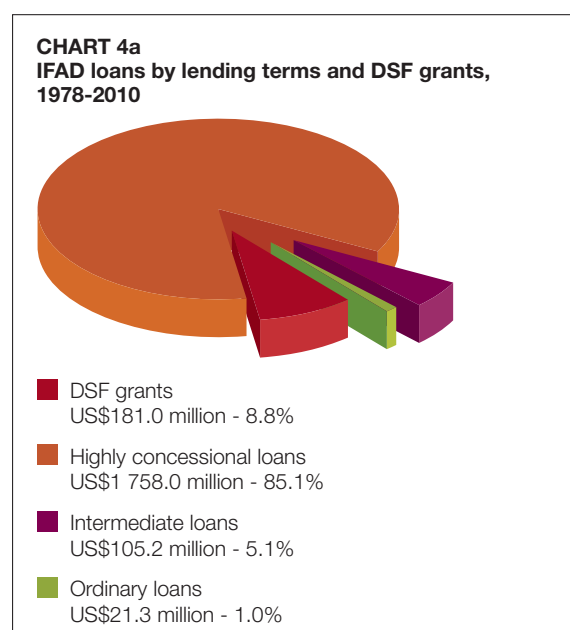
The countries we support here vary greatly in size, climate and economic profile. Despite this, and despite the fact that the region is more urbanized than the rest of sub-Saharan Africa, agriculture remains the most important source of livelihood in all 24 countries. However, local agricultural production has not kept pace with growth in demand over the last 20 years, which has implications for food security and balance of payments. On average, countries import about 20 per cent of their cereal needs, particularly rice.

Since the onset of higher food prices, agricultural growth rates have accelerated, reaching over

4 per cent in most countries. For most countries in the region, this is mainly due to expansion of cultivated area, rather than technology-driven increases on existing land, as is largely the case in Asia and Latin America. This means that there is great potential for countries to adopt and adapt new technologies developed in other regions and push up their productivity.

The global economic slowdown reduced GDP growth in all countries in 2009, in comparison with 2008. But prospects for recovery are good. Subject to continued political stability, all countries are expected to accelerate growth in 2010 and 2011, in the range of 4 to 10 per cent. However, converting growth into effective poverty reduction remains a major challenge in most countries, particularly in the context of a rapidly growing young labour force. There is not always a correlation between growth rates and progress on MDGs and rural poverty rates. Oil-exporting countries, such as Chad, Equatorial Guinea and Nigeria, have relatively high government revenues and growth rates, but have actually seen a decline in their progress towards the MDGs over the past five years.

On the other hand, Burkina Faso, The Gambia, Ghana, Mali and Sierra Leone have achieved relatively high growth and good progress on MDGs. They have done this through public policies which generally support a combination of conducive conditions for domestic and foreign investment in all sectors, including higher allocation of public spending to agriculture.



² Raw data was sourced from the 2010 Human Development Report of the United Nations Development Programme. Population figures include all countries in the region. Equatorial Guinea was excluded from the poverty ratio calculation due to lack of data.

Our work and results in 2010

Our work in the region focuses on:

- natural resource management
- rural finance and microenterprise development
- agricultural markets and off-farm rural employment
- local and national policy processes

Meeting the needs of women and young people are cross-cutting concerns throughout the region, particularly in the context of growing numbers of young people joining the labour market.

Natural resource management

Degradation of natural resources is damaging the livelihoods of poor rural people all over the world. In Mali, increasing climate variation is affecting natural flood cycles and the growth of the *bourgou* grass, an important fodder for livestock. IFAD-supported programmes are using two techniques to regenerate the degraded pastures. Farmers are broadcasting seeds in June and July, and transplanting cuttings from irrigated grasslands. About 240 hectares of *bourgou* pastures have been regenerated. And an irrigation project has been set up by farmers to inject new life into the pastures. Family incomes and food security have benefited, and the rural ecosystem has regained its balance.

Portfolio management highlights

- 54 ongoing programmes and projects in 22 countries in the region at the end of 2010
- US\$777.7 million invested by IFAD in the region's ongoing portfolio
- 5 new programmes and projects in Cameroon, Chad, Mali, the Niger and Togo, for a total IFAD investment of US\$95.1 million
- supplementary financing worth US\$57.3 million provided to ongoing programmes and projects in Ghana, Guinea, Guinea Bissau, Mali, Nigeria, Sao Tome and Principe, and Sierra Leone
- 4 new results-based country strategic opportunities programmes (COSOPs) for Côte d'Ivoire, Nigeria, Senegal and Sierra Leone

In Benin, IFAD is funding work led by the Ministry of Fisheries to rehabilitate spawning grounds in the shallows of Lake Ahémé. Fish populations had been falling since the Nangbéto dam was commissioned upstream in 1987. A drop in the fish numbers had pushed some fishers to use unsustainable practices, which further reduced numbers and destroyed mangroves and other biodiversity.

The programme targeted three communities. Participants planted stakes to prevent fishers straying into areas protected for spawning. At the same time, more than 900,000 fry were released into reservoirs for restocking purposes. Boats and nets were supplied and mangroves were planted along 110 hectares of shoreline.

Rural finance and microenterprise development

Our approach to a diverse portfolio of rural finance initiatives in the region has evolved considerably in recent years. We now combine innovative approaches with support for sustainable projects. In The Gambia, a rural finance project is mobilizing traditional village groups to reach poor men, women and particularly young people as clients for microfinance. The first village savings and credit associations were supported by IFAD during the late 1980s, in collaboration with the German Development Bank (KfW). As of January 2010, there were 74 village savings and credit associations around the country, three quarters of which were fully operational. Fifteen of them received training, new equipment and facilities during the year. And a regional apex association was also established.

Some associations are diversifying into money transfer services, such as the Brufut branch which has partnered with Ecobank for Western Union money transfers. In March 2010, average transfers per month stood at US\$4,200, enough to suggest that innovative partnerships and operations such as this one could bring real benefits to rural village savings and credit associations.

Expansion of the system of associations has led to a more professional microfinance sector, thanks to the creation of a microfinance department within the Central Bank. This department oversees the policy and regulatory aspects of microfinance, and the establishment of a centre to provide capacity-building for all microfinance-related entities.

Sierra Leone's decade-long civil war brought the country to its knees, slashing the standard of living and placing it near the bottom of the United Nations Human Development Index. While financial services are key components to rebuilding the country and ensuring a smooth transition to a sustainable economy, few microentrepreneurs have access to basic credit or savings facilities. The situation is even worse in rural areas where there are almost no financial intermediaries.

An IFAD-funded programme is setting up seven community banks and thirty financial services associations in the four eastern districts of Koinadugu, Kono, Kailahun and Kenema. The programme is based on a model that IFAD has developed and applied successfully in Benin for over 10 years. Essentially serving as small village banks that cater to the needs of very small businesses, the associations build equity and make microcredit available. Clients can access a maximum of US\$250 credit, based on their credit history. They are using loans to buy seeds and fertilizers or to pay for school fees.

Agricultural markets and off-farm rural employment

In order to move from subsistence farming to running viable businesses, smallholder farmers need access to markets where they can both buy inputs such as seed and fertilizer and sell their produce at a fair price.

In Sao Tome and Principe, an ongoing IFAD-funded programme working with cocoa farmers and other groups continued to record remarkable progress during 2010. Two farmers' cooperatives achieved their export targets of dry cocoa – 450 tons of certified organic cocoa and 74 tons of Fair Trade Certified cocoa – in spite of the very severe drought that hit the country. Programme activities also got under way in nine new communities in the north, producing Fair Trade Certified cocoa and exporting 40 tons in 2010.

The programme has also made progress in involving women in value chains. About 30 per cent of the board of directors of the Cooperative for Export and Market of Organic Cocoa are women. They actively participate in all the decisions made by the cooperative. A woman also directs the management committee, which had a total budget of about €100,000 in 2010.

In Ghana, a marketing programme focusing on roots and tubers has upgraded processing technologies and improved the business skills of small-scale processors, especially for old and new cassava products. The programme has set up good practice centres where cassava-derivates are processed. Each one is used by 30 to 60 processors, most of whom are women. The centres have markedly improved sanitation and hygiene and boosted women's profits. They are also used as demonstration and learning places. More than 200 processors have had access to the centres and over 900 entrepreneurs have been trained in business development and marketing.

Local and national policy processes

Programmes in the region support economic and social development at local and country level. In particular, they build the capacity of poor rural women, men and young people to take part in local and national life by learning basic business, organizational and advocacy skills.

An IFAD-supported programme in Mauritania promoting sustainable oasis development has strengthened the capacity of 65 farmer organizations in participatory management, including technical support. This will enable organizations to fully exercise their prerogatives in managing and protecting natural resources in harmony with the laws and regulations.

In the Niger, we support a project focusing specifically on promoting local initiatives for development in the department of Aguié. The project started work in 2005 and will run until 2013. Capacity-building activities are progressing satisfactorily with the development and updating of communal development plans, and good involvement of stakeholders, including municipalities. Out of the 266 rural communes in the Niger, 225 have developed their plans. The project also facilitates the identification and capacity-building of local actors (including NGOs, private operators and groups of young unemployed graduates) who could specialize in providing 'business development services' to support the communes in developing and implementing their plans.

Story from the field

Cassava: turning a subsistence crop into a cash crop in Ghana

Around 600 million people depend on cassava in Africa, Asia and Latin America. In West and Central Africa it is one of the main staple foods. Its leaves are eaten as a vegetable, and its starchy root can be eaten raw or cooked, or processed into flour and other derivatives: *gari*, *fufu*, *miondo* and *mintoubma*, to name a few. But despite its dietary importance, cassava was rarely produced in the region on a large enough scale to make it valuable as a cash crop.

In Ghana, IFAD has been one of the main institutions to support cassava production, processing and marketing. One innovative feature of the national programme we fund has been a focus on testing and distributing new varieties. More than 750,000 farmers have planted them, and many have participated in the 35 farmer field forums set up across the country. These forums allow groups of farmers, most of them women, to test improved farming practices and new varieties. Participants pledge to pass on their knowledge to others.

The programme has also helped participants diversify into cassava products, such as high-quality flour, which can substitute for wheat flour in bread, snacks and biscuits. It has trained hundreds of cassava processors, including pastry makers and bakers from 67 districts, on the uses of cassava flour.

But success often brings new challenges.

“There was an increase in production, but the money in the farmer’s pocket remained too little,” explains Akwasi Adjei Adjekum, national coordinator for the Ghana programme. Low prices that had come with increased supply discouraged farmers from producing cassava.

Therefore, IFAD is now concentrating on the entire cassava value chain – production, processing and marketing – to create a balance between processors and cassava supply. We have helped link 60 farmer groups to markets through processors in their communities, and trained 167 processing groups in product utilization, business development and marketing skills. Throughout the programme areas, cassava has become a cash crop produced on an industrial scale and even exported – an impressive achievement for a humble staple food crop.

Workers peel and wash cassava at Josma Agro Industries Ltd. in Mampong
Ghana: Root and Tuber Improvement and Marketing Programme
©IFAD/N.K. Acquah



East and Southern Africa

21 countries: Angola, Botswana, Burundi, the Comoros, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Swaziland, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe

Overview

Although the global economic downturn did not hit East and Southern Africa as hard as expected, countries with greater connections to global markets still experienced major shocks. The region's middle-income countries, notably Angola, Botswana, Namibia and South Africa, suffered steep declines in many key economic indicators. South Africa lost 900,000 jobs as external demand for mining and manufacturing outputs fell by 20 per cent.

During 2010, East Africa was again struck by persistent droughts, particularly in Ethiopia, Kenya and northern Uganda. Maize yields fell by up to one third, livestock mortality was widespread and hydroelectric power capacity was reduced.

Economic growth rates were expected to pick up slowly in 2010. East Africa's growth was projected to increase by 1 per cent, from 4.1 per cent in 2009 to 5.1 per cent in 2010. Southern Africa was anticipating a robust recovery, with growth rates rising from negative 1.4 per cent to 4.1 per cent in the same

period. However, much depended on the resilience of South Africa's economy and the level of demand for Angola's oil.

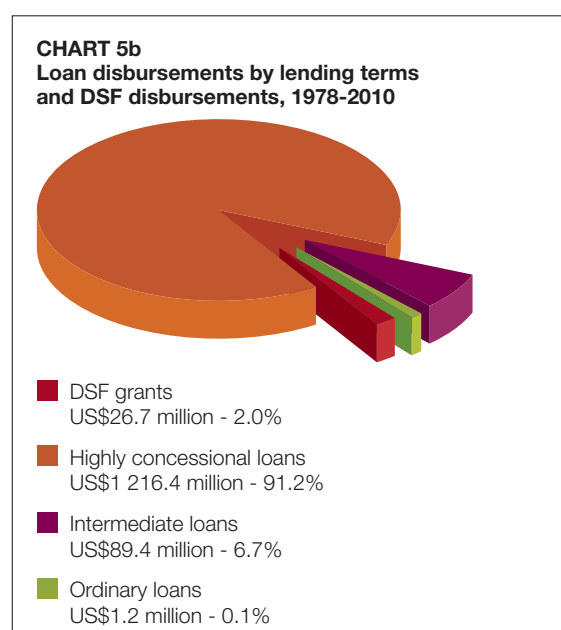
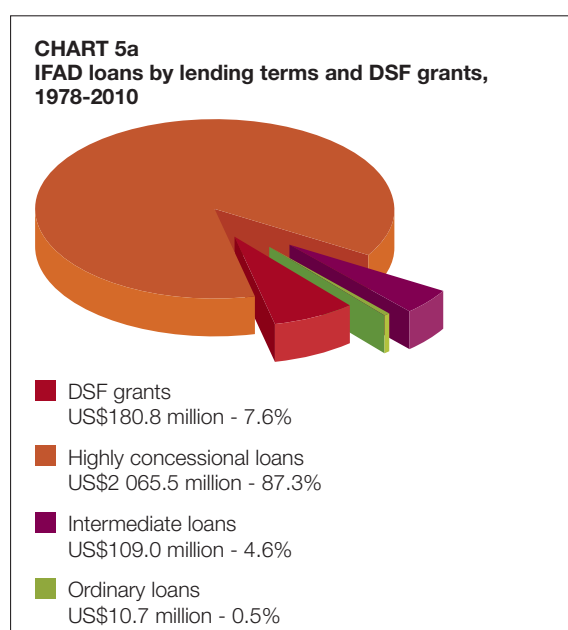
The total population of the region is about 316 million, of which some 70.4 per cent live in rural areas. In countries for which data is available, about 54 per cent live on less than US\$1.25 a day.³

The constraints above slowed progress across the board on the MDGs. And the big figures for the region remain chilling. A larger proportion of the population of East and Southern Africa goes hungry than in any other region of the world, and 13 of the region's countries rank in the bottom third of the Global Hunger Index. Burundi was the only country in the world with more hungry people in 2009 than in 1990.

Our work and results in 2010

During the year, we continued to focus on strengthening:

- access to natural resources and their management
- improved agricultural technologies and effective production services
- financial services
- transparent and competitive agricultural input and produce markets, increasingly through value chains
- off-farm employment and enterprise development



³ Raw data was sourced from the 2010 Human Development Report of the United Nations Development Programme. Population figures include all countries in the region. The following countries were excluded from the poverty ratio calculation due to lack of data: Eritrea, Mauritius and Zimbabwe.

Access to natural resources and their management

Access to suitable land and water for farming, forestry and grazing, and for domestic use, is fundamental to eliminating rural poverty. Enabling poor rural people to gain secure long-term access to natural resources and reinforcing land tenure rights are therefore core parts of our work. We also support soil conservation and reforestation programmes. These are especially important as the region confronts the effects of climate change, and given that rainfed agriculture is the principle practice.

IFAD is funding a massive reforestation effort on Mount Kenya working to stem erosion resulting from deforestation and inappropriate agricultural practices. Since work started in 2004, the project has planted 3 million seedlings. Local residents, without direct project support, have also planted an additional 3 million. On average, around 85 per cent of the saplings survive.

Over 200,000 seedlings of indigenous species have been planted along more than 150 kilometres of riverbank to help stabilize its slopes. This is crucial to the area, which is extremely vulnerable to climate change. Over 500 tree nurseries have been supported, more than double the number originally planned.

The project is also working to encourage a conservation ethic to take root in the younger generation. It has enlisted nearly 900 schools in the project area in a school greening programme. Students receive seedlings, which they plant on their family farms.

Improved agricultural technologies and effective production services

Working with governments and partners to help farmers learn new technologies and access improved

inputs is part of our support to poor rural communities. The resulting increase in productivity improves family diets, generates surplus for sale, and raises family income and well-being.

Sunflower oil production has set many families on a path out of poverty in Uganda. The success is all the more remarkable given that it has come in zones previously devastated by armed conflict and widespread internal displacement. Since 1999, the number of farmers participating in this initiative has grown from 5,000 to more than 200,000, representing 25 per cent of the population in districts covered by the project. The area planted to sunflower increased almost 40-fold to more than 81,000 hectares in 2008.

Among the most efficient farmers, gross profit margins were estimated at US\$230 per hectare. By reinvesting the proceeds from the sale of sunflower seed, oil and cake, many farmers have generated new income streams from bee-keeping, poultry and pork production, as well as trading and transport. Increased production of raw materials has also expanded cottage industry oil production. And the families that participate in the project are consuming more sunflower seed oil, improving their diet and health.

A broader range of financial services

Financial services are essential to raising production and efficiency among the poor rural people of the region. Appropriate loan products for buying inputs, credits that allow farmers to time delivery of their goods to market, and savings products so they can accumulate capital are all in very short supply in rural areas. For this reason, more than half of the programmes and projects we support in this region reinforce financial services.

Poor rural women and men find it particularly difficult to obtain credit. IFAD has a policy to encourage microfinance institutions to use lines of credit from programmes and projects to attract commercial banks to the rural sector. A microfinance initiative we started in Ethiopia in 2003 has just completed an impressive first phase. The number of clients has increased by a factor of four, to 2.2 million, one and a half times the original target. Outstanding loans have increased 14-fold, and average loan size has increased 4-fold. And despite this greatly expanded portfolio, the percentage of loans at risk of default declined from 7.6 per cent at programme start-up to 4 per cent four years later. Credit lines

Portfolio management highlights

- 50 ongoing programmes and projects in 16 countries in the region at the end of 2010
- US\$1,010.3 million invested by IFAD in the region's ongoing portfolio
- 8 new programmes and projects in Botswana, Burundi, Eritrea, Kenya, Mozambique, Uganda (2) and the United Republic of Tanzania, for a total IFAD investment of US\$265.5 million
- supplementary financing worth US\$1.0 million provided to an ongoing programme in Zambia

from the programme accounted for more than 11 per cent of all loans extended by the 26 officially recognized microfinance institutions in the country. This trailblazing initiative has demonstrated to commercial banks the viability of lending to the rural microfinance sector in Ethiopia.

Transparent and competitive agricultural input and produce markets

Farmers cannot move beyond subsistence agriculture without nearby markets where they can buy inputs like seeds and fertilizer and sell their produce. Improving market infrastructure and feeder road networks are therefore key elements of our support in the region.

Fishers working in the rich fishing grounds off Mozambique's coast are selling more fish and making more money as a result of major marketing advances led by the government and supported by IFAD. Over 450 kilometres of roads have been built, linking fishing villages to the national road network and enabling people to get fish to market faster. The catch is delivered to three new fish markets, each equipped with ice-making machines. As a result, hygiene and fish quality have improved, so fishers can command higher prices. A mid-term impact survey conducted in 2005 found that revenues had increased by 16 per cent since activities began in 2002. The percentage of households owning bicycles had also increased by 15 per cent. And the proportion of project participants who considered themselves food secure had doubled, to over 30 per cent. The project has been so successful that it has been scaled up in a second phase to cover the whole coastline of the country. The new project was approved in December 2010. It will focus particularly on market aspects and increasing the value added of the catch.

Off-farm employment and enterprise development

Smallholder farmers have to be flexible to earn a livelihood, and off-farm employment and self-employment often provide the margin of survival. A small business can provide enough cash to prevent family members – especially young people – from migrating. We help by supporting microenterprises to get started and enabling poor rural people to obtain the skills they need to run a profitable business.

Young women and men have an especially hard time finding work in countries coming out of

conflict. In Rwanda, many young people are doubly at risk having lost their parents in the 1994 genocide. An IFAD-supported project is working to increase off-farm employment for young women and men living in rural areas, particularly orphans. Since it began in 2004, the initiative has provided literacy training for more than 8,500 rural enterprises, surpassing the original target of about 4,000. Training in accounting and administration has benefited more than 800 cooperative management committees. And almost 6,000 young people, more than half of them women, have served apprenticeships predominantly in sewing and tailoring, and woodworking. Of the project participants who were apprenticed, 86 per cent have either found a job or opened their own businesses.

Participation in local and national policy and budgetary processes

Isolated and rural communities often have little voice in policymaking. As part of our support to economic and social development, we help poor rural people build their capacity to take part in local and national life by learning basic business, organizational and advocacy skills.

Transformation of agricultural marketing systems in the United Republic of Tanzania is one goal of a major government effort to recast the policy, regulatory and legislative environment, both nationally and locally. At the local level, an IFAD-financed project contributing to this effort funded 16 districts to engage legal experts to draft taxation regulations, undertake taxation reform and assess the impact of those reforms. Several districts enacted by-laws that helped to raise revenues while distributing the tax burden more equitably among the population. Tax revenues have increased dramatically – by 350 per cent in Mbarali district, 230 per cent in Mbozi and 110 per cent in Mbinga. Local councils have used the revenues to buy irrigation equipment, establish demonstration plots and purchase motorcycles for extension workers.

Story from the field

Linking economic cooperation and reconciliation in Rwanda

As Rwanda continues to heal from the 1994 genocide, its economic recovery is being aided by a 6 per cent GDP growth rate. IFAD is helping smallholders – particularly households headed by women – take advantage of this growth and become more financially secure by improving their access to land and expanding their links to markets. One opportunity comes from the post-genocide privatization of state-owned tea plantations and their redistribution to farmers. Nshili, in southeastern Rwanda, is home to one such plantation.

“Back when I was a child, I used to come to this place,” says Bernadette Mukamazimpaka, a 35-year-old mother of five. During her school holidays, Bernadette worked measuring the fields. But she lost all of her family in the genocide and, like other survivors, she could not imagine a way forward.

In 1997, as part of a national reconstruction programme to train farmers, Bernadette began working with tea again. The first step was rejuvenating the tea plants that had been abandoned. But profits were low because the nearest factory was 50 kilometres away.

In 2003, the IFAD-supported Smallholder Cash and Export Crops Development Project began working with the tea growers to improve their yields,

help them obtain financial services and secure access to their lands. The project helped Bernadette and her fellow farmers to form a collective. In 2008, a new factory opened in Nshili funded by the private sector. The project helped farmers’ cooperatives gain a 15 per cent stake in the factory.

Though Bernadette got a promotion to assistant accountant, she also grows tea on her one hectare of land. “Now I know I’ll be able to get a harvest that will keep me and my family going,” she says. Her next plan is to do a university correspondence course on the weekends.

“The cooperative programmes here are helping people achieve unity and reconciliation,” she says. “Because their aim is profit, the tea growers join together.” With solidarity among the farmers based on credit agreements, not ethnic loyalties, Bernadette is hopeful that the community will avoid future conflict.

Tea pickers, working on their cooperative-owned tea plots in Nshili, receive about US\$2 from their co-owned tea factory for every 40 kilograms of tea they gather

Rwanda: Smallholder Cash and Export Crops Development Project
©IFAD/S. Beccio



Asia and the Pacific

34 countries: Afghanistan, Bangladesh, Bhutan, Cambodia, China, the Cook Islands, the Democratic People's Republic of Korea, Fiji, India, Indonesia, Islamic Republic of Iran, Kazakhstan, Kiribati, Kyrgyzstan, the Lao People's Democratic Republic, Malaysia, Maldives, the Marshall Islands, Mongolia, Myanmar, Nepal, Niue, Pakistan, Papua New Guinea, the Philippines, Republic of Korea, Samoa, Solomon Islands, Sri Lanka, Tajikistan, Thailand, Timor-Leste, Tonga and Viet Nam

Overview

Economies in Asia and the Pacific region continued to perform better than expected during 2010. This was largely a result of buoyant exports, strong private demand and government stimulus measures. At the time of writing, GDP across the region was projected to grow at 7.9 per cent, up from 7.5 per cent as projected earlier in the year. In contrast to the situation in 2009, the improved outlook is broad-based and includes most subregions. However, the uncertain global environment calls for continued caution, and GDP for 2011 is projected at 7.3 per cent.

Additional challenges in the region include an ongoing decline in the share of agriculture in GDP,

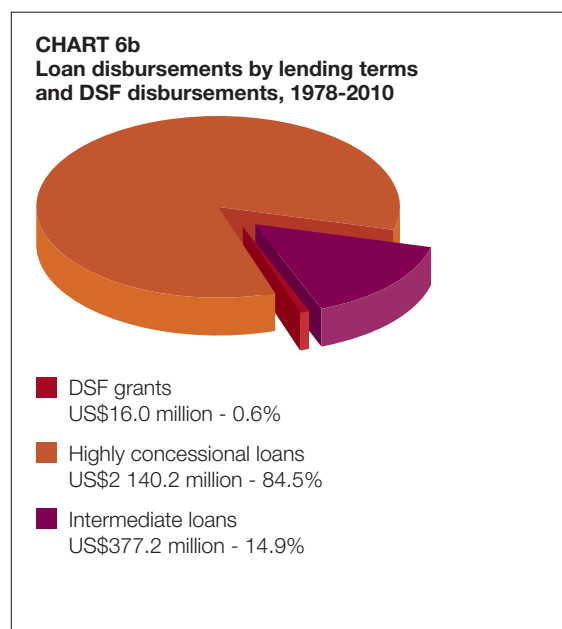
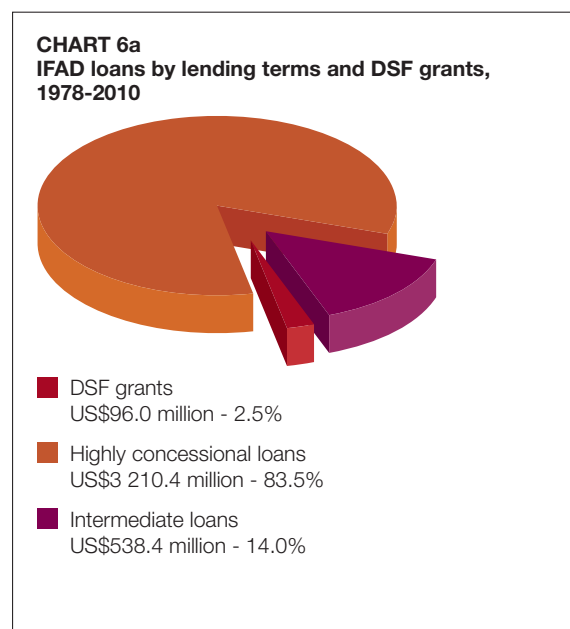
the worsening security situation in Afghanistan and Pakistan, and food prices that continue to be relatively high and volatile. Recent studies indicate that food prices will remain high in the future. This is a result of structural factors such as population growth, rising incomes, dietary changes, depletion of natural resources, and the likely negative impacts of climate change on food production. In response, there is an urgent need to:

- increase investment in rural infrastructure – such as rural roads and irrigation systems
- boost agricultural productivity growth through sustainable technologies
- support smallholder farmers through policies and programmes so that they can benefit from higher prices and new market openings

The total population of the region is about 3,704 million, of which some 62 per cent live in rural areas. In countries for which data is available, about 28 per cent live on less than US\$1.25 a day.^{4,5}

Our work and results in 2010

Our work in the region during 2010 was in line with the objectives of IFAD's Strategic Framework for 2007-2010 (see page 5).



⁴ Raw data was sourced from the 2010 Human Development Report of the United Nations Development Programme. Population figures include all countries in the region. The following countries were excluded from the poverty ratio calculation due to lack of data: Afghanistan, the Democratic People's Republic of Korea, Fiji, Kiribati, Maldives, the Marshall Islands, Myanmar, Papua New Guinea, Republic of Korea, Samoa, Solomon Islands and Tonga.

⁵ If China is excluded from figures for Asia and the Pacific, the total population is 2,350 million, of which some 62 per cent live in rural areas. In countries for which data is available, about 35 per cent live on less than US\$1.25 a day. If both China and India are excluded from figures for Asia and the Pacific, the total population is 1,135 million, of which some 54 per cent live in rural areas. In countries for which data is available, about 27 per cent live on less than US\$1.25 a day.

Natural resource management

IFAD currently funds about 20 programmes and projects working with poor rural people to improve the use of natural resources in the region and reduce the abuse. Strengthening people's access to the resources that underpin their livelihoods, and promoting sustainable management practices for soil, water, forests, pastures and rangelands, are all key objectives.

Results reported in 2010 showed that the bulk of resources invested for natural resource management – nearly 40 per cent – was in support of soil and water conservation activities. Thirteen projects trained over 63,000 people in natural resource management issues. The highest number was in Nepal, where more than 14,000 people were trained and over 700 new groups were set up to improve practices. At the same time, projects in Indonesia and Nepal provided nearly 10,000 families with long-term secure access to natural resources or forests.

Agricultural technologies and production services

Teaching poor rural women and men about new or improved agricultural technologies gives them options and the chance to move beyond subsistence. Findings outlined in 2010 showed that allocations to agricultural extension increased sharply to US\$74 million to enable projects to more effectively reach farmers, fishers and producers in remote areas with new technologies.

Training was given in crop, livestock and fish production – both inland and marine. In the Philippines, a research paper on the aquatic resources

of Lake Mainit won an award. The lake, on the island of Mindanao, is the fourth largest and the deepest in the Philippines. The paper was a collaboration between an IFAD-supported project and the local municipal government. It assessed fish population and stock dynamics. It will be used as the basis for formulating a comprehensive fisheries management plan for the lake.

In the region, monitoring and evaluation in IFAD-funded projects is being improved to measure the percentage of farmers trained who actually adopt new technologies, and the percentage of those who report an increase in production. Some projects are already reporting their results in this way, using surveys and interviews. A recently closed project in the Lao People's Democratic Republic reported that about 67 per cent of participating households had adopted one or more of the technologies recommended. Fifty-seven per cent of project participants interviewed had increased agricultural production, and sixty-one per cent had increased their herd size.

Rural financial services

With many years of experience in supporting the growth of rural financial services, this continues to be a top priority for us. Results reported in 2010 showed that about 70 per cent of projects in the region were involved in microfinance activities. Second-generation microfinance agencies are increasingly linked with formal financial organizations, such as national and agricultural banks. This means there are more funds available for business start-ups in rural areas and investments in smallholder farms.

The State Bank of India gave an award to an IFAD-supported project in Uttaranchal. The project has linked over half of the existing self-help groups with formal financial institutions (over 1,800 groups out of more than 3,500). The bank also approved 97 per cent of applications for cash credit from the self-help groups – a phenomenal proportion.

Women make up the vast majority of the membership of self-help groups. Empowering women economically improves their lives, and those of their families and communities. Groups often also provide literacy training and education in childcare and hygiene.

Portfolio management highlights

- 58 ongoing programmes and projects in 18 countries in the region at the end of 2010
- US\$1,336.5 million invested by IFAD in the region's ongoing portfolio
- 7 new programmes and projects in Bangladesh, Bhutan, Pakistan, Papua New Guinea, Solomon Islands and Viet Nam (2), for a total IFAD investment of US\$184.2 million
- supplementary financing worth US\$10.0 million provided to an ongoing project in Bangladesh

Agricultural markets

All-weather roads are a vital first step in linking remote rural communities to the nearest district centre. Farmers can transport surplus produce and sell it directly, avoiding intermediaries and negotiating prices on the spot. Good roads also generate competition between private transport companies, bringing fares down for local people.

Across Asia and the Pacific, 13 ongoing programmes and projects are working to strengthen farm-access road networks. Over the last two years, some 650 kilometres of road have been built or repaired in Bangladesh, Bhutan, Indonesia, the Lao People's Democratic Republic, Sri Lanka and Viet Nam. In the Lao People's Democratic Republic, 93 per cent of the people in the programme's target area now live within five hours of the local district centre. This figure has almost doubled since the programme started work in 2006.

The programmes and projects are also strengthening market and storage constructions. Eleven projects built 145 market facilities and 22 storage facilities in 9 countries. Safely storing crops means cutting waste and being able to sell when the price is right.

We also increasingly support 'soft' interventions to strengthen producers' access to markets, in addition to infrastructure work. Over 22,000 poor rural people were trained in post-production techniques, processing and marketing to enable them to add value to their goods and get the best price.

Off-farm employment and enterprise development

Our programmes and projects provide business development services and training for poor rural people to help them set up micro, small and medium-sized enterprises so that they can diversify their income sources. Viable businesses create job opportunities for family members and other rural people, boosting the rural economy and putting a brake on urban migration.

We support a project in Bangladesh that is entirely focused on enterprise development and job creation. Thanks to this activity, over 125,000 people have had access to bank loans, enabling them to invest in their businesses. In Viet Nam, more than 3,000 women and men received short-term skills training, with the result that 90 per cent of them found long-term

employment. In Mongolia, over 2,000 people had vocational training in hairdressing, tailoring, baking and other activities. They were also provided with start-up equipment. And 90 per cent of them became self-employed with stable incomes.

Policy and programming processes

At the same time as we work on the ground with poor rural people and their organizations, we work with our national and international partners to influence the development of the policies and programmes that affect their lives.

Since 2007, we have been supporting a regional grant-funded programme to promote the formulation of policies and dialogue that benefit poor people. The Food and Agriculture Organization of the United Nations (FAO) implements this activity in eight countries of the region: Cambodia, China, India, Indonesia, Nepal, Pakistan, Sri Lanka and Viet Nam.

The results of a mid-term review reported in 2010 show that the programme has successfully:

- brought together government departments and officials, NGO and private-sector representatives, and academic and independent experts to prioritize themes for policy analysis
- supported the completion of 23 policy analysis studies in the eight countries
- held stakeholder workshops at national level to validate policy analysis conclusions and recommendations
- used participatory transparent processes to involve NGOs, independent organizations and ministries in policy work
- provided training in pro-poor policy analysis for government officials and civil society actors

Our grants in the region are generating interesting knowledge, which is now systematically captured and disseminated. Grants are also enabling us to pilot promising innovations that are then scaled up within loan-funded investments by us or others. For example, improved dairy goat production practices have been replicated and scaled up by an IFAD-funded programme in Afghanistan. The new techniques were tested by the International Center for Agricultural Research in the Dry Areas (ICARDA) in a research project supported by us that focused on rehabilitating women's agricultural livelihoods in areas recovering from conflict in Afghanistan and Pakistan.

Story from the field

South Pacific islanders rediscover their power to change their lives

Life on the isolated South Pacific islands of Fiji, Kiribati and Tonga can be challenging. Residents of outlying islands may have little contact with the main island, hundreds of kilometres away. Reliance on imported food has left people vulnerable to the global economic crisis as higher fuel and transportation costs raise food prices. The breakdown of traditional community structures has removed the informal social safety net.

Today, islanders are rediscovering the power to change their lives, thanks to the IFAD-supported Mainstreaming of Rural Development Innovations (MORDI) programme. The programme is implemented by the Foundation of the Peoples of the South Pacific International, a regional NGO network. Working in small but highly efficient ways, the programme has helped dozens of island communities.

In the village of Hunga in Tonga, high on a hill above the harbour, people had struggled for 30 years to get their goods to the wharf to bring them to market. The walk to and from the harbour on steep, unpaved paths, was treacherous. Community facilitators realized that a paved road was essential to the community's economic and social well-being. With assistance from MORDI, they worked out a creative way to raise funds using the Internet.

A young person set up a social networking website for the Hunga community to help keep overseas families and friends up to date on developments. The road project was posted on the site, along with a barometer showing the money collected. In a community where the average income is about US\$58 per month, residents raised US\$100,000 from their own funds and from relatives living abroad. Then the residents looked for outside help and persuaded the Government of India to fund completion of the road.

The new road to the wharf not only makes life easier for residents, it also opens new livelihood opportunities. The success of the road project inspired the community to tackle another long-term problem – access to drinking water. Residents are now working collectively to raise funds to fix their community water tanks.

“Sustainability is our main focus,” says Soane Patolo, National Programme Coordinator of MORDI in Tonga. “In this case, it really was a community organizing itself.”

Boys navigate in waters around Kadavu Island, where an IFAD-funded programme helps residents learn income-generating skills
Fiji: Mainstreaming of Rural Development Innovations Programme
©IFAD/R. Hartman



Latin America and the Caribbean

33 countries: Antigua and Barbuda, Argentina, The Bahamas, Barbados, Belize, Plurinational State of Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay and the Bolivarian Republic of Venezuela

Overview

Before the global economic crisis, it seemed that the Latin America and Caribbean region was on a path of market, social and civil-society development policies that could conquer the tradition of social exclusion and injustice. Many countries were showing positive trends in poverty reduction and equality of income distribution. Rural poverty rates had fallen from a high of 65 per cent in the early 1990s to 41 per cent in 2008, and extreme poverty had decreased from 41 per cent to 30 per cent in the same period.

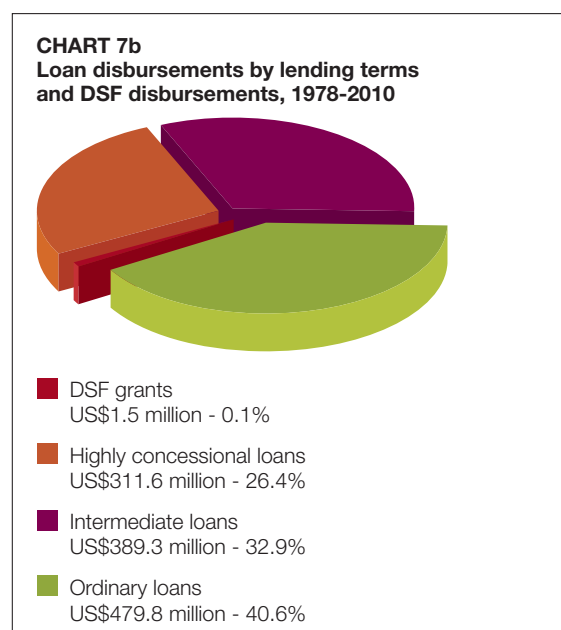
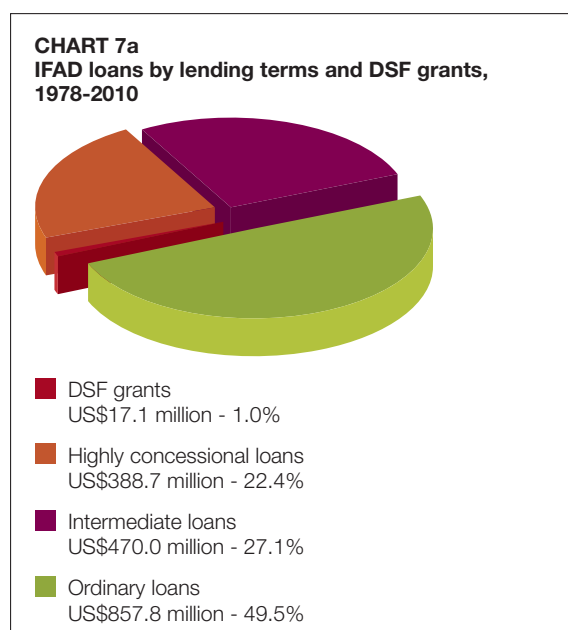
Early estimates from the Economic Commission for Latin America and the Caribbean indicate that the region is recovering well from the economic crisis, and that it did not affect poverty rates across the area. The agriculture sector did relatively well during the downturn and was the sector with the

highest employment growth – over 4 per cent in 2009. This compared with less than 2 per cent for the total economy, while manufacturing suffered a 3 per cent decline. Nevertheless, few if any small-scale producers were able to capture the benefits of such growth.

The total population of the region is about 583 million, of which some 20 per cent live in rural areas. In countries for which data is available, 7 per cent live on less than US\$1.25 a day.⁶

The gap between rich and poor in Latin America and the Caribbean is greater than in any other region. Many poor rural people in the region still live on less than US\$2 per day, and have limited access to financial services, markets, training and other opportunities. Extreme rural poverty is strongly concentrated among landless farmers, indigenous peoples, women and children. Many of the countries have Gini coefficients of 0.5 or higher for rural income, confirming this to be the most unequal rural sector in the world (a Gini coefficient of '0' represents complete equality, while '1' represents maximum inequality). Inequality in land access is even more marked, with an overall Gini score of 0.78, compared with Africa's 0.62.

Therefore, average national income gives a distorted image of the reality facing the region's poor rural people. For example, while Mexico's GDP per capita is US\$8,920, the average income of the poorest 40 per cent of the rural population is



⁶ Raw data was sourced from the 2010 Human Development Report of the United Nations Development Programme. Population figures include all countries in the region. The following countries were excluded from the poverty ratio calculation due to lack of data: Antigua and Barbuda, The Bahamas, Barbados, Belize, Cuba, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago.

US\$652 per year, and that of the poorest 20 per cent is US\$456 per year (equivalent to the GDP per capita in the United Republic of Tanzania). On the positive side, the region has made strides in poverty reduction. Guyana, Jamaica and Nicaragua have achieved MDG1, and Brazil is on track to do so.

To provide lasting solutions for Haiti in the wake of the devastating earthquake that hit the country in January 2010, the IFAD Executive Board approved a US\$50.7 million debt-relief package in 2010. At the end of the year, US\$36.2 million had been mobilized – US\$21 million from donors. IFAD had already contributed US\$15.2 million, 30 per cent of the total as required under the initiative. We also launched a US\$2.5 million job-creation and irrigation project in the country, and allocated US\$20.0 million for a project that is currently under design.

Our work and results in 2010

Our work in the region gives priority to the following areas:

- improving market access
- ensuring sustainability through innovative approaches
- territorial approaches to multiply economic growth for poor rural people
- policy dialogue for inclusive rural and agricultural growth
- knowledge management and South-South cooperation

Improving market access

Improving market access for smallholder farmers in the Latin America and the Caribbean region requires high-quality products and thorough

integration into every link in the value chain. In Brazil, an IFAD-supported project known as Dom Hélder Câmara in the semi-arid North-East has improved access to local markets, creating more efficient and diverse production models, and increasing social and technical capital. Management of water and other natural resources has raised agricultural yields, and improved marketability and profitability, while mitigating environmental risks for participants. The project also includes a US\$5.9 million grant from the Global Environment Facility (GEF) (see page 50) to ensure sustainable land management.

The Dom Hélder Câmara initiative has transformed the lives and livelihoods of thousands of families in six states. More than 15,000 households have received technical training, helping them to raise productivity and incomes. Over 4,500 people learned to read, 500 rural libraries were set up and more than 250 young people received two-year scholarships to study advanced farming techniques at a regional agrotechnical college. In Brazil, many women lack the documentation needed to realize basic rights of citizenship. The project helped 14,000 women have their citizenship recognized, allowing them to gain access to services, credit and land tenure. This ten-year initiative closed at the end of 2010 (the GEF component will close in 2013), but it is showing strong signs of sustainability, with government committing to a second phase.

In Guatemala, market access is a key aspect of an initiative to reconnect the isolated El Quiché region, where residents relocated away from roads and other infrastructure to protect themselves during 30 years of civil war (see page 33).

Ensuring sustainability through innovative approaches

Sustainability of the projects we fund means that the benefits continue after the work is finished. In the Andean region, IFAD is tackling sustainability head-on by building 'demand-driven' projects that meet needs expressed by the participants. We also support pro-poor policies and promote improved natural resource management practices. In Ecuador, we are strengthening pro-poor policies through a US\$14.9 million IFAD-supported project in the central corridor, which aims to benefit 36,000 households. It works to build capacities in implementing agencies, especially the Ministries of Agriculture, and Economic and Social Inclusion, as a first step in

Portfolio management highlights

- 30 ongoing programmes and projects in 19 countries in the region at the end of 2010
- US\$487.8 million invested by IFAD in the region's ongoing portfolio
- 7 new programmes and projects in Brazil,⁷ the Dominican Republic, El Salvador, Grenada, Guatemala, Honduras and Nicaragua, for a total IFAD investment of US\$94.0 million
- 1 new results-based country strategic opportunities programme (COSOP) for the Dominican Republic

⁷ The Cariri and Seridó Sustainable Development Project in Brazil was originally approved in December 2009 (and included in the IFAD Annual Report 2009). It was re-approved in December 2010, with an IFAD loan of US\$25.0 million, following the completion of negotiations with the Government of Brazil.

re-establishing national and regional policies targeting rural poverty. The project has also worked to develop rural businesses along this commercial corridor, foster stronger natural resource management practices, and promote local knowledge and culture as a catalyst for development.

In Peru, the Sierra Sur project uses competition to spur development. Local entrepreneurs present their business plans or natural resource management approaches to a panel of judges – community members, local government officials and project representatives – who award funds to the best enterprises. The project provides 80 per cent of the funding, and recipients put up 20 per cent of their own money. Some use the funds to build resource management systems such as cisterns, while others hire technical advisers. The competitions are held throughout the massive 77,700-kilometre project area. This is one of the poorest regions in Peru, where agrobusinesses are challenged by lack of water and difficult growing conditions. IFAD has provided around US\$24.5 million of the project's US\$34.4 million funding.

This competitive model is being duplicated in Panama and across the Caribbean, where new contests are helping young microentrepreneurs start their new businesses.

Territorial approaches to multiply economic growth

IFAD funds several organizations based in Latin America that work across borders to promote dialogue on poverty reduction and to boost economic growth for poor people in rural areas. With our support, the Central American Regional Unit for Technical Assistance (RUTA) hosted workshops on gender, climate change and other topics in 2010. It also sponsored virtual conferences on market access and value chains. Holding these over the Internet allowed more people to participate.

During the year, the IFAD-supported Latin American Center for Rural Development (RIMISP) undertook studies on climate change, commercialization of palm oil, indigenous issues, regional poverty trends, and other topics relevant for rural poverty reduction.

We also fund the Regional Programme in Support of Rural Populations of African Descent in Latin America, which works in the Plurinational State of Bolivia, Brazil, Colombia, Ecuador, Panama,

Peru and the Bolivarian Republic of Venezuela. In northern Ecuador, it helped to form the Atecomes Cacao Producers Association, whose members grow cacao using sustainable methods. Working with the Rainforest Alliance and others, the association has won organic certification for 580 hectares of cacao plantations. The certification also brings higher prices for the product.

Policy dialogue for inclusive rural and agricultural growth

Participatory policymaking is on the rise in countries such as Brazil and Peru. Pro-poor policies are being adopted, improving the lives of thousands and fanning hopes about the breakdown of social exclusion. To encourage this trend, we are funding the Common Market of the South (MERCOSUR) Specialized Meeting on Family Farming (REAF). This initiative was formed to encourage adoption of policies and actions that benefit family farmers by linking government officials with farmers and their organizations in the MERCOSUR. The REAF also fosters the capacities of community organizations regarding environmental policy, risk management, gender and young people, enabling them to participate in the dialogue.

The transformation of some public policies in Latin America suggests that REAF is achieving its objective. For instance, in this year's meeting in Brasilia, Argentina, Paraguay and Uruguay agreed to follow a policy successfully used in Brazil to support smallholder farmers. Across the country, 30 per cent of the food used in public institutions – like hospitals and schools – is bought from smallholder farmers. REAF has also sponsored policy debates on achieving food security, limiting urban migration and protecting family farming interests.

In Peru, IFAD engages directly with government to promote pro-poor policies. We maintain a dialogue with officials on decentralization, providing expertise based on lessons learned from a livelihoods project in the southern highlands. In 2010, the project led nearly 6,500 women to open savings accounts with private-sector operators. Over the past five years, more than 11,000 poor rural farmers have bought life insurance and 13,500 families have received training on natural resource management. Government representatives from neighbouring countries have been able to learn from these innovations through site visits.

Knowledge management and South-South cooperation

One proven path to knowledge is through 'learning routes', the hallmark of the IFAD-assisted Regional Programme for Rural Development Training (PROCASUR). This initiative brings visitors – mainly community leaders, development professionals and policymakers – to rural development projects to learn about their successes and struggles, enriching both visitors and hosts.

Since 2006, PROCASUR and its partners have implemented over 40 learning routes in 15 countries of Africa, Asia and Latin America. Themes have included ecotourism, microenterprises, rural microfinance and local development. More than 650 individuals have shared their knowledge, traditions and agricultural innovations, and around 4,000 people have benefited indirectly. The programme has taken great steps to engage women, who make up more than 40 per cent of participants.

With the aim of creating a forum to stimulate South-South dialogue, we are cofinancing the Africa-Brazil Agricultural Innovation Marketplace. The programme was inaugurated this year as part of the Brazil-Africa Dialogue on Food Security, Fighting Hunger and Rural Development. With an initial grant of US\$500,000 from IFAD, the Innovation Marketplace will fund several projects over the next two years. The projects will develop ways to share technologies that boost productivity, natural resource management practices, and policy and marketing initiatives between Brazil and Africa.

Story from the field

Smallholders tap new markets in Guatemala by leveraging private partnerships

In an effort to provide farmers in Guatemala's rough and rugged El Quiché region with the tools and training they need to transform their operations into viable businesses, IFAD-supported projects are leveraging private-sector partnerships and looking across value chains. The support has allowed smallholder farmers to access some of the largest markets in the world, and has increased incomes by as much as 50 per cent.

El Quiché is an isolated area with potholed dirt roads and limited productive infrastructure. This was a hot zone during Guatemala's 30-year civil war, and many residents were forced to move far from the major roads to escape being caught in the crossfire.

Before our projects came to the region more than 20 years ago, roads were few and far between. Irrigation systems and processing centres were virtually unheard of, and the predominantly Maya population had to depend on corn and beans for their diet and livelihoods.

Today, smallholder farmers are harvesting cash crops such as onions, French beans, Chinese peas, mini-vegetables and radicchio. And by engaging with private-sector partners like the Guatemalan Exporters Association, they are selling their produce

to some of the biggest retailers in the world, including Wal-Mart Stores, Inc.

The numbers speak for themselves. Thanks to the irrigation projects and market access programmes being managed by the National Rural Development Programme Phase I: the Western Region (FIDA Occidente), smallholder farmers' associations in El Quiché have taken in more than US\$800,000 in gross revenues from the sale of these high-value cash crops. The region has also gained around 250 new jobs.

The money is not staying with the intermediaries. For Genero Xona, increased earnings from a cardamom refinery means no more migrating to work in the sugar cane harvest. Juana Pinula Lux's job weighing French beans in a new packing plant has paid school expenses for her two children. And the people of El Quiché, in general, are eating better, living better, and even managing to save a little to invest in a cow, a vehicle or a plot of land.

Modern irrigation systems and improved market access help farmers grow and sell more green beans internationally
Guatemala: National Rural Development Programme Phase I: the Western Region
©IFAD/S.A. Pons



North Africa, Near East and Europe⁸

31 countries and territories: Albania, Algeria, Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, Cyprus, Djibouti, Egypt, Gaza and the West Bank, Georgia, Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Malta, Morocco, Oman, Qatar, Republic of Moldova, Romania, Saudi Arabia, Somalia, The Sudan, Syrian Arab Republic, the former Yugoslav Republic of Macedonia, Tunisia, Turkey, United Arab Emirates and Yemen

Overview

Poverty in the Near East and North Africa region garners little international attention because poverty rates are far lower than in other areas, such as South Asia or sub-Saharan Africa. However, high aggregate wealth hides significant pockets of hardship. And the proportion of people living below the poverty line has increased in the last decade among the region's least developed countries. Some, such as Yemen and The Sudan, are among the poorest in the world. In addition, war and conflict in the region continue to destroy resources and the social fabric of society.

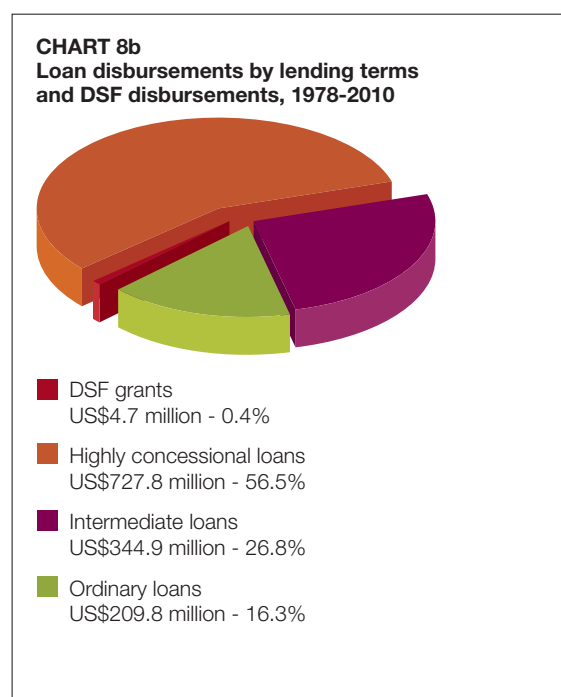
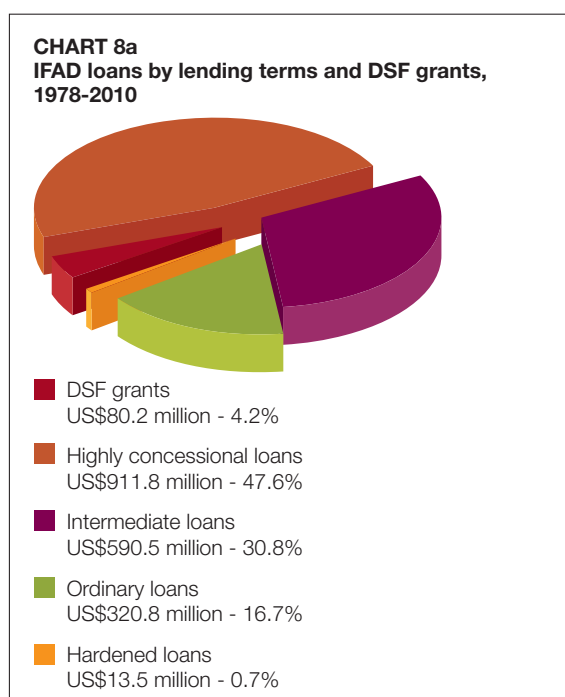
Real GDP growth saw a drastic fall in 2009 to 1.4 per cent from 5.8 per cent of the previous year as a consequence of the global financial crisis.

However, 2010 witnessed an economic recovery supported by higher oil prices and strengthened domestic demand, with real GDP growth standing at 4.1 per cent.

The total population of the Near East and North Africa region is about 505 million, of which some 25 per cent live in rural areas. In countries and territories for which data is available, about 3 per cent live on less than US\$1.25 a day.⁹

The global crisis hit the region of Central and Eastern Europe and the Newly Independent States harder than any other emerging-market region. In 2009, the region's real GDP contracted for the first time since 1998. The scale of the contraction was greater than at any time since the height of the transition recession in 1994. Most countries in the region experienced only a modest recovery in 2010. The majority (with the notable exceptions of Azerbaijan and Uzbekistan) expected real GDP growth to average less than 3 per cent.

The European Bank for Reconstruction and Development warned that the recovery remains fragile. The pace of growth varies widely across countries, and new risks are arising from fiscal pressures and financial volatility in Western Europe. There are also fears that the crisis will have a longer-lasting impact on growth prospects, due to



⁸ A single division in IFAD covers two distinct regions: North Africa and the Near East, and Central and Eastern Europe and the Newly Independent States.

⁹ Raw data was sourced from the 2010 Human Development Report of the United Nations Development Programme. Population figures include all countries in the region. The following countries and territories were excluded from the poverty ratio calculation due to lack of data: Algeria, Iraq, Kuwait, Lebanon, Libyan Arab Jamahiriya, Gaza and the West Bank, Oman, Qatar, Saudi Arabia, Somalia, The Sudan, Syrian Arab Republic and the United Arab Emirates.

institutional problems, an ageing population and weak innovation performance.

The total population of the region of East Europe is about 47 million, of which some 43 per cent live in rural areas. In countries for which data is available, about 3 per cent live on less than US\$1.25 a day.¹⁰

Our work and results in Near East and North Africa in 2010

The priorities guiding our work in the region are:

- improving management of land and water resources and reducing vulnerability to climate change
- linking small-scale growers of non-traditional crops with domestic and international markets
- improving agricultural productivity and food security
- expanding poor rural people's access to financial services, such as credit, savings and insurance
- tackling unemployment among young people in rural areas

The Near East and North Africa region is the driest area in the world. And even without the effects of climate change, per capita water availability is predicted to halve by 2050. Improving the management of scarce water resources is therefore a top priority for IFAD and our partners. In Al-Haouz province of Morocco, rehabilitation of small-scale irrigation infrastructure has brought a 36 per cent increase in irrigated land and reduced water loss by a quarter. With yields of basic crops increasing as a result, 85 per cent of farmers have been motivated to adopt improved technologies.

In Egypt, an IFAD-supported project in West Noubaria has linked smallholder farmers to markets by successfully promoting innovative partnerships between farmers and the private sector. We have helped establish six farmers' marketing associations with a total of 12,500 members, and provided substantial training and capacity-building. This has enabled more than 2,000 farmers to sign contracts with private-sector companies to sell 21 different crops over the past year. This compares with just 43 farmers selling 2 crops in 2003 when the project started work.

Physical access to markets is a major problem for smallholder farmers located far from highway networks. In Yemen, rehabilitation of the lowest category of roads, those serving the poorest communities, has increased competition between private transport companies and reduced transport costs for people and goods.

Improved agricultural productivity is one result of an IFAD-supported programme in South Kordofan in The Sudan. Over 80 per cent of farmers taking part in the programme have applied at least one of the recommendations promoted by the extension teams. Increases in yields have reached 10 per cent in sorghum and 30 per cent in millet. For groundnuts and sesame, yields have increased by 100 per cent over local varieties.

When we monitor the success of our work to expand poor rural people's access to financial services, it is not enough simply to count microfinance clients. In Djibouti, we looked at how women and men receiving loans through an IFAD-funded microfinance project were using the credit. Results showed that over 96 per cent of the money was invested, in whole or in part, in income-generating activities that were mainly agricultural. The money invested contributed to creating or maintaining employment.

Portfolio management highlights

- 42 ongoing programmes and projects in 17 countries and territories in the two regions at the end of 2010
- US\$622.6 million invested by IFAD in the regions' ongoing portfolios
- 7 new programmes and projects in Armenia, Morocco, Republic of Moldova, The Sudan, Syrian Arab Republic and Yemen (2), for a total IFAD investment of US\$120.3 million
- supplementary financing worth US\$5.1 million provided to ongoing programmes in Djibouti and The Sudan
- 1 results-based country strategic opportunities programme (COSOP) for Azerbaijan

¹⁰ Raw data was sourced from the 2010 Human Development Report of the United Nations Development Programme. Population figures include all countries in the region. The following countries were excluded from the poverty ratio calculation due to lack of data: Cyprus and Malta.

Our work and results in Central and Eastern Europe and the Newly Independent States in 2010

IFAD has three closely interlinked priorities in this region:

- promoting rural financial services
- establishing links to markets for smallholders to enable them to sell their produce at good prices
- developing the non-farm rural economy by supporting small and medium-sized enterprises

Lack of access to credit and other financial services is a major impediment to poverty reduction in the region's rural areas. We therefore focus on strengthening financial infrastructure and boosting rural economic opportunities, including microenterprises.

In Azerbaijan, over 6,000 people were trained in business skills in 2010. Microenterprise and financial service projects created another 6,000 new jobs in Albania, Armenia, Azerbaijan and the Republic of Moldova. Non-financial services, such as business development and advisory services, were also provided to some 1,500 enterprises.

A recent assessment in the Republic of Moldova found that our rural finance initiative was particularly successful in creating jobs for young people. The initiative created almost 4,000 new jobs, two thirds of them for people of 30 and under.

Dairy investments through the recently completed Rural Areas Economic Development Programme in Armenia have directly created almost 400 jobs. The economic impact of processors' milk purchases has added up to around US\$8 million. This has indirectly created the equivalent of almost 800 full-time jobs, 70 per cent employing women.

Parts of the region also face water shortages. When we began working in northeast Azerbaijan, degradation of irrigation infrastructure had left more than half of the agricultural area without watering systems. In two years of work, the amount of irrigation water reaching farms jumped by 100 per cent. Farmers now manage the project through water user associations, which also provide help with advanced technologies, marketing and processing.

Irrigation schemes enable farmers to grow more high-value crops, raising their incomes. In an IFAD-supported project in Armenia, one hectare of irrigated land typically produces 15 to 20 tons of vegetables, 5 to 8 tons of fruits, and 3 to 5 tons of grain. Non-irrigated land raises just 1.5 tons of grain.

Policy, partnerships, knowledge management and communications

During 2010, we worked to build long-term partnerships in both regions that improve our ability to:

- define joint strategies for smallholder agricultural development, rural poverty reduction, food security and sustainable use of natural resources
- mobilize cofinancing and supplementary funds
- help country recipients implement IFAD-supported operations
- pilot innovative activities through stand-alone grants
- promote knowledge management

During the IFAD Governing Council meeting, stakeholders from the region gathered at a side event to discuss joint strategies for adapting management of water resources to cope with the effects of climate change. The event illustrated the potential effects of climate change on natural resources, the agrifood sector and national economies. The conclusions demonstrated the need for new technologies to increase food production in the face of climate change, and the importance of building on indigenous experience and traditions in managing water scarcity.

In terms of cofinancing, we finalized landmark agreements during the year with two of our biggest partners in the region – the Islamic Development Bank (IsDB) (see page 51) and the OPEC Fund for International Development (OFID) (see page 51).

The first programme to be cofinanced under the agreement with IsDB, the Economic Opportunities Programme in Yemen, will be run by a public-private partnership created by the government. The programme will link rural producer groups with markets and services. The IsDB will provide US\$10.5 million in cofinancing.

A meeting in January with the Agence Française de Développement resulted in a US\$27 million cofinancing arrangement for the Integrated Livestock Development Project in the Syrian Arab Republic.

Story from the field

North Africa and Near East

Graduating to a new life farming Egypt's desert

Every year around 700,000 young people graduate from Egypt's vocational schools. With not enough jobs to go around, many end up unemployed. At the same time, Egypt faces challenges in ensuring stable food supplies for its expanding population. Solving both of these problems is the goal of a project supported by IFAD in West Noubaria, part of the 'new lands' being reclaimed from the desert.

In partnership with government, the project aims to turn unemployed graduates into smallholder farmers and to help them establish sustainable, profitable farms in this region about 90 kilometres from Alexandria. It offers loans to buy land, plus training and other kinds of support.

One of the young men cultivating this new farmland is a Cairo University graduate in agricultural engineering. Since finishing university, Ahmad Abdelmunem Al-Far had worked only occasionally, in a garage or as a waiter. His life changed when he responded to an announcement offering opportunities on reclaimed land for unemployed graduates.

On half of his two-hectare plot, Ahmad planted oranges, a cash crop. "Oranges sell very well in the summer because of the high demand from hotels and restaurants," Ahmad said. "The project staff

accompanied us from the very beginning, from seeding to harvest, providing technical advice, seeds, fertilizers, pesticides and market information. Thanks to project support, I was able to produce 16,000 kilograms of oranges in the first harvest four years ago...."

The 36,000 farmers in West Noubaria have notched up some eye-catching successes. They supply oranges and mozzarella cheese to resorts in Egypt's Sharm-el-Sheikh, and export peanuts to Germany and sun-dried tomatoes to Italy and the United States. Heinz buys more than 6,000 tons of tomatoes each year from 300 project farms.

As the people have arrived, services have followed. Schools and health care are available locally now. The children of these new farmers are growing up calling what was once desert, home. And they are putting down roots that will strengthen the community through the generations. The formerly unemployed graduates are building their own lives while helping to sustain the lives of their fellow citizens.

In West Noubaria, the H.J. Heinz Company provides project farmers with seed and buys their tomatoes at an agreed price
Egypt: West Noubaria Rural Development Project
©IFAD/T. Al Ghanem



Story from the field

Central and Eastern Europe and the Newly Independent States

Women: A force for change in post-war Bosnia and Herzegovina

The aftermath of the war in Bosnia and Herzegovina hit women especially hard. Along with poverty and the breakdown of social cohesion came a return to traditional attitudes. Many women who once held prestigious jobs found themselves expected to stay home engaging in domestic duties. As men went abroad in search of work, they became heads of household in about a quarter of the country's homes. But they lacked access to land, training, financial services and equipment, and earning a living was difficult.

Nevertheless, today numerous women are running successful small and medium-sized enterprises, many of which have been supported by our Livestock and Rural Finance Development Project. The women have become a driving force for change.

One of them is Ljubica Rados, once a struggling single mother. Living in the municipality of Gornji Vakuf-Uskoplje, an area famous for its forest vegetation, she decided to use her background in retail to start a business trading forest products. In 2000, she registered her company, Flores, which exports medicinal herbs and mushrooms.

It took her three years to find a source of credit. In 2003, Rados received US\$25,000 from the project, part

of which went towards the purchase of a cooling and drying room. She used the rest to cover start-up costs.

The business flourished. In 2006, just three years after its initial export of 16 tons of mushrooms, the company shipped a record 400 tons. Flores has about 2,000 seasonal workers, most of them women who welcome the income they earn gathering mushrooms and herbs.

"To begin with, I hired a specialist to train the workers in collection techniques and management skills," says Rados. "Then I became qualified as a trainer myself, and now I organize regular training sessions."

Recently, Flores has become a guarantor for an IFAD microcredit loan for 48 farmers, half of them women. Flores helps the farmers get started in strawberry production. "We then purchase the products from the farmers and export the fruit to Croatia," Rados says. "We plan to expand into cabbage production, following the same formula." As hundreds of her employees can attest, it is a winning formula.

With the support of another IFAD-supported project in the country, Fatima Gerzic and other small producers from the Bosanska Krupa Municipality sell their medicinal, aromatic plant and organic honey products at the TIM-MED cooperative store
Bosnia and Herzegovina: Rural Enterprise Enhancement Project
©IFAD/P. Marchetti



A smallholder farmers' organization distributes oil palm seedlings raised in a private-sector partner's nursery on Bugala Island, Kalangala District Uganda: Vegetable Oil Development Project
©IFAD/S. Beccio →



Measuring results and improving development effectiveness

Report on IFAD's Development Effectiveness

The Report on IFAD's Development Effectiveness (RIDE) is our primary tool for accountability and reporting to our governing bodies and is available online. The 2010 edition is the first of the Eighth Replenishment period.

The RIDE follows the structure of the Results Measurement Framework (RMF), and also tracks progress against key targets and indicators set out in IFAD's Medium-term Plan.

In terms of outcomes and emerging impact of completed projects reviewed in 2009 and 2010, performance was particularly strong for relevance, innovation and gender equality. In these areas, the current level of achievement exceeds the targets set for 2012. We have reached, or are close to, the current targets for effectiveness, sustainability, replicability and scaling up. In the area of efficiency, achievements made during the review period fell somewhat short of the target.

Project performance in terms of impact on rural poverty has slightly improved, with the highest ratings given in the areas of human assets and physical assets. Remarkable improvements were also observed in the area of targeting. After substantial improvements during 2007 to 2008, IFAD's performance in terms of sustainability of benefits plateaued. It thus continues to remain an area of concern. Overall performance in 2009 to 2010 showed improvements, and most targets set for the Eighth Replenishment period were either already reached, or reachable.

IFAD has been identified as an emerging pioneer in enterprise risk management, and the RIDE finds us performing well in the crucial area of financial mobilization and management. The rising level of domestic cofinancing of projects and the growth in donor funds entrusted to IFAD's management suggest that we are also emerging as a leader in smallholder development.

Quality enhancement and assurance

Quality enhancement is the internal technical review process that helps ensure that best practices from IFAD and other agencies are incorporated into the design of new projects. Areas such as compliance with our policies, technical analysis, targeting, gender and environmental aspects are focused on during these reviews. Following quality enhancement, project design is amended according to the panel's recommendations and submitted to the independent quality assurance review. This is the final step before loan negotiations and submission of the project to the Executive Board.

In 2010, 32 projects, including Global Environment Facility (GEF) projects, were reviewed by quality enhancement, and 36 were submitted for quality assurance review. Of the 36 projects, 16 were cofinanced with another international financial institution acting as a primary or lead financier. Compared with last year, this represents a 26 per cent increase in the number of cofinanced projects submitted to quality assurance for review. This is an indication of the growing role partnerships and multiple sources of funding are playing in IFAD's project development and implementation.

During the year, efforts were made to deepen the knowledge management 'feedback loop' between the two review stages. Consequently, project designs that did not satisfactorily incorporate the first panel's recommendations were consistently flagged for improvement by quality assurance reviewers.

Frequent issues highlighted by reviewers in 2010 related to the need to:

- strengthen logical frameworks and performance indicators
- improve the targeting strategy and gender mainstreaming
- ensure compliance with IFAD's Rural Finance Policy
- undertake better market assessments
- improve the institutional analysis

- reduce the complexity of the design
- consistently include governance and anticorruption frameworks in project design

Ratings, since the quality enhancement and assurance processes were introduced, point to successive improvements in the quality of project design. In 2010, for the first time, all projects were cleared for presentation to the Executive Board without major delays. Moreover, external reviewers judged that 86 per cent of them were likely to achieve their development objectives, compared with 79 per cent in 2008 and 2009.

Nevertheless, other indicators regarding quality-at-entry measured against IFAD's RMF indicators, were more varied. On the whole, the average overall quality-at-entry rating was unchanged from the previous year at 4.4, which is moderately satisfactory. The percentage of projects rated favourably for effectiveness of thematic areas, projected impact on poverty measures, and gender equity and target population increased to over 90 per cent. However, the percentages of projects with satisfactory ratings for sustainability of benefits, and innovation, learning and scaling up were lower than in the previous year (Table 2).

Country presence

We continued to expand our presence in the countries where we work during 2010, with 30 country offices covering 32 Member States approved by the end of the year. The country office in Guinea was the only one not able to start work, due to security concerns.

As we step up supervision of the programmes and projects we fund, having more people on the ground is making that supervision more efficient. In many cases, the country office staff provide the leadership

for supervision missions. Follow-up on recommendations made during missions is usually more immediate and often more effective. Although they focus mainly on investment projects, country offices are also effective instruments for supervision and follow-up of IFAD grants based in the country.

During 2010, we began to issue direct contracts for country office staff. At the end of the year there were 11 professional staff outposted, with more following in early 2011. Some 22 locally recruited national staff were contracted directly by IFAD, while the remaining staff were contracted through the hosting agencies.

In the countries now covered by country offices, we finance a total of 135 projects – 125 ongoing and 10 that have yet to start work. These projects account for 51 per cent of IFAD's current portfolio in number terms, and 60 per cent in value terms.

Anticorruption, institutional oversight and accountability

When corruption hits IFAD-funded programmes and projects, it hampers our ability to reduce rural poverty. IFAD's anticorruption policy, adopted in 2005, includes a zero-tolerance approach to fraudulent, corrupt, collusive or coercive practices affecting the activities we support. The Office of Audit and Oversight continues to undertake unhindered investigations into allegations of fraudulent and corrupt practices, as well as misconduct.

In 2010, 43 complaints or allegations – both internal and external – were received of fraud and corruption in our programmes and projects, as well as other misconduct. Eighteen allegations, including some received in 2009, were outstanding and to be potentially investigated at year-end. There was a modest increase – of about 24 per cent – in the number of external allegations received in 2010.

TABLE 2
Quality-at-entry ratings, 2010

RMF indicators	Description	Average rating	Moderately satisfactory or better ratings ^a (percentage)
1	Effectiveness of thematic areas	4.6	97
2	Projected impact on poverty measures	4.7	97
2D	Gender equity and target population	4.7	92
3	Innovation, learning and scaling up	4.1	78
4	Sustainability of benefits	4.3	72
Overall rating		4.4	75

^a The quality-at-entry ratings are based on a scale of 1 to 6, with 1 being highly unsatisfactory and 6 being highly satisfactory. The percentage indicates the number of projects receiving a rating of 4 or better out of the total number of projects.

The increase that was expected as a result of IFAD's move to direct supervision did not materialize. Therefore, the number of external allegations has only slightly increased.

In accordance with IFAD's sanctions process, the Sanctions Committee considers and decides on substantiated allegations. Possible measures include suspension or cancellation of loans, debarment from participating in any IFAD-financed activity and referral to national authorities. For internal cases, the Committee makes its recommendations to the President. Appropriate sanctions are then applied.

In 2010, the charter for the Office of Audit and Oversight was revised to maintain alignment of the audit function with international standards. This has further strengthened the Office's independence. Towards the end of the year, IFAD introduced a requirement for an annual certification of compliance with our Code of Conduct and financial disclosure for all staff.

We continued our drive to improve transparency and accountability within the organization. As part of ongoing work to mainstream enterprise risk management, we formulated the first IFAD corporate risk profile. We also launched a project to introduce a management assertion/external audit attestation on the effectiveness of internal controls on financial reporting, and we were the first United Nations organization to do so.

Independent evaluation Overview of the eighth Annual Report on Results and Impact of IFAD Operations

The eighth Annual Report on Results and Impact of IFAD Operations (ARRI) produced in 2010 synthesizes results and impact from 17 IFAD-supported projects evaluated in 2009. It also draws on the conclusions of 2 corporate-level and 11 country programme evaluations undertaken between 2006 and 2010. The ARRI was presented to the December session of the Executive Board, together with management's response.

The 2010 ARRI presents the following key results:

- Overall project achievement has improved steadily from 2002 to 2004 and from 2007 to 2009, with a higher proportion of projects rated as moderately satisfactory and satisfactory. However, over half the projects rated in 2007 to

2009 were only moderately satisfactory and none were highly satisfactory.

- The overall impact of IFAD's work on rural poverty has also shown a steady improvement over time. In 2002 to 2004, 48 per cent of projects were rated in the overall satisfactory category. In 2007 to 2009, 49 per cent were rated moderately satisfactory and 37 per cent were satisfactory.
- IFAD has been working hard over recent years to improve its record on sustainability – the continuation of benefits after projects close. Some 65 per cent of projects were rated moderately satisfactory or satisfactory for sustainability in this year's ARRI, compared with just 40 per cent in the 2002 to 2004 project sample.
- Promotion of innovations through IFAD-supported projects remains a strong point. The 2007 to 2009 averages show that 47 per cent of projects evaluated were moderately satisfactory for innovation and 48 per cent satisfactory.
- The relevance of IFAD-funded operations – to the country context, the needs of project participants, the priorities of local institutions and the policies of donors and partners – is generally high. However, in some cases objectives are overambitious and project strategy is not fully appropriate to meet these.

This year's ARRI, for the first time, includes a dedicated chapter on the performance of IFAD-funded country programmes, based on evaluations carried out in 2006 to 2010.

As in past years, the 2010 ARRI also identified weaknesses to be addressed by IFAD. The performance of the majority of IFAD-supported operations is rated as moderately satisfactory. Performance is wholly satisfactory in only a few criteria, such as relevance and innovation, and few projects are highly satisfactory in any criteria. Our impact on rural poverty is generally good, but impact on natural resource management and on the environment is poor.

Improvements have been achieved in sustainability, but various factors still need to be addressed if results are to improve further. We need to more effectively introduce technologies that are appropriate to the needs and capacities of the

communities we work with. And we need to design exit strategies early on during the life of a project. Exit strategies are plans for the successful completion of activities in a way that guarantees sustainability once the project is closed.

While our promotion of innovations is good, scaling up is constrained by less effective performance in policy dialogue, knowledge management and partnership-building. Overall, the efficiency of IFAD-assisted operations remains weak. There have been only marginal improvements since 2002, with one in three projects financed by us remaining moderately unsatisfactory or worse in this criterion. IFAD's institutional efficiency remains a challenge.

In the response to the ARRI, management noted that the Office of Evaluation rates projects using a set of standard criteria, irrespective of the specific objectives of the projects. In many cases too, projects are being evaluated against criteria that were not in use when they were designed. This makes the achievement of higher ratings difficult and a highly satisfactory rating very improbable.

Management's self-assessment of 50 completed projects reviewed in 2009 and 2010 shows very similar results to the ARRI, particularly for relevance and impact on rural poverty. For government performance, effectiveness and sustainability, the self-assessment shows more positive outcomes. On the other hand, for innovation, independent evaluation shows a much higher performance.

Management agrees with the ARRI finding that the efficiency of IFAD-funded projects is weak. But it also noted that because we work in the most remote and difficult areas, with groups of people who have not been reached before, the cost of interventions necessarily increases. Management recognizes the need to improve IFAD's institutional efficiency. It has identified indicators for measuring performance and has set targets.

Other evaluation activities in 2010

During the year, the Office of Evaluation evaluated our capacity to promote innovations that work for poor people and that can be replicated and scaled up for rural poverty reduction. It also evaluated country programmes in Argentina and Mozambique. And it contributed to the self-evaluation of the country programme in China by IFAD's Asia and the Pacific Division.

In Argentina, relatively high levels of per capita income hide marked inequality and deep pockets of rural poverty persist, particularly in the north of the country. IFAD's work with the government to reduce rural poverty is therefore still highly relevant. The evaluation found that the impact on institutions and policies that deal with agriculture and rural development was the most successful aspect of our partnership with Argentina. We played an important role in supporting the country in a process of transformation in favour of rural development and smallholder farming as a strategic sector for rural poverty reduction, and an essential contributor to food security. Support for vulnerable populations, including young people, women and indigenous peoples, has also been satisfactory.

There have been problems, however. Implementation processes have suffered long delays, which have significantly affected the country portfolio's effectiveness and efficiency. Enabling small-scale rural producers to gain access to financial services has been a challenge. And it remains an unresolved issue in the context of a limited institutional financial sector within the rural economy.

In Mozambique, the evaluation noted that IFAD had made an important contribution to agriculture and rural development in remote and marginalized areas of the country. It also showed that our emphasis on high-value and cash crops as an effective avenue out of poverty was highly relevant. On a less positive note, progress in achieving our strategic objectives has been only moderately satisfactory, and much remains to be done.

The evaluators themselves were also evaluated this year. The final report of the Peer Review of IFAD's Office of Evaluation and Evaluation Function was completed at the beginning of 2010. The peer review was undertaken by the Evaluation Cooperation Group of the multilateral development banks. The report made seven recommendations, all of which were broadly endorsed by the IFAD Executive Board. By the end of 2010, the Office of Evaluation had already taken steps towards implementing the main recommendations, transforming its approach to project evaluations, and strengthening its financial systems, human resource management and administrative processes.

For more on the Office of Evaluation:
<http://www.ifad.org/evaluation/index.htm>

Performance-based allocation system

The performance-based allocation system (PBAS) allocates IFAD's loan and country grant resources, including grants under the debt sustainability framework, to country programmes. The system bases allocations on population, per capita gross national income and country performance. Several other development finance institutions use a PBAS, including the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the Global Environment Facility, the Inter-American Development Bank, and the International Development Association of the World Bank. All these international financial institutions implement a system that assesses both performance and need. Together with IFAD, they meet annually to review issues and progress.

During the year, we reviewed the rural sector performance data across regions to ensure consistency. As a result, we improved the scoring approach using the Transparency International index as our example. The Asian Development Bank hosted the sixth PBAS technical workshop in August. In summarizing the status of PBAS implementation, participants agreed that the current PBAS is generally working well and that measures are being considered to strengthen assistance to fragile and small states.

All IFAD loans and country-specific grants presented to the Executive Board for approval in 2010 were within countries' PBAS three-year allocations.

Scaling up successful interventions to increase development impact

Scaling up – broadly defined as replicating, expanding and adapting successful approaches and innovations – is key to effective development. A review of IFAD's approach to scaling up was completed in 2010 in collaboration with the Brookings Institution. It included country and thematic case studies and a review of our operating model. The review highlighted that innovation, learning and scaling up are separate, albeit linked processes, which are at times complementary, but which also at times compete. The innovation-learning-scaling up cycle is not linear or fixed. Scaling up is critical to IFAD's mission.

IFAD has good examples of successful scaling up – including support to community development, provision of financial and non-financial services,

and rural enterprise development – that provide useful lessons. However, scaling up is not yet the prevailing focus in the activities we support. A systematic approach to scaling up would involve several key steps:

- moving from a project to a programmatic approach
- developing potential pathways for expansion early on and taking steps to plan and prepare for scaling up – going beyond traditional 'exit strategies'
- exploring the institutional, organizational, policy and partnership spaces that allow scaling up
- identifying internal and external partners – including technical and financial agencies, NGOs and the private sector – to work with on the ground to make scaling up happen

Pathways for scaling up differ by country and type of intervention. Following the Brookings review, we received encouraging feedback from the World Bank, Rome-based agencies, and other multilateral and bilateral development partners. We are now working to engage governments and country stakeholders in our efforts to scale up successful interventions, build partnerships and develop guidance tools for country programme management in support of the scaling up agenda.

Reforming human resources to empower people and deliver results

IFAD continued to make progress in human resources reform during 2010. The Country Presence Programme was strengthened, with 11 Professional staff outposted to the field and 22 in-country staff hired on IFAD contracts. We also completed the automation of a number of manual processes in order to improve internal responsiveness and accountability. Human resource processes that were automated included the staff performance management system and the first phase of the implementation of the e-recruiting module. This includes the creation of rosters for General Service and Professional fixed-term staff, and for consultants. It will be finalized in March 2011 with online applications and electronic screening of applications. A second phase will start after this.

Staff rules have been developed and are expected to be released in 2011. Work continued on the revision of the Human Resources Procedures

Manual. Out of 12 chapters, 8 were completed, with the remaining 4 to be finalized in 2011.

The corporate online induction programme was launched this year. This gives all new staff, at headquarters and in country offices, a three-hour overview of IFAD's organization, key business, internal processes and services.

We continue to strengthen the training module at IFAD. Training was provided to more than 400 staff members, covering managerial skills and courses in IFAD's core business areas. The SpringBoard and BreakThrough training programmes focused on talent development of a select number of General Service and Professional staff.

Following the implementation of e-Performance in 2009, we reviewed the process to increase effectiveness and efficiency, and place greater emphasis on performance enhancement. To strengthen IFAD's staff management, intensive training in performance management and coaching was organized for all staff with managerial responsibilities.

Staff numbers and statistics as at 31 December 2010 were as follows:

- 496 staff members, including staff of the IFAD Office of Evaluation. Of these, 260 were in the Professional and higher category, and 236 were in the General Service category.
- The Professional and higher category included nationals from 65 Member States, reflecting IFAD's diverse membership and merit-based recruitment. Within the Professional category, 43 per cent of staff were women, whereas in the General Service, women represented 82 per cent of the category. The overall ratio of women in IFAD was 61 per cent.
- 27 staff in the Hosted Entities (Global Mechanism and International Land Coalition): 20 in the Professional and higher category, and 7 in the General Service category.



Partnerships

This chapter gives highlights of what we have achieved with our partners throughout the year. Partnerships are at the heart of our work. The governments of our Member States are major partners as they own and implement the programmes and projects that we support. We also work hand in hand with poor rural people and their organizations, United Nations agencies, international financial institutions, other development organizations, NGOs and the private sector.

During the year, we focused on strengthening cofinancing partnerships to boost investments in rural development. We signed our first-ever cofinancing agreement with the Islamic Development Bank (IsDB) and an agreement with the OPEC Fund for International Development (OFID) to promote new financing mechanisms. We also continued to work in close partnership with the Global Environment Facility (GEF), the world's largest funder of projects to improve the environment.

Our partnership with the other Rome-based agencies enables us to cut costs and improve efficiency. During the year, an estimated US\$1.0 million was saved during pilot implementation of the Common Procurement Team.

We also built on our cooperation with the Alliance for a Green Revolution in Africa (AGRA), particularly in support of improving smallholder farmers' access to markets. And the third global meeting of the Farmers' Forum brought 70 farmers' leaders together at IFAD headquarters, many of them women.

During the Eighth Replenishment period (2010-2012), we are committed to making our approach to partnerships more systematic and strategic, and to broadening our partnership base.

Belgian Fund for Food Security

In January, the Belgian Survival Fund, an IFAD partner since 1983, expanded its focus and changed its name to the Belgian Fund for Food Security

(BFFS). The new BFFS targets the most vulnerable segments of the rural population, particularly women, by:

- Strengthening food security, in particular supporting people's safe and stable access to food, including through rural financial services and better access to natural resources.
- Working with partner countries to improve the capacities of local institutions and supporting a more comprehensive approach to food security and rural development.

At the same time, BFFS continues its focus on helping people meet their basic needs and gain secure access to health, water and education infrastructure.

During 2010, disbursement rates increased, as did measurable impacts of projects. In the past, capacity, planning and procurement issues slowed the transfer of funds, hampering completion of work. Between April and September, disbursement rose from just over 80 per cent to 100 per cent for a project in the Gash Barka region of Eritrea. As a result, 18 new health centres installed solar power, greatly improving night services and extending the shelf life of medicines. On their own initiative, communities have built maternity waiting homes near the health centres. Helping women avoid a long and dangerous journey to hospital just before delivery has significantly reduced maternal mortality.

In Chad, a nine-year project completed in June has brought a range of improvements to the lives of more than 3,000 women. With 67 new boreholes and 17 wells, the women spend much less time collecting water. They have also learned about post-childbirth hygiene and good practice, and been taught to read and write, enabling them to participate in local development programmes.

In Mali, new BFFS-funded health centres are motivating well-qualified health personnel to move to remote areas. In Mozambique, 26 water points were completed during 2010 as part of an artisanal

fisheries project. Since the project began work in 2002, more than 280 water points have been built, benefiting almost 20,000 households.

In the Niger's Maradi region, €310,000 (approximately US\$411,000) was granted for an initiative to help poor rural people cope with the food emergency. As a result, 10,000 extremely vulnerable households received food and seeds, and about 50 food banks replenished their stocks. Also in the Niger, BFFS is co-funding an initiative that is training nearly 300 women and young rural people in knitting, sewing, masonry and carpentry.

BFFS also co-funds activities to help secure women's access to land. For example, in the United Republic of Tanzania, a rangeland programme links community planning in villages to sustainable rangeland management while supporting women's land rights. And in the Niger, a pilot project for land security has enabled the issuing of 1,271 land titles to a total of 879 landowners, of which 134 are women. IFAD and other partners are looking into the possibilities for scaling up this pilot initiative.

In April, IFAD's Executive Board approved Phase II of the North-western Integrated Community Development Programme in Somalia. This programme will be implemented by a private-sector company, Transtec S.A. The Government of Belgium will provide the entire budget of US\$5.7 million through the BFFS.

For more on the BFFS: <http://www.ifad.org/bffs>

Global Mechanism

The Global Mechanism of the United Nations Convention to Combat Desertification supports countries to scale up financing for sustainable land management. It has been hosted at IFAD since 1997, reflecting our role in rural development, agriculture and sustainable land management. We are the largest contributor to the Global Mechanism.

Climate change financing, a strategic programme of the Mechanism, addresses the links between climate change and land degradation. The goal is to mobilize additional funding for the Convention. With support from the European Commission, this year IFAD worked with the Mechanism to increase developing countries' capacity to access funding for climate change activities. The emphasis has been on raising country-level financing for implementation of projects and on policy at the international level.

IFAD and the Global Mechanism worked with the Government of the Lao People's Democratic Republic to sharpen the focus of its natural resource sector strategy and investment plan. The goal was to improve efficiency, equity and sustainability by addressing issues related to globalization and regional competitiveness. We also supported work to mainstream sustainable land management and climate change into the country's agricultural and forestry plans.

In Viet Nam, we worked with the Global Mechanism on sustainable agricultural and rural development. The Mechanism provided input on sustainable land management and adaptation to climate change.

IFAD and the Global Mechanism participated in the 16th Conference of the Parties held in Cancun, November-December 2010, as part of the Global Donor Platform Consortium. And together, we supported a round-table session on climate change financing for the agriculture sector.

For more on the Global Mechanism:
<http://www.global-mechanism.org>

International Land Coalition

The International Land Coalition (ILC), a global alliance of civil society and intergovernmental organizations, promotes secure and equitable access to land for poor women and men. Its 81 member organizations represent more than 40 countries and include farmers' and civil society organizations, research institutes, NGOs and United Nations agencies. IFAD hosts the Secretariat.

This year, ILC completed a large research project on women's land rights in seven countries: Kenya, Madagascar, Malawi, Mozambique, Rwanda, Uganda and Zimbabwe. The initiative generated case studies and practical knowledge on securing such rights. The Coalition also collaborated with IFAD-funded projects and the Governments of the Niger and the United Republic of Tanzania to develop new approaches for decentralized land management and registration of rights. These approaches are directed to all categories of society, especially women, young people and pastoralists.

A 'learning route' peer-to-peer knowledge exchange programme brought together more than 25 practitioners from Africa with the Coalition's gender focal points from Asia and Latin America.

They formulated plans for evidence-based advocacy to promote women's land rights, replicating successful experiences.

Another learning route, on legal assistance for resolving land conflicts, took place in Latin America, involving young professionals from civil society and farmers' organizations. Recognizing that lack of access to land is a major factor driving young people to migrate to urban areas, the programme encouraged many of them to participate.

In India, young women and men from around Asia participated in a regional training of trainers workshop on participatory approaches to improve land access and food security. In the Philippines, a workshop was held to train paralegals on the country's new agrarian reform law. Also in Asia, various ILC members undertook projects on conflict documentation and mapping. These demonstrated the disproportionate impacts of land conflicts on women and young people.

In the face of growing commercial demand for land, ILC is working globally to help poor women and men obtain secure and equitable access to land. In addition, pilot activities to promote women's legal empowerment continued in Colombia, the Democratic Republic of the Congo, India and Pakistan. This initiative provided legal assistance to help women claim and defend such rights.

During the year, more than 130 experts from 40 networks and organizations worked together to develop an online Land Portal, which is scheduled for launch in 2011.

For more on ILC: <http://www.landcoalition.org>

Cooperation with Rome-based agencies

The Food and Agriculture Organization of the United Nations (FAO), the World Food Programme (WFP) and IFAD collaborate in many ways to further the global community's goal of eliminating hunger and poverty. By working together, we give Member States the benefit of our combined strengths. We have recently consolidated several functions to improve efficiency.

Pilot implementation of the Common Procurement Team that began in January 2010 focused on headquarters procurement. It has:

- generated savings through leverage and economies of scale

- rationalized planning and resources
- unified and integrated interfaces with the business community

During the pilot year, 17 tenders were issued with an aggregate value of US\$28.5 million, saving an estimated US\$1.0 million. The experience has facilitated collaboration among the divisions responsible for facility management, human resources, information and communications technologies, security and treasury.

IFAD and the World Health Organization (WHO) led a United Nations initiative to establish common treasury services. A contract was awarded in 2010 for a feasibility study to be carried out involving 19 agencies of the United Nations (including the Rome-based agencies). As one of the lead agencies, we have responsibility for project management (see page 65).

The disaster recovery facility to support IFAD's business continuity is now in operation. Hosted at FAO, the facility is designed to protect our core operations against disruptions, and minimize the business impact of a crisis, such as a natural or human-caused disaster. Critical applications running on IFAD servers, especially those involving financial and human resource information, are replicated automatically on dedicated servers at FAO. In the event of a disaster, the facility will allow us to continue with our operations with minimal disruption.

Consultative Group on International Agricultural Research and the Global Forum on Agricultural Research

The Consultative Group on International Agricultural Research (CGIAR) unites organizations engaged in agricultural research for development. Last year, IFAD served as co-leader of the group's Change Steering Team, which oversaw an extensive reform process. IFAD is a member of the new CGIAR Fund Council, a body representing CGIAR donors and other partners.

In 2010, we approved grants worth a total of US\$13.6 million for 15 CGIAR-led programmes.

We also continued to support the Global Forum on Agricultural Research (GFAR), which promotes worldwide collaborative research partnerships. In cooperation with the recently formed CGIAR

Consortium, GFAR organized the first Global Conference on Agricultural Research for Development, which took place in March in Montpellier, France. The conference showcased research performed by the Consortium and its partners in the global agricultural research system. IFAD's President, Kanayo F. Nwanze, addressed the conference and emphasized the fundamental role partnerships play in delivering the transformational potential of science and technology in rural development.

Through an agreement first signed in 2008 with the European Commission, IFAD is managing European Commission funds for agricultural research for development through the CGIAR Consortium. The budget totals US\$150 million over three years.

As an example, we work with the International Food Policy Research Institute (IFPRI), one of the members of the Alliance of CGIAR Centres. The collaboration enables us to pool our on-the-ground knowledge with IFPRI's policy research expertise. A year ago, IFAD and IFPRI initiated a joint three-year programme addressing market access and climate change in Ghana, Morocco, Mozambique and Viet Nam.

Through information sharing and assessment of innovative policies and programmes, our partnerships with the various CGIAR centres support efforts to improve access to productive assets and new markets for high-value commodities. And, in particular, by experimenting with new ways of connecting farmers to markets. For example, we continue to work with Bioversity International to raise the profile of neglected and underutilized species. Poor rural communities in the Plurinational State of Bolivia, India, Peru and Yemen received several tons of seed of improved varieties, which help to raise incomes and improve nutritional security of poor rural people, especially children. In other CGIAR programmes, IFAD also supports small farmers' access to markets that reward climate change mitigation practices.

Indigenous Peoples Assistance Facility

The IFAD Indigenous Peoples Assistance Facility works to strengthen indigenous communities and organizations by financing microprojects that build on their cultural distinctiveness, rights, knowledge and natural resources. Launched in 2007, the Facility

provides grants of US\$10,000 to US\$30,000 for one year. These grants complement our work with indigenous groups through the programmes and projects we support (see page 12).

Two successful calls for proposals were issued in 2007 and 2008, resulting in approval of 73 projects in 38 countries for a total amount of about US\$1.5 million. In addition to our contributions, funds have been provided by the World Bank and the Governments of Canada, Finland, Italy and Norway. Around 40 projects are currently being implemented in Africa, Asia and Latin America. The results and lessons learned from the two cycles of the Facility have been compiled in a report titled *Learning by working together*.

In Uganda, for example, a Facility grant helped over 360 Acholi families buy and raise chickens. It trained them in recordkeeping and marketing, as well as chicken rearing. Many young women and men participated. Some families used the income they earned to pay for school fees and materials.

Under the new medium-term strategy for 2010 to 2013, the Facility grant process is being revised and decentralized. Organizations will be selected regionally to manage the grants, from screening of proposals to disbursement, supervision and monitoring, in cooperation with IFAD's country programme managers. The medium-term strategy raised the funding ceiling to US\$50,000 and the grant implementation period to two years.

Global Environment Facility

Our partnership with the Global Environment Facility (GEF), an independent financial institution and the world's largest funder of projects to improve the environment, is a springboard for our work on environmental issues. It allows us to work with governments and communities to address both local priorities, such as reforestation, and global objectives, such as biodiversity conservation.

Natural resources are productive assets for rural communities and are fundamental to their livelihoods. Our collaboration with GEF increases our ability to help rural people manage those assets in the face of increasing environmental threats. These include degradation of land and water quality, and climate threats, such as changing rainfall patterns.

Through GEF partnership grants, we provide technical assistance to support projects such as

pro-poor ecotourism in northern Viet Nam and restoration of endangered alfa grass ecosystems to benefit pastoralists in Morocco.

Since 2004, IFAD has secured grants totalling more than US\$120 million and supported 34 projects, averaging US\$3.5 million per project. Almost all of these grants (29) are integrated into our loans worth a total of US\$370 million, which amplifies their impact. Early this year, we established an Environment and Climate Division to strengthen our integration of these issues into all of our operations.

IFAD will remain active in four of the six GEF focal areas: land degradation, biodiversity, international waters and climate change.

Islamic Development Bank

In 2010, we strengthened our partnership with the Islamic Development Bank (IsDB), signing a US\$1.5 billion cofinancing agreement. Over the next two years, the landmark agreement will make substantial funding available for development projects in 26 of the neediest countries where both organizations work.

Member states of IsDB played a decisive role in the founding of IFAD in 1977, and have continued to lend their strong support. Together, we have cofinanced projects totalling more than US\$112 million. And 40 per cent of the projects we support have changed lives in IsDB's member states. We have also jointly supported groundbreaking research, particularly on water-related issues, by institutions such as the International Center for Biosaline Agriculture in Dubai and the International Center for Agricultural Research in the Dry Areas in Aleppo, Syrian Arab Republic.

In June, IFAD's President signed the first country agreement with IsDB to cofinance the Yemen Economic Opportunities Programme. Preparations started during the year, and work is expected to begin in January 2011.

In delivering the keynote address at IsDB's annual symposium for 2010, IFAD's President highlighted the main priorities of the partnership: raising agricultural productivity by ramping up investment; ensuring smallholder farmers are treated as entrepreneurs; investing in young rural women and men; and building partnerships between the public and private sectors.

OPEC Fund for International Development

In the IFAD logo, OPEC countries represent one of the three stalks supporting an ear of grain. And the OPEC Fund for International Development (OFID) has been an IFAD partner since our founding more than 30 years ago. It remains one of our main partners, and with nearly US\$485 million in cofinancing for 85 joint operations, OFID is the third largest cofinancier of IFAD-sponsored programmes and projects globally. Together, we have cofinanced projects in more than 30 countries, on every continent but North America.

In cofinanced initiatives, OFID generally supports rural infrastructure, including water supply and rural roads, as well as farming assets, including agricultural equipment, animal restocking and private-sector agroprocessing facilities.

We strengthened our cooperation with OFID in 2010 by signing an agreement to promote new financing mechanisms that will encourage investment in agriculture. The idea is to attract private-sector investors and develop business models that bring benefits for both investors and local small farmers. In a joint communiqué, we observed with concern that agriculture has not received the required financial and technological resources for its development. And that governments have not given the sector the necessary priority. Together, we also called on donors and development institutions to harmonize their policies and align their programmes to support agriculture and food security in developing countries.

Upcoming collaboration will emphasize the private sector, trade finance and energy poverty. In welcoming OFID's Energy for the Poor Initiative, we agreed to explore ways of improving poor rural people's access to modern energy as a potent lever for economic and social development, and for achieving greater agricultural productivity.

The Alliance for a Green Revolution in Africa

IFAD cooperates with the Alliance for a Green Revolution in Africa (AGRA) to boost the agricultural productivity of smallholders and improve their access to inputs and markets.

In March, we took part in the AGRA Partnership Council, chaired by Kofi Annan, and held in Nairobi.

In September, we partnered with AGRA and other stakeholders to host the African Green Revolution Forum in Accra, Ghana. Held for the first time on the African continent, the forum attracted 250 participants. Promising steps were taken towards developing concrete investment plans for achieving a green revolution in the region. In a keynote speech to the forum, IFAD's President emphasized our efforts to support an 'evergreen' revolution for Africa. "The focus must be on young people and smallholder farmers," he said. "Without them there will be no African green revolution."

Raising food production is only half the job for farmers, and in 2010 we continued to work with AGRA on two marketing programmes in Kenya and Mozambique. Both of these were designed in collaboration with AGRA. Through the Equity Bank in Kenya, AGRA provides credit guarantees that help farmers purchase inputs. More than 30,000 farmers have obtained credit through this mechanism since the initiative began in 2009. In Mozambique, AGRA helps wholesalers and retailers to improve market outreach and access financing.

In 2010, IFAD's Executive Board approved the Marketing Infrastructure, Value Addition and Rural Finance Support Programme in the United Republic of Tanzania, with cofinancing from AGRA. The programme will consolidate and scale up gains made in two ongoing IFAD-funded marketing and rural finance programmes. AGRA is providing US\$6.9 million and will replicate its successful credit guarantee scheme.

We also work with AGRA in the context of the Coalition for African Rice Development (CARD) initiative. The Coalition was launched in 2008 with the aim of doubling African rice production in ten years. CARD's Steering Committee – currently co-chaired by IFAD – brings together a broad range of partners. The poor rural women and men assisted by CARD represent the entire rice value chain, from production through marketing activities, including processing, packaging, transport and storage. Ongoing work by CARD to link national rice development strategies to poverty reduction and growth strategies is funded by an IFAD grant given in 2009. The aim is to take stock of good practices and promote South-South cooperation.

We have also given grants worth a total of US\$1.2 million to the African Enterprise Challenge

Fund, housed in AGRA. The funds provide interest-free loans and grants to increase market opportunities for rural smallholders.

For more on AGRA: <http://www.agra-alliance.org>

African Development Bank

IFAD's collaboration with the African Development Bank (AfDB) goes back almost 30 years. During this time, AfDB has provided over US\$289 million in cofinancing for a total of 13 IFAD-supported projects in Africa. One such project, begun in 2008 in Madagascar, is working to improve rural people's access to financial services through farmers' organizations. It also aims to strengthen the organizations so they can participate more actively in policy decisions. Women and young people are being specifically targeted as potential members of these associations.

Another ongoing project, in Ghana, is strengthening institutional performance, outreach and client orientation in all segments of the rural financial system, with an emphasis on agricultural finance.

Together, we are establishing joint country strategic programmes in countries where the governments are in agreement, and where collaboration on supervision has moved forward in 2010. Efforts also began during the year to move beyond cofinancing of projects. Scaling up of successful operations, joint knowledge management work, and streamlining of project design and appraisal reports to make implementation more efficient are all additional areas where the two organizations intend to strengthen their cooperation.

Work with partners under the Comprehensive Africa Agriculture Development Programme

In 2010, implementation of the Comprehensive Africa Agriculture Development Programme (CAADP) continued to move forward rapidly, actively promoted by the Economic Community of West African States (ECOWAS) and its member states. IFAD supports the CAADP process and works in partnership with governments and other agencies to ensure that the interests of smallholder farmers are fully reflected.

The process moved from the development of CAADP compacts, to the finalization of CAADP

National Agriculture and Food Security Investment Plans. In June, ECOWAS hosted an ECOWAS/CAADP Business Meeting in Dakar, Senegal, that resulted in pledges of incremental financial support to implement investment plans. Follow-up meetings were held in Cape Verde, Mali and the Niger.

Similarly, the Common Market for Eastern and Southern Africa (COMESA) accelerated progress in the development of compacts and investment plans in East Africa, with major meetings held in Ethiopia, Kenya and Uganda. In the Southern African Development Community (SADC), countries are initiating the CAADP process, as are several countries in Central Africa and the Maghreb, though with less regional economic community support.

By the end of 2010, 21 countries and ECOWAS had signed compacts with stakeholders, and 14 countries had completed investment plans. Of these, four countries – the Niger, Rwanda, Sierra Leone and Togo – received funding from the World Bank-hosted Global Agriculture and Food Security Program (GAFSP), a multilateral funding mechanism.

Our role in supporting CAADP in West and Central Africa has been growing as African stakeholders themselves step up their leadership of the programme. IFAD remains the reference donor agency for supporting the role of farmer organizations in the process. We have also been a major voice ensuring that the roles and opportunities for women and young people are well reflected in all plans.

IFAD is also a member of the informal donor partnership group which coordinates support to CAADP overall. At country level, programmes we fund provide the basis for the design of several CAADP investment plans. As a result, the Governments of Sierra Leone and Togo have designated us as the supervising entity for GAFSP-funded programmes. Working closely together, the Government of Togo, IFAD and FAO prepared the first GAFSP programme to be approved by the steering committee at the end of 2010.

Global Donor Platform for Rural Development

IFAD is a founding member and co-chair of the Global Donor Platform for Rural Development. The Platform uses evidence-based advocacy to work for increased and more effective aid. And it highlights

the role that more effective investment must play in the achievement of the Millennium Development Goals (MDGs). It also develops member agencies' capacities to effectively support agriculture and rural development by facilitating shared learning and the consolidation of better practices. And it helps practitioners keep up to date with the latest knowledge and innovations.

In 2010, the World Bank, as one of the members of the Global Donor Platform, opted to make its study *Rising global interest in farmland* available via the Platform's website, and to invite major stakeholder groups to join an electronic discussion. Nearly 3,400 visitors downloaded the report. Ninety-six of them – from 33 countries – actively participated in the month-long eDiscussion.

Although women play a major role in food security and household welfare, spending on gender issues in agriculture and rural development remains critically low. A Platform Policy Brief issued in December 2010 sums up current thinking on the subject and makes policy recommendations.

In 2010, as part of the Global Donor Platform Consortium, we took part in the 16th Conference of the Parties in Cancun, November-December 2010, and supported a round-table session on climate change financing for the agriculture sector.

For more on the Platform:
<http://www.donorplatform.org>

Farmers' organizations

Our partnership with farmers' organizations keeps us connected with smallholder farmers and other poor people in rural areas. As a two-way channel, it also enables farmers to voice their needs and concerns on national and international platforms. And it ensures that they contribute to the design and implementation of the programmes and projects that we support.

The third global meeting of the Farmers' Forum took place at IFAD headquarters in Rome in February. It brought together 70 farmers' leaders representing millions of smallholders and rural producers. About 40 per cent of those attending were women. A progress report on our partnerships with farmers' organizations was presented, showing that participation of rural producers' organizations in the design and implementation of our country programmes is growing both in quantity and in

quality. A special session of the Forum was held to promote women's leadership in farmers' organizations (see page 11). To engage those who could not be present, we supported social reporting of the Forum. Ten volunteers covered it live, using Twitter, photography, videos and IFAD's social reporting blog.

IFAD also provided grants to farmers' organizations at country, regional and international levels. Recipients included the International Movement of Catholic Agricultural and Rural Youth and AgriCord, the network of agri-agencies supporting producers' organizations in developing countries. We also set up a small facility in partnership with AgriCord to support participation by farmers' organizations in designing country projects financed by GAFSP.

An important new partner emerged this year: the Pan-African Farmers Forum (PAFFO). This is the first continental forum in Africa entirely led by farmers. It brings their agenda to policy discussions, particularly with the African Union. IFAD co-funded the organization of PAFFO's Constitutive General Assembly in October in Lilongwe, Malawi.

Funding PAFFO is a component of the Support to Farmers' Organizations in Africa Programme, which was launched in 2009. It brings together the sub-Saharan African networks of farmers' organizations and benefits around 53 national organizations. The programme also supported the subregional networks in their engagement with regional economic communities.

In October, we hosted the International NGO/CSO Forum, which preceded the annual session of the Committee on World Food Security. The Forum enabled farmers' and other civil society groups to participate in the global discussion on food security.



Financing data and resource mobilization

The tables and charts in this chapter give detailed data for IFAD's ongoing and cumulative project portfolio. Table 1 and related charts (at the front of the report) also give key figures from 1978 to 2010.

Ongoing portfolio

In 2010, as in 2009, our ongoing portfolio continued to expand, reaching 234 programmes and projects at the end of the year (Table 3), as compared with 218 in 2009. Our investment in the ongoing portfolio also rose, to US\$4.2 billion as compared with US\$3.9 billion in 2009. IFAD's two sub-Saharan African regions – West and Central Africa, and East and Southern Africa – together accounted for 104 ongoing programmes and projects, with a cumulative investment of nearly US\$1.8 billion.

Cofinancing of IFAD-supported programmes and projects

Total cofinancing mobilized in 2010 rose by about 140 per cent over 2009 to a substantial US\$1.6 billion (Tables 1 and 4). The increase was seen across all types of cofinancing – from domestic sources

and external cofinanciers, the latter including multilaterals, bilaterals and NGOs. Multilateral cofinanciers continued to provide the bulk of external cofinancing during the year, followed by bilateral donors. Chart 9 shows the breakdown by type of external cofinancing of IFAD-supported programmes and projects for 2010.

Chart 10 shows the top 15 multilateral cofinanciers of IFAD-initiated programmes and projects to date, headed by the OPEC Fund for International Development (OFID), the African Development Bank (AfDB), the International Bank for Reconstruction and Development (IBRD) (of the World Bank Group), and the Arab Fund for Economic and Social Development (AFESD). Together, these four represent over 50 per cent of total multilateral cofinancing of US\$2.5 billion.

Chart 11 shows our top bilateral donors, with Belgium, the Netherlands, France, Germany and the United Kingdom the largest contributors. Together, they have provided nearly 70 per cent of total bilateral cofinancing worth US\$673.4 million since we started work in 1978.

TABLE 3
Ongoing programme and project portfolio by region^a
As at end December 2010

	Number of programmes and projects	IFAD financing ^b (US\$ million)
West and Central Africa	54	777.7
East and Southern Africa	50	1 010.3
Asia and the Pacific	58	1 336.5
Latin America and the Caribbean	30	487.8
Near East, North Africa and Europe	42	622.6
Total^c	234	4 234.9

Source: Project and Portfolio Management System.

^a The ongoing portfolio consists of approved programmes and projects that have reached effectiveness and have not yet been completed.

^b Amounts as per the President's report for each programme or project approved by the Executive Board. Amounts include debt sustainability framework (DSF) grants, component grants and contributions to IFAD replenishments. Grants unrelated to programmes and projects are not included.

^c Any discrepancy in totals is the result of rounding.

During the year, as part of our ongoing resource mobilization efforts to increase the total external resources available to our developing Member States, IFAD's Executive Board approved the Spanish Food Security Cofinancing Facility Trust Fund. The Trust Fund consists of a loan from the Government of Spain of €285.5 million (US\$400 million equivalent) and a grant of €14.5 million (US\$20.3 million equivalent) to be committed during the Eighth Replenishment period.

Priority country and regional financing

IFAD continues to emphasize assistance to least developed countries and countries with low food security. Of 2010 programme and project financing, 84.5 per cent was to low-income food-deficit countries (as classified by FAO) and 56.3 per cent to the United Nations-classified least developed countries. From a regional perspective, our two sub-Saharan African regions together received over 50 per cent of new financing for programmes and projects in 2010 (Chart 12).

TABLE 4
Financing of IFAD programmes and projects, 1978-2010
Amounts in US\$ million

	1978-1998	1999-2003	2004-2008	2009	2010	1978-2010
IFAD ^{a, b}	6 089.8	1 961.0	2 473.4	677.1	807.4	12 008.7
Cofinanced ^c	5 747.2	917.5	1 117.1	313.4	691.7	8 786.9
Domestic	6 785.1	1 312.1	1 425.1	372.0	928.3	10 822.6
Total^{d, e}	18 622.1	4 190.7	5 015.6	1 362.5	2 427.4	31 618.2
Number of programmes and projects ^f	521	128	144	33	33	859

Source: Project and Portfolio Management System.

^a Amounts as per the President's report for each programme or project approved by the Executive Board. Financing for programmes and projects includes loans, DSF grants, component grants and contributions to IFAD replenishments. It does not include other grants unrelated to programmes and projects.

^b Figures include IFAD financing for the Indonesia National Programme for Community Empowerment in Rural Areas Project approved in 2008.

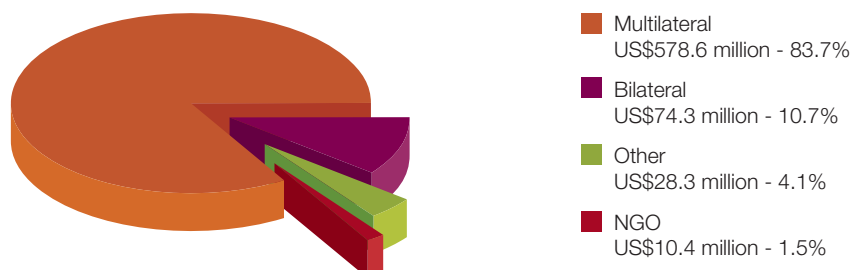
^c Includes cofinancing that may not have been confirmed at the time of Executive Board approval.

^d Total amounts may include additional financing for previously approved programmes and projects. Grants not related to programmes and projects are not included in this table.

^e Any discrepancy in totals is the result of rounding.

^f Fully cancelled or rescinded programmes and projects are not included.

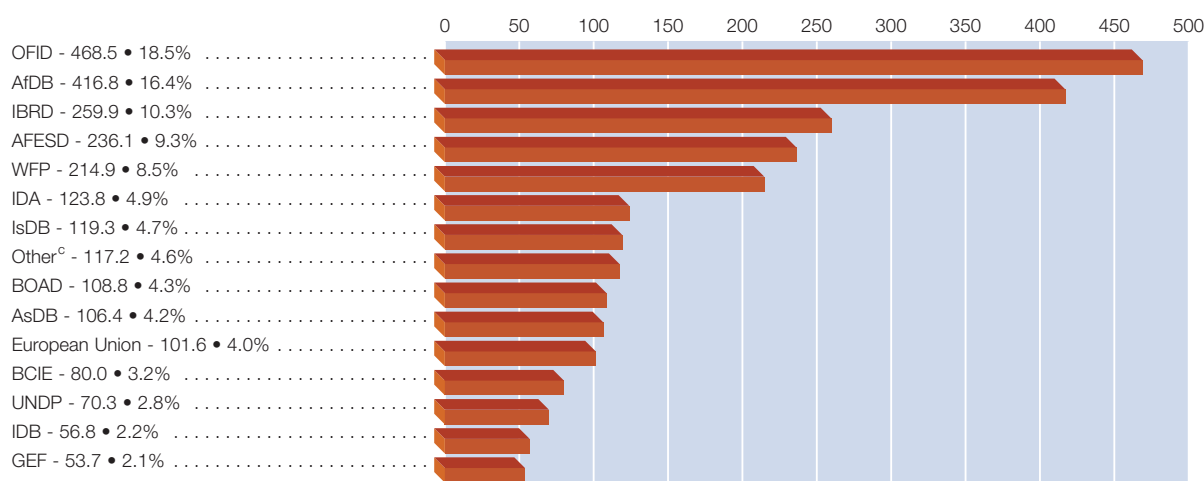
CHART 9
Cofinancing of IFAD-supported programmes and projects, 2010
Share of total of US\$691.7 million^a



^a Any discrepancy in totals is the result of rounding.

CHART 10
Cofinancing of IFAD-initiated programmes and projects by multilateral donors, 1978-2010^{a, b}

Amounts in US\$ million



Source: Project and Portfolio Management System.

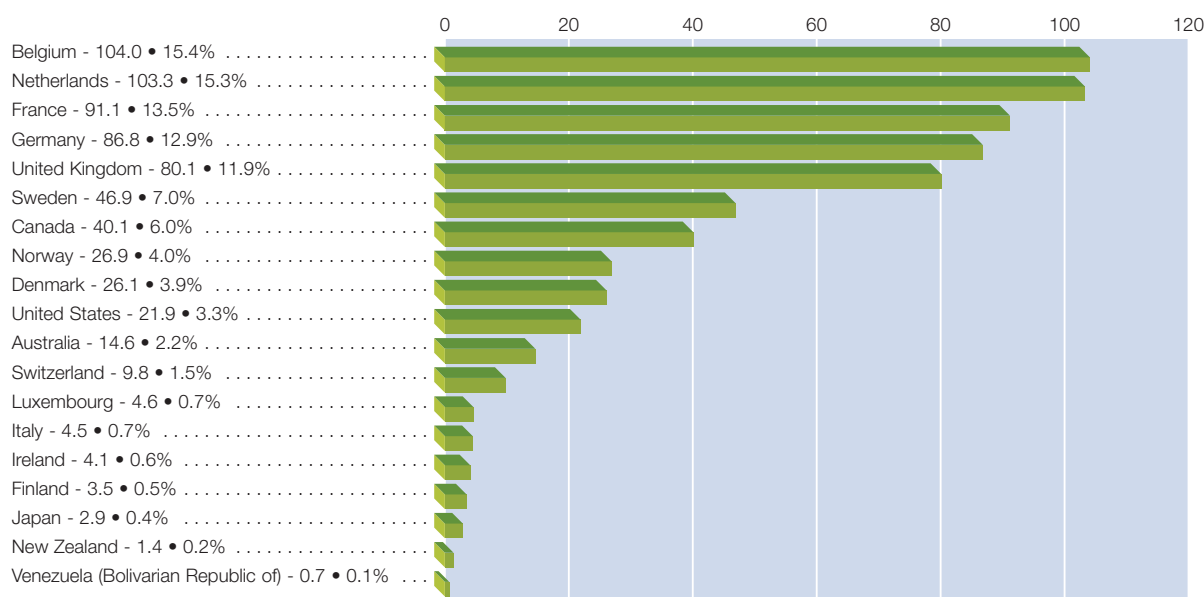
^a Amounts as per the President's report for each programme or project presented to the Executive Board. Any discrepancy in totals is the result of rounding. The amounts and percentages shown here represent the share of each multilateral in total multilateral cofinancing of US\$2,533.9 million. Multilateral participation in basket or similar funding arrangements is not included.

^b OFID = OPEC Fund for International Development; AfDB = African Development Bank; IBRD = International Bank for Reconstruction and Development; AFESD = Arab Fund for Economic and Social Development; WFP = World Food Programme; IDA = International Development Association; IsDB = Islamic Development Bank; BOAD = West African Development Bank; AsDB = Asian Development Bank; BCIE = Central American Bank for Economic Reconstruction; UNDP = United Nations Development Programme; IDB = Inter-American Development Bank; GEF = Global Environment Facility.

^c Other cofinanciers include: Arab Authority for Agricultural Investment and Development (AAAID); Africa Fund; Arab Bank for Economic Development in Africa (BADEA); Andean Development Corporation (CAF); Caribbean Development Bank (CDB); Economic Community of West African States-ECOWAS Bank for Investment and Development (ECOWAS-EBID); Food and Agriculture Organization of the United Nations (FAO); Global Agriculture and Food Security Program (GAFSP); Inter-American Institute for Cooperation on Agriculture (IICA); United Nations Capital Development Fund (UNCDF); United Nations International Drug Control Programme (UNDCP); United Nations Fund for Drug Abuse Control (UNFDAC); United Nations Fund for Population Activities (UNFPA); United Nations Children's Fund (UNICEF); and United Nations Development Fund for Women (UNIFEM).

CHART 11
Cofinancing of IFAD-initiated programmes and projects by donor Member States (bilateral), 1978-2010^a

Amounts in US\$ million

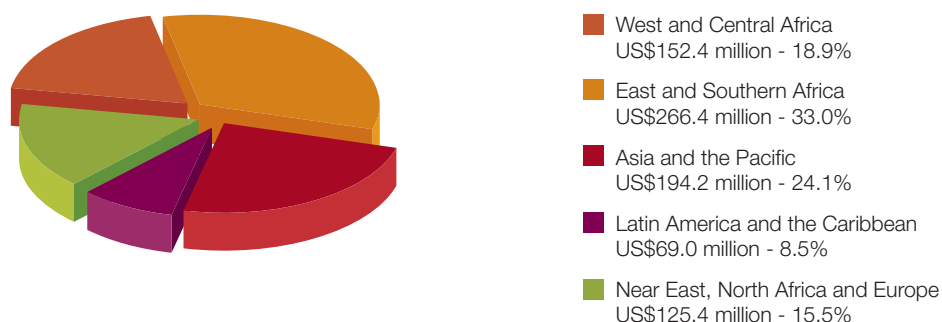


Source: Project and Portfolio Management System.

^a Amounts as per the President's report for each programme and project presented to the Executive Board. Any discrepancy in totals is the result of rounding. The amounts and percentages shown here represent the share of each bilateral in total bilateral cofinancing of US\$673.4 million. Bilateral participation in basket or similar funding arrangements is not included.

CHART 12**Regional distribution of IFAD financing for programmes and projects approved in 2010^a**

Share of total of US\$807.4 million



Source: Project and Portfolio Management System.

^a Financing for programmes and projects includes loans, DSF grants, component grants and contributions to IFAD replenishments. It does not include other grants unrelated to programmes and projects.**TABLE 5****IFAD financing for programmes and projects by region, 1978-2010^{a, b}**

Amounts in US\$ million

	1978-1998	1999-2003	2004-2008	2009	2010	1978-2010
West and Central Africa						
Total amount	1 041.3	398.7	377.7	113.6	152.4	2 083.8
Number of programmes and projects	113	32	29	8	5	187
East and Southern Africa						
Total amount	1 008.1	423.7	545.7	140.1	266.4	2 384.0
Number of programmes and projects	93	27	30	4	8	162
Asia and the Pacific						
Total amount	2 044.2	509.7	895.1	217.5	194.2	3 860.6
Number of programmes and projects	135	26	40	9	7	217
Latin America and the Caribbean						
Total amount	960.2	321.1	286.7	102.0	69.0	1 739.0
Number of programmes and projects	94	19	20	6	6	145
Near East, North Africa and Europe						
Total amount	1 035.9	307.8	368.3	104.0	125.4	1 941.4
Number of programmes and projects	86	24	25	6	7	148
Total IFAD financing^c	6 089.8	1 961.0	2 473.4	677.1	807.4	12 008.7
Total number of programmes and projects^d	521	128	144	33	33	859

Source: Project and Portfolio Management System.

^a Amounts as per the President's report for each programme or project approved by the Executive Board. Financing for programmes and projects includes loans, DSF grants, component grants and contributions to IFAD replenishments. It does not include other grants unrelated to programmes and projects.^b Total amounts may include additional financing for programmes and projects previously approved.^c Any discrepancy in totals is the result of rounding.^d Fully cancelled or rescinded programmes and projects are not included.

Financing by subsector

IFAD's investments over the last five years by subsector show a fairly even spread over our priority areas of work (Chart 13). The largest share has gone to support agriculture and natural resource management. This reflects our core commitment to sustainably boosting poor rural people's agricultural productivity so they are able to move beyond subsistence. Rural financial services is second in terms of funds invested, and markets and related infrastructure come a close third. These categories play a key role in our work to generate economic growth in rural areas and enable small producers to access profitable and transparent markets.

Allocation of programme and project financing by instrument and terms¹¹

The bulk of IFAD's financing for investment programmes and projects is in the form of loans on highly concessional terms.¹² In 2010, the value of highly concessional loans represented 66.3 per cent of the year's financing for programmes and projects. Grants under our debt sustainability framework (DSF) represented 18.8 per cent of the total (Chart 14).

As a share of IFAD's cumulative financing portfolio, DSF grants and highly concessional loans now represent 75 per cent, higher than the two-thirds target set out in IFAD's *Lending policies and criteria*. Figures for investments by financing terms are shown in Table 6, and figures for regional distribution of resources by financing terms can be found in Table 7.

CHART 13
IFAD current portfolio financing by subsector (at end 2010)

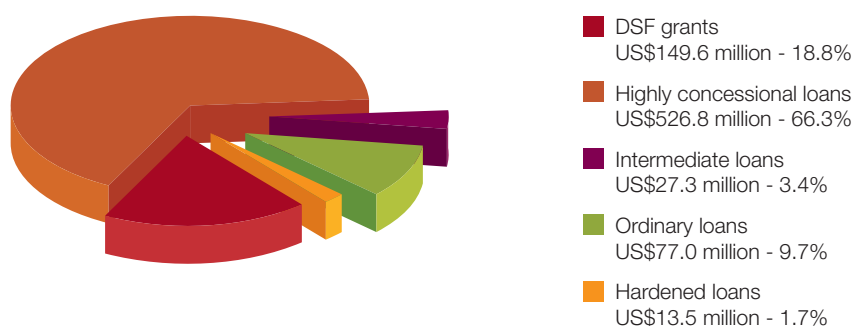


Source: Project and Portfolio Management System.

* Agriculture and natural resource management includes irrigation, livestock, rangelands, fisheries, research, extension and training.

** Other includes communication, culture and heritage, disaster mitigation, energy production, monitoring and evaluation, management and coordination, and post-crisis management.

CHART 14
IFAD loans by lending terms and DSF grants, 2010
Share of total of US\$794.2 million^a



^a Any discrepancy in totals is the result of rounding.

¹¹ These financing instruments and terms refer to loans and DSF grants made by IFAD to recipient countries. They have no bearing on the terms and conditions placed on credit lines offered through programmes and projects.

¹² In 2010, IFAD provided loans on four different types of lending terms: highly concessional loans that carry no interest charge, have a service charge of 0.75 per cent and are repaid over 40 years; loans on hardened terms that carry no interest charge, have a service charge of 0.75 per cent and are repaid over 20 years; intermediate loans that carry a variable interest charge equivalent to 50 per cent of the reference interest rate and are repaid over 20 years; ordinary loans that carry a variable interest charge equal to the reference interest rate and are repaid over 15 to 18 years.

TABLE 6
Summary of IFAD loans by lending terms, and of DSF grants, 1978-2010^a

Amounts in US\$ million

	1978-1998	1999-2003	2004-2008	2009	2010	1978-2010
DSF grants						
Amount	-	-	211.7	193.8	149.6	555.1
Number of grants	-	-	23	21	14	58
Highly concessional loans						
Amount	4 052.9	1 612.5	1 861.1	281.0	526.8	8 334.3
Number of loans	367	105	113	18	22	625
Hardened loans						
Amount	-	-	-	-	13.5	13.5
Number of loans	-	-	-	-	1	1
Intermediate loans						
Amount	1 354.7	171.3	172.1	87.6	27.3	1 813.1
Number of loans	116	12	11	4	1	144
Ordinary loans						
Amount	625.8	172.3	227.4	108.1	77.0	1 210.6
Number of loans	51	10	15	9	6	91
Total amount	6 033.5	1 956.1	2 472.4	670.4	794.2	11 926.6
Total number of loans and DSF grants^{b, c}	534	127	162	52	44	919

Source: Project and Portfolio Management System.

^a Amounts as per the President's report for each programme or project approved by the Executive Board. Includes Regular Programme loans, Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans and DSF grants. Includes a loan on highly concessional terms approved in 2005 for Indonesia made up of unused proceeds of a loan approved in 1997 on intermediary terms. Any discrepancy in totals is due to rounding.

^b A programme or project may be financed through more than one loan or DSF grant and thus the number of loans and DSF grants may differ from the number of programmes or projects shown in other tables.

^c Fully cancelled or rescinded loans are not included.

TABLE 7
Summary of IFAD loans by lending terms, and of DSF grants, by region, 1978-2010^a

Amounts in US\$ million

	West and Central Africa	East and Southern Africa	Asia and the Pacific	Latin America and the Caribbean	Near East, North Africa and Europe	Total
DSF grants						
Amount	181.0	180.8	96.0	17.1	80.2	555.1
Number of grants	19	14	10	5	10	58
Highly concessional loans						
Amount	1 758.0	2 065.5	3 210.4	388.7	911.8	8 334.3
Number of loans	174	149	185	38	79	625
Hardened loans						
Amount	-	-	-	-	13.5	13.5
Number of loans	-	-	-	-	1	1
Intermediate loans						
Amount	105.2	109.0	538.4	470.0	590.5	1 813.1
Number of loans	11	11	33	50	39	144
Ordinary loans						
Amount	21.3	10.7	-	857.8	320.8	1 210.6
Number of loans	3	3	-	62	23	91
Total amount	2 065.4	2 365.9	3 844.8	1 733.6	1 916.8	11 926.6
Percentage of total IFAD loans and DSF grants	17.3	19.8	32.2	14.5	16.1	100.0
Total number of loans^{b, c} and DSF grants	207	177	228	155	152	919

Source: Project and Portfolio Management System.

^a Amounts as per the President's report for each programme or project approved by the Executive Board. Includes Regular Programme loans, Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans and DSF grants. Includes a loan on highly concessional terms approved in 2005 for Indonesia made up of unused proceeds of a loan approved in 1997 on intermediary terms. Any discrepancy in totals is due to rounding.

^b A programme or project may be financed through more than one loan or DSF grant and thus the number of loans and DSF grants may differ from the number of programmes or projects shown in other tables.

^c Fully cancelled or rescinded loans are not included.

Loan disbursements

During 2010, IFAD disbursements of loans to borrowing Member States reached US\$457.5 million – their highest level ever (Table 8). Cumulative disbursements of loans under the Regular

Programme over the period 1979–2010 amounted to US\$7,351.1 million (72.8 per cent of effective commitments) at the end of 2010 (Tables 8 and 9). This compared with US\$6,893.6 million (76.9 per cent of effective commitments) disbursed at the end of 2009.

TABLE 8
Annual loan disbursement by region under the Regular Programme, 1979–2010^a
Amounts in US\$ million

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	1979-2010
West and Central Africa	34.2	34.2	30.4	36.0	33.0	34.5	48.6	61.4	62.3	57.8	61.8	64.4	66.8	66.0	1 063.5
East and Southern Africa	24.9	37.9	30.7	40.2	54.1	46.9	55.4	70.2	75.9	88.6	89.4	85.4	106.4	99.4	1 307.0
Asia and the Pacific	94.8	95.7	86.2	83.0	97.9	86.1	78.7	73.1	93.1	127.2	122.0	99.1	129.2	158.0	2 517.4
Latin America and the Caribbean	45.3	50.4	53.2	51.0	63.1	51.4	47.0	49.1	42.3	57.4	63.4	79.1	61.6	64.0	1 180.7
Near East, North Africa and Europe	28.9	55.5	70.2	59.7	43.2	44.5	56.1	57.6	68.0	55.9	62.1	96.1	73.5	70.1	1 282.5
Total amount^b	228.2	273.7	270.7	269.8	291.3	263.4	285.8	311.4	341.6	386.9	398.7	424.1	437.5	457.5	7 351.1

Source: Loans and Grants System.

^a Loan disbursements relate solely to Regular Programme loans and exclude the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification, and DSF financing.

^b Any discrepancy in totals is the result of rounding.

TABLE 9
Loan disbursement by region and lending terms under the Regular Programme, 1979–2010^a
Amounts in US\$ million

	Highly concessional	Intermediate	Ordinary	Total
West and Central Africa				
Amount	989.6	60.3	13.6	1 063.5
Percentage of effective commitment	75.1	100.0	76.3	69.7
East and Southern Africa				
Amount	1 216.4	89.4	1.2	1 307.0
Percentage of effective commitment	70.0	86.8	12.0	71.5
Asia and the Pacific				
Amount	2 140.2	377.2	0.0	2 517.4
Percentage of effective commitment	72.0	89.2	0.0	73.6
Latin America and the Caribbean				
Amount	311.6	389.3	479.8	1 180.7
Percentage of effective commitment	79.3	89.3	62.5	71.1
Near East, North Africa and Europe				
Amount	727.8	344.9	209.8	1 282.5
Percentage of effective commitment	84.8	68.8	75.4	76.9
Total amount	5 385.6	1 261.1	704.4	7 351.1
Total percentage of effective commitment	72.2	81.7	63.4	72.8

Source: Loans and Grants System.

^a Loan disbursements relate solely to Regular Programme loans and exclude the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification, and DSF financing.

Core resources and supplementary funds in 2010

IFAD's financing is drawn from several sources. This includes our initial capital, investment income, loan reflows and contributions from Member States and multilateral institutions. These contributions come through regular replenishments, held every three years, and in the form of supplementary funds.

Eighth Replenishment of IFAD's Resources (2010-2012)

In January 2010, IFAD entered the three-year period of its Eighth Replenishment. By 31 December 2010, Member States had pledged a total of US\$1,076.8 million for the Eighth Replenishment, 90 per cent of the replenishment target. Instruments of contribution deposited totalled US\$868.7 million and actual payments amounted to US\$611.5 million (57 per cent of pledges). At the same date for the Seventh Replenishment, actual payments amounted to US\$613.4 million (96 per cent of pledges).

IFAD's three-year US\$3.0 billion programme of work for the Eighth Replenishment period, combined with cofinancing, is expected to result in total investments in agricultural development, poverty reduction and improved food security worth US\$7.5 billion.

Ninth Replenishment of IFAD's Resources (2013-2015)

The Consultation on the Ninth Replenishment is scheduled to begin in February 2011 after the session of the Governing Council. The Consultation will establish priorities, policy and institutional directions, and the associated financing framework for IFAD in the Ninth Replenishment period.

Supplementary funds

Supplementary funds are resources provided to IFAD in addition to regular replenishment contributions.¹³ They include all funds channelled through us from one or more donors to finance or cofinance specific activities, programmes and projects, as indicated in the relevant agreement between IFAD and the donor.

The major agreements reached during 2010 were with partners, including the European Commission

and the Governments of Denmark and Switzerland. In July, IFAD signed the third Contribution Agreement with the European Commission in support of work by the CGIAR Consortium (see page 49). This established the legal framework for IFAD's administration of the 2010 European Commission's contribution of €17.5 million to the CGIAR. In December 2010, an additional €5.25 million Contribution Agreement in support of the CGIAR was signed with the Commission to support the programme for strengthening pro-poor agriculture innovation for food security in the Andean region through the International Potato Center.

With these new contributions, the total funding assured by the European Commission through IFAD to the CGIAR system amounts to €135.3 million for the period 2007 to 2010. The overall objective of this programme is to reduce food insecurity and poverty through agricultural development and rural innovations that work in favour of poor rural people.

As part of the European Commission's Food Facility, the Commission and IFAD signed a new agreement in 2010 for €20.0 million to work with the Economic Community of West African States (ECOWAS) in order to increase the availability of improved seed varieties and help small farmers boost agricultural production. These funds added to the €36.5 million already provided in 2009 by the Commission to increase food security in East and Southern Africa.

In December 2010, we signed an administrative agreement with Switzerland for the provision of CHF 1.7 million to support our work to improve projects in the water sector. We also signed a 27.0 million Danish krone cofinancing agreement with the Government of Denmark to support youth entrepreneurship in the Republic of Moldova.

In November, IFAD and the International Bank for Reconstruction and Development (IBRD) (of the World Bank Group), as Trustee of the GAFSP Trust Fund, signed a €3.4 million agreement for us to design and supervise two GAFSP programmes in Sierra Leone and Togo. The programmes have been awarded grants worth a total of US\$89 million by GAFSP, of which US\$70 million will be under our supervision.

¹³ The main resources of IFAD are those as defined in Article 4 of the Agreement Establishing IFAD. Supplementary funds are other contributions accepted to supplement these resources to enhance IFAD's operations and to build strategic linkages and partnerships with members. The supplementary funds referred to in this section finance specific programmes or activities and include resources that flow through IFAD to cofinance IFAD loan-supported programmes and projects. They do not include Associate Professional Officer resources or funds that IFAD administers on behalf of partner organizations hosted on its premises (the Global Mechanism and the International Land Coalition) or the Global Environment Facility.

Overall in 2010, IFAD received US\$59.6 million in supplementary funds, under agreements signed in 2010 and previous years, including US\$29.0 million under the European Commission's Food Facility. Table 10 shows supplementary funds received during the year.

IFAD's approach and support to debt relief and debt management

Debt relief plays a key role in reducing poverty in many of the world's poorest countries. During 2010, we continued to fully support work, at the international level, addressing the existing debt of poor countries through the Heavily Indebted Poor Countries (HIPC) Debt Initiative. We also used our debt sustainability framework (DSF) to ensure that vulnerable countries did not accumulate future debt.

Since the HIPC Debt Initiative was set up, many countries have made substantial progress in gaining access to debt relief. Over 90 per cent of eligible countries (35 out of 38) have passed their decision points, qualifying for HIPC Debt Initiative assistance from IFAD. Thirty-one countries have now reached completion point – at which they get full and irrevocable debt reduction – and seven are in the interim period between the decision and completion points.

At its December 2010 session, the IFAD Executive Board approved a decision point document for debt relief for the Comoros. In addition, five countries – the Congo, the Democratic Republic of the Congo, Guinea-Bissau, Liberia and Togo – reached their respective completion points and qualified for irrevocable debt relief. Our total commitments so far amount to approximately US\$715.3 million of debt service relief in nominal terms.

Enabling countries to maintain debt sustainability beyond completion point remains a concern, particularly during the current financial crisis. According to debt sustainability analyses, only about 40 per cent of countries that have passed their completion point currently have a low risk of debt distress. However, the number with a high-risk rating is increasing. This highlights the need for these countries to implement sound borrowing policies and strengthen their capacity to manage public debt. Multilateral creditors that participate in the HIPC Debt Initiative together monitor the levels of debt relief through the annual survey carried out by the World Bank. We participate in the survey, reporting all debt information as part of our responsibilities in the debt sustainability framework, and in liaison with the World Bank and regional development banks.

During 2010, 18.8 per cent of the total value of IFAD-approved financing for investment

TABLE 10
Summary of supplementary funds for thematic and technical assistance and cofinancing received in 2010
 Amounts in US\$ million

Donor	Thematic and technical assistance	Cofinancing (excluding parallel cofinancing)	Total
<i>Food Facility</i>		29.0	
<i>CGIAR</i>		8.1	
<i>Farmers' Forum</i>		2.0	
European Commission total		39.1	39.1
Spain	5.0	-	5.0
GAFSP (through the World Bank-IBRD)	3.8	-	3.8
Netherlands	0.1	2.5	2.6
Belgium	-	2.5	2.5
Switzerland	1.9	-	1.9
Denmark	-	1.4	1.4
COOPERNIC	1.4	-	1.4
Finland	0.7	-	0.7
Italy	0.4	-	0.4
Norway	0.3	-	0.3
United Nations Development Programme	0.3	-	0.3
Agence Française de Développement	0.1	-	0.1
FAO	0.1	-	0.1
Total	14.1	45.5	59.6

programmes and projects was in the form of DSF grants. Fourteen DSF grants were approved, for a total value of US\$149.6 million (Table 6). In response to the devastating earthquake that hit Haiti early in 2010, a debt-relief package was approved (see page 30).

Managing IFAD's liquidity, cash flow and financial policies

IFAD manages investments worth US\$2.8 billion for our regular programme of work, as well as an additional US\$0.3 billion on behalf of supplementary programmes and trust funds. Cash-flow operations reached US\$1.7 billion in 2010 compared with US\$1.5 billion in 2009, reflecting a 13 per cent growth.

In 2010, we completed a comprehensive review of our investment policy and minimum liquidity requirement. The recommendations will be implemented in 2011. To protect IFAD's investments from market volatility, we further reduced our holdings in securitized assets, exited from securities lending, and reallocated assets to better-performing fund managers. We also enhanced our investment guidelines and financial risk monitoring activities. These efforts contributed to a return above 3 per cent, which is robust given the current investment climate.

Consultations on IFAD's Ninth Replenishment began in February 2011. In preparation, we analysed the impact of different programme levels on the Fund's financial resources, under IFAD's change and reform programme.

As part of our efforts to mobilize resources for IFAD's work, we evaluated and structured financing alternatives, including funds to be borrowed from Member States. We also helped country offices to facilitate local payments and manage special commitments for operational disbursements.

IFAD is taking a leadership role in United Nations efforts to increase operational efficiency systemwide. We serve as co-chair of the Finance and Budget Network Working Group on Common Treasury Services. We also host, administer and coordinate the website for the United Nations Treasuries Community of Practice, the principal forum for interactions among United Nations treasuries.

During the year, IFAD improved the financial management of projects and loan and grant administration practices. A new loan administration model was introduced and staff completed a procurement certification programme. The main elements of the new model were successfully tested by decentralizing the processing of disbursements for the first time to an office outside headquarters – the IFAD Nairobi office. We also implemented more flexible lending terms, aligned to those of other international financial institutions.

The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the International Fund for Agricultural Development of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The designations “developed” and “developing” economies are intended for statistical convenience and do not necessarily express a judgement about the stage reached by a particular country or area in the development process.

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Margarita Ventura Pinula, a member of the AGRISEM farmers’ cooperative, sells vegetables at the Chicamán market

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