



ENABLING THE **RURAL POOR** TO OVERCOME THEIR POVERTY



IFAD was established

as a specialized agency

of the United Nations

in 1977 in response

to a resolution

adopted by the 1974

World Food Conference:

“An International Fund for

Agricultural Development

should be established

immediately to finance

agricultural development projects

primarily for food production

in the developing countries.”



- > IFAD's main objective is to provide direct funding and mobilize additional resources for programmes that promote the economic advancement of the rural poor – mainly by improving the productivity of on and off-farm activities. IFAD mobilizes resources and knowledge through a dynamic coalition of the rural poor, governments, financial and development institutions, non-governmental organizations (NGOs) and the private sector. By responding to the expectations of the rural poor, and with their active participation, the Fund strives to design and implement innovative, cost-effective, replicable programmes that have sustainable impact.
- > The bulk of IFAD's resources are made available to low-income countries on highly concessional terms, repayable over 40 years, including a grace period of ten years and a yearly service charge of 0.75%. Since its establishment, IFAD has financed 603 projects and programmes in 115 recipient countries and territories for a total commitment of approximately USD 7.7 billion in loans and grants. Beneficiary governments and other financing sources in recipient countries have contributed over USD 7.6 billion, while another USD 6.4 billion has been contributed by external cofinanciers, of which bilateral donors have provided over USD 1.1 billion, multilateral donors some USD 5.1 billion and various international NGOs USD 30.2 million.
- > Membership in the Fund is open to any state that is a member of the United Nations or its specialized agencies or the International Atomic Energy Agency. The Governing Council is IFAD's highest decision-making authority, with 162 Member States represented by a Governor and Alternate Governor. The Council meets annually. The Executive Board, responsible for overseeing the general operations of IFAD and approving loans and grants, is composed of 18 members and 18 alternate members. The President, who serves for a four-year term (renewable for a further term), functions as the Fund's chief executive officer and chairperson of the Executive Board. The current President of IFAD is Mr Lennart Båge, who is serving his first four-year term.

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Foreword

The commitment of world leaders expressed at the Millennium Summit – to halve the proportion of people living on less than one US dollar per day by 2015 – has created a new context for IFAD, an institution that has always focused on poverty eradication. This context gives IFAD new opportunities in fighting poverty. We are determined that these opportunities are used to the maximum, and it is with this in mind that I am pleased to present the first *Annual Report* of my Presidency.

The fact that 1.2 billion people are obliged to subsist on less than a dollar per day in degrading and often brutal circumstances is perhaps the most important challenge for humanity in the coming years. Three-quarters of the poor, some 900 million men and women, live in rural areas and depend on agriculture and related services, crafts and trade for their livelihood. In order to attain the Millennium Summit poverty goal, it is essential to create the conditions in which the poor, especially the rural poor, can raise their productivity and incomes and work their way out of poverty. This is why we have adopted *Enabling the Rural Poor to Overcome their Poverty* as IFAD's mission statement. IFAD's three key strategic objectives in this undertaking are: strengthening the capacity of the rural poor and their organizations; improving equitable access to productive natural resources and technology; and increasing access to financial services and markets. These objectives are key elements of the *Strategic Framework for IFAD 2002-2006*.

enabling the rural poor to overcome their poverty

The Fund's approach to realizing its mission and objectives is as a catalyst for best practices, at the same time using these to influence the direction and content of national and international poverty-reduction efforts. Positioning the rural poor at the centre of these efforts – by increasing the collective capability of governments, the private sector, civil society and development institutions – will maximize the direct impact of our projects and programmes and deepen the impact of our activities. If we want to make IFAD a more effective catalyst, then we must not only undertake programmes that help overcome poverty directly, but we must also draw on the experience thus gained to stimulate broader change in favour of the poor. While projects are essential in identifying and validating anti-poverty activities, sustainable poverty reduction requires that the lessons learned be used to bring about systemic change. Consequently, much of this year's work has been directed, on the one hand, to enhancing performance and impact and, on the other, to harnessing knowledge and disseminating it, influencing policies, supporting the development of partnerships and helping establish institutional and policy frameworks in support of the poor.

With regard to performance and to the demonstration of how, why and to what extent our activities contribute to the reduction of rural poverty, a methodological framework for impact assessment was developed in 2001. This framework has been designed to establish linkages with the Millennium Development Goals and to reflect a harmonization of evaluation criteria among multilateral development banks.

In the area of knowledge management and dissemination, in February 2001 IFAD published the *Rural Poverty Report 2001: The Challenge of Ending Rural Poverty*. Well received and acknowledged by development professionals and the larger public as an authoritative analysis of the current situation, the report has been presented in numerous seminars and meetings around the world. Its findings and recommendations were further elaborated in regional poverty assessments prepared by the five regional divisions of IFAD's Programme Management Department. Each of these studies provides an overview of the major regional characteristics and underlying causes of rural poverty and identifies opportunities for overcoming it.



With respect to influencing policies and supporting the development of partnerships, the year has seen IFAD take an increasingly proactive approach at international, national and local levels. For example, discussions have been held with the World Bank, FAO, WFP and the Development Assistance Committee of the OECD about collaborating on more forceful advocacy for rural development and agriculture. Cooperation has been deepened with our sister agencies in Rome (FAO and WFP), as demonstrated in the publication *Working Together* and our joint approach for the United Nations International Conference on Financing for Development (FfD) to be held in Mexico in March 2002. The three agencies are sponsoring a conference event on the theme of Reducing Poverty and Hunger: The Role of Agriculture, Food Security and Rural Development.

At the national level, the Fund seeks to ensure that those knowledgeable about poverty in the context of rural development and agriculture are fully involved when poverty-reduction strategies are being discussed, and that IFAD's acquired knowledge is fed into the relevant processes and communicated to all stakeholders. At the local level, IFAD is committed to reinforcing local governance that is responsive to poverty issues and open to partnership with pro-poor institutions and civil-society organizations. Above all, the Fund's objective at this level is capacity and coalition-building among organizations of the poor as a key element in enabling them to overcome their poverty.

This proactive approach implies greater demands on the Fund, which are being addressed through its Strategic Change Programme. Established to allow us to deliver our vision and reach the goal of reducing rural poverty more effectively, the programme is reviewing internal systems, procedures, structures and human resources and enhancing staff skills, particularly in management, policy development and communication.

This sharpening of IFAD's effectiveness is being addressed in a continuing context of scarce resources. The organization's limited human and financial means are being stretched to accommodate knowledge management and policy dialogue activities, introduced to complement the regular lending programme and thus achieve optimal catalytic impact. As part of the effort to maximize and stabilize those funds already available to IFAD, a new investment policy was designed and implementation begun this year.

Although the commitment to fight poverty has grown, the levels of rural and agricultural lending have dropped markedly in the past 10-15 years. However, all evidence indicates that this is where the need for poverty reduction is greatest. It is widely acknowledged that achieving the Millennium Summit poverty goal will require substantial additional resources. IFAD, with poverty programmes in 114 countries across Africa, Asia and Latin America, could serve as an effective means of channelling additional support to the millions of poor struggling to overcome chronic deprivation and achieve lives of dignity.



LENNART BÅGE
President of IFAD



IFAD's Commitment to Reducing Poverty

Some 1.2 billion people live in extreme poverty, subsisting on less than one United States dollar per day. Three quarters of these live and work in rural areas. To be poor is to endure a life subject to vulnerability, even to disability and premature death from natural disaster, disease, hunger, and political, social and economic inequity. As victims, the poor become objects rather than subjects. By contrast, authentic and sustainable development flows ultimately from commitment to the skills and potential of people. At the heart of this commitment is the recognition that to be human is to have the opportunity to deploy one's knowledge, talent and skills in the peaceful achievement of growth and quality in one's own livelihood and that of the household and community. The struggle against poverty is quite simply a struggle for humanity.



In its continued efforts to focus on impact and sustainable results, IFAD has undertaken a sequence of activities that in late 2001 culminated in the formulation of the new *Strategic Framework for IFAD 2002-2006*. It starts with the Millennium Development Goals and, most importantly, the target to halve, by the year 2015, the proportion of the world's people whose income is less than one dollar per day. The framework also reflects a degree of continuity, as it builds on the previous strategic framework for 1997-2001, the regional poverty assessments, the *Rural Poverty Report 2001* and the IFAD V: Plan of Action (2000-2002).

Starting from the new mission statement, *Enabling the rural poor to overcome their poverty* – as perceived by the poor themselves – the Fund will continue to foster social development, gender equity, income generation, improved nutritional status, environmental sustainability and good governance. “IFAD will concentrate its projects and programmes, policy dialogue and advocacy on the three strategic objectives: (i) strengthening the capacity of the rural poor and their organizations, (ii) improving equitable access to productive natural resources and technology, and (iii) increasing access to financial services and markets.” “Concretely, this implies: developing and strengthening the organizations of the poor to confront the issues they define as critical; increasing access to knowledge so that poor people can grasp opportunities and overcome obstacles; expanding the influence that the poor exert over public policy and institutions; and enhancing their bargaining power in the marketplace. All IFAD's strategic choices (as reflected in regional, country and thematic strategies; loan and grant activities; involvement in poverty-reduction strategy papers, policy dialogue, and choice of development partners) will be made with these principles in mind.”¹

The Millennium Summit has given the international community a clear focus on reducing poverty. This has created a new context for IFAD and its partners, generating new opportunities in which the Fund needs to assume a direct and, equally important, catalytic role. The challenge that lies ahead will be to create the conditions, with its partners, under which the poor can achieve a life free of deprivation and vulnerability.

The Fund's Financial Commitment

At the Seventy-First Session of the Executive Board, the programme of work for 2001 was approved at a level of USD 393.7 million (SDR 307.0 million) (Table 1), with the understanding that the programme would be reviewed during the year, with a view to increasing it should resources become available for commitment.

The programme of work was, in fact, increased during 2001, and by year end totalled USD 433.9 million (SDR 341.1 million), comprising an approved loan programme of USD 403.1 million (SDR 316.8 million) and a technical assistance grant programme of USD 30.8 million (SDR 24.3 million).

The Fifth Replenishment of IFAD's Resources became effective on 7 September 2001 with the receipt of instruments of contribution from Member States equivalent to 50% of the total amount pledged at the time – USD 435.7 million. Since that date, additional pledges have been received, bringing the replenishment total to USD 451.4 million by the end of 2001. This total consists of USD 350.5 million from Organisation for Economic Co-operation and Development

¹ *Strategic Framework for IFAD 2002-2006*.

> **Table 1**
Resource Allocations for 2001

2001 Approved Programme of Work	2000 (SDR million, at 1.39647 SDR/USD)	2000 (USD million)	Real Increase (Decrease) (USD million)	2001 Proposed (SDR million, at 1.28231 SDR/USD)	2001 Proposed (USD million)
Loan programme	319.4	446.0	(80.9)	284.7	365.1
Grant programme	25.9	36.2	(7.3)	22.3	28.6
Total	345.3	482.2	(88.2)	307.0	393.7

2001 Approved Technical Assistance Grant Programme	2000		2001	
	Approved (USD million)	% of Overall Grant Programme	Proposed (USD million)	% of Overall Grant Programme
Agricultural research	8.51	23.51	5.44	19.03
Other research, training and other	12.34	34.09	9.04	30.96
Accelerated project performance and other project implementation support	1.50	4.14	1.50	5.88
Project Development Fund	9.15	25.28	8.83	30.88
IFAD/NGO Extended Cooperation Programme	2.55	7.04	1.63	5.70
Environmental assessment	0.40	1.10	0.40	1.40
Special Operations Facility	1.75	4.84	1.75	6.15
Total	36.20	100.00	28.59	100.00

(OECD) Members (List A), inclusive of a special contribution of USD 15.5 million equivalent for the Belgian Survival Fund Joint Programme (BSF.JP); USD 45.1 million from Organization of the Petroleum Exporting Countries (OPEC) Members (List B); and USD 55.7 million from recipient developing-country Members (List C).

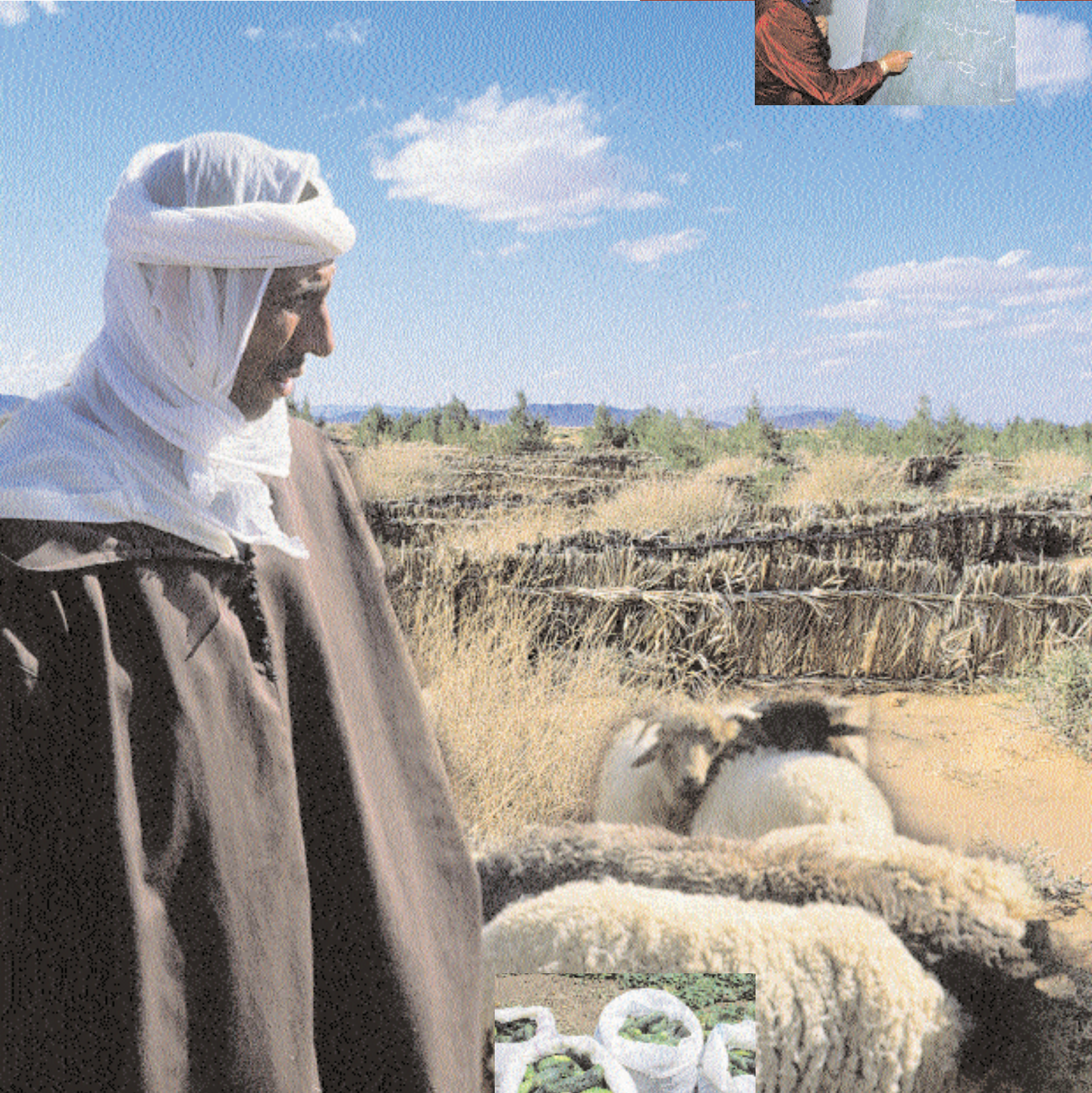
Consultant supplementary funds finance expertise needed by IFAD in the design, implementation and evaluation of its projects and programmes. They also support activities such as policy assessment, investment studies and local capacity-building activities. In 2001 Denmark provided USD 492 440, The Netherlands USD 405 000 and the United Kingdom USD 500 000.

Programmatic trust funds finance activities with a thematic approach or cofinance components of IFAD projects and programmes. This year Italy provided USD 2.7 million, Ireland USD 1.1 million, Japan USD 500 000, Portugal USD 178 000 and Switzerland USD 170 000. During 2001 these funds have financed, or helped finance, a variety of activities focusing on four major themes: policy analysis and dialogue, impact assessment, knowledge management and development of strategic partnerships.

IFAD and the Debt Initiative for Heavily Indebted Poor Countries (HIPC). The Fund has committed itself to debt relief for twenty-four countries, for a total net-present-value amount of approximately USD 176 million. Assuming the prompt meeting of completion-point conditions and 100% debt-service relief until the targets are reached, this commitment amounts to USD 266 million spread over 2-30 years, depending on the country, and peaking in the period 2003-2007. In welcome decisions, the Government of The Netherlands has made a complementary contribution to IFAD's HIPC trust fund equivalent to about USD 15 million, and the Government of Germany has earmarked the equivalent of about USD 7 million of its contributions to the World Bank-administered Debt Initiative trust fund for debt owed to IFAD, to be disbursed over a three-year period.

Maintaining Focus

During 2001 the Fund has maintained focus on its vision, mission and values in three specific ways. It has further developed its understanding of the structure, causes and processes of rural impoverishment, through reports, reviews and workshops, and published the results in printed form or on its website. Secondly, it has used these reports and analyses to shape its regional strategies and project design. Thirdly, it has continued to elaborate measures for assessing its positive impact, since this is finally the only pertinent measure.



The Rural Poverty Report 2001

The major publishing event of IFAD's year was the *Rural Poverty Report 2001: The Challenge of Ending Rural Poverty*. The report, which has been well received by development professionals and a wide public, was launched on 5 February in New York by the Secretary-General of the United Nations, Mr Kofi Annan. Its analyses, arguments and recommendations proceed from two premises: poverty is neither natural nor inevitable and the sheer scale of mass poverty – over 1.2 billion absolutely poor human beings condemned to short lives stunted by malnutrition, ill-health and illiteracy – is no longer acceptable from either a moral or a realpolitik standpoint. The report asserts that the poor, especially women, should not be seen as a burden on society but recognized clearly and correctly as hard-working, often effective microentrepreneurs, whether as smallholder farmers, herders, artisanal fishermen and -women, or in small trade and crafts. Development support can make the poor even more significant contributors to production and trade than they now are, leading not only to a higher and sustainable rate of economic growth but also to greater social cohesion.

The report notes that while some three quarters of the world's poor live in rural areas, the proportion of official development assistance going to agriculture has fallen from about 20% in the late 1980s to about 12% today. Yet the output and yield of food staples have been shown to have a major impact on poverty trends. During the 1970s and most of the 1980s, food-staple yields rose sharply and poverty declined rapidly. In the 1990s, on the other hand, yield growth slowed and so did the rate of poverty reduction. An important cause was the erosion of funding for agricultural research and extension.

Further, the report argues, the elimination of poverty requires working directly with the poor on the constraints that trap them. A rise in production in their hands will have a significantly larger impact on poverty than a comparable increase in the incomes of better-off groups. In brief, growth needs to be 'pro-poor'. This means empowerment of the poor, in effect reversing their historical legacy of marginalization. Key elements of such a reversal include access to economic services and primary health and education, as well as self-organization of the poor, especially at the community level, to project their views and interests and gain a greater voice in decisions on local resource allocation.

However, empowerment will serve little purpose if the material means to increase production and income are not available to the poor. The report looks at four central factors – assets, technology, markets and institutions – and examines policies and strategies that could strengthen the position of the poor.

In terms of assets, the critical primary items are land and water. The report suggests that agrarian reform needs to be pursued using collaborative, sometimes market-based approaches. Competition for water is emerging as a source of tension among groups and, indeed, nations. Greater resources and new technologies must be mobilized, together with the direct involvement of users, to bring about more equitable and sustainable solutions to the complex issues of water stress and rights.

Secondly, human capital and the capacity to work are among the most needed assets of the poor. Enhancing their capacity in terms of knowledge, skill and modern technology has a major impact on their productivity and, equally importantly, on their human dignity. At present, smallholder farmers in many parts of the world reach productivity levels that are only about one third the potential yield under optimum conditions. Technological innovation is frequently either irrelevant or inaccessible to the poor. Moreover, weak extension services, lack of suppliers of seed, fertilizer and rural financial services, and weak output markets limit both the possibilities for the poor to access better technology and their incentives for doing so. Similarly, research tends to bypass the needs of the poor, whether for crops and animals or for medicine.

Thirdly, markets play an increasing role in the livelihood systems of the poor. If rural producers were able to organize themselves and gain access to up-to-date market information, and better rural roads to reduce transaction costs, the market would become a powerful ally in the effort to end poverty.

Fourthly, institutions – meaning both organizations and rules – mediate the competing demands of different social groups. The issue is how to enable the poor to exercise a stronger role in both official and non-official institutions that affect their lives. New institutional approaches to decentralization and local governance and to developing financial systems for the rural poor offer a wide range of instruments for poverty eradication. Possible financial systems range from microfinance and village banks to reformed commercial and agricultural-development banks. Involvement of the poor in non-governmental organizations (NGOs) and civil-society organizations is also often vital to their interests.

Finally, the report suggests that while partnerships between international and national development agencies are necessary and valuable, the only partnership that ultimately counts is with the poor themselves. It is their spirit of optimism and motivation and their ability to marry the strengths of local knowledge and expertise with exogenous innovation that make the difference between success and failure in the eradication of poverty.





Regional Poverty Assessments and Strategies

As a complement to the *Rural Poverty Report 2001*, during the year IFAD has produced regional poverty assessments that detail the structure, causes and characteristics of poverty in each of the Fund's geographical divisions. The analyses and findings of the report and the regional assessments have been used to develop regional strategies. These orient the Fund's operational decision-making for poverty reduction and find their practical expression in the organization's annual programme of work.

The strategies reflect both the common structural features of poverty in the regions and their area-specific variations. Common strategic themes include: gender mainstreaming and the empowerment of women; improved access of the poor to productive primary resources such as land, water and forests; capacity-building of grass-roots organizations; participatory natural resource management; sustainable rural-finance systems; and decentralization.

The strategy for western and central Africa (Africa I) seeks to achieve four related, mutually enforcing objectives: strengthen the capacity of the rural poor and their organizations and intensify the pro-poor focus of rural development policies and institutions; raise agricultural and natural resource productivity and improve access to technology; increase rural incomes through improved access to financial capital and markets; and reduce vulnerability to major threats to rural livelihoods. Support to technical development in pursuit of these objectives emphasizes sustainable agricultural development, with particular reference to the needs of women and youth; rural financial services for isolated populations with no previous access to financing but which can be integrated into the national financial-sector framework; capacity-building in support of local development; and provision of basic infrastructure. Out of a total impoverished population of 120 million people, 75% or 90 million live in rural areas.

The eastern and southern Africa (Africa II) strategy emphasizes efficient, equitable farmer-to-market linkages; sustainable financial systems for the rural poor; improved access by the rural poor to land and water; and the promotion of rural technology and information systems. The Fund has developed a strategy for mitigating the social and economic impact of HIV/AIDS upon IFAD beneficiaries in the region. Key areas include: integrated HIV/AIDS programmes of education, care and support in the workplace; adapted livelihood, food-security and nutrition interventions; and socio-economic safety nets. The region is made up of 21 countries with a total population of about 350 million. In the majority of countries, 40-50% live below the poverty line. About 260 million (73%) live in rural areas, more than half in extreme poverty. In the countries for which dollar poverty data is available, nearly half the people have per capita incomes of less than one dollar per day. The proportion is highest in Zambia (85%), Madagascar (72%) and Uganda (69%), whereas in South Africa it is less than 25%.

The strategy for **Asia and the Pacific** is to combat the social, economic and political processes of marginalization that give rise to poverty. Field experience shows that poverty in Asia is concentrated geographically in the uplands and mountains, selected coastal areas and semi-arid plains. Socially, it is concentrated among women, indigenous peoples, the landless and marginal farmers. The strategy seeks to enhance the resilience of rural poor households to external economic shocks by improving their access to productive assets, including land, and to common-property resources such as forests and water. Within this framework, it emphasizes policy dialogue and impact; strengthening grass-roots institutions; enhancing women's role as agents of change; blending of indigenous knowledge and modern technology; regenerative farming and forestry systems; and rural finance for on and off-farm activities. About 800 million people in the region live on less than one dollar per day and, of these, fully 90% are rural.

The aim of IFAD in **Latin America and the Caribbean** is the eradication of rural poverty. The Fund's regional strategy derives from three sources: (i) the unique characteristics of rural poverty; (ii) the inadequate economic performance and emergency situations of several countries; and (iii) IFAD's experience. Rural poverty and inequality persist as major problems in the region. The rural poor are generally worse off than the urban population, with about 64% of the rural population living below the poverty line. In 1999 there were more than 77 million poor people living in rural areas. A comparison with the figures for 1980 shows that the overall percentage of the rural poor increased from 59.9% in 1980 to 63.7% in 1999. The levels of inequality, which rank among the highest in the world, have aggravated this situation. Core elements of IFAD strategy are empowerment of the rural poor; exploitation of market opportunities; engagement in policy dialogue; partnerships; and promotion of learning and innovative processes within and across regions. Cross-cutting themes are gender and the sustainable management of natural resources.

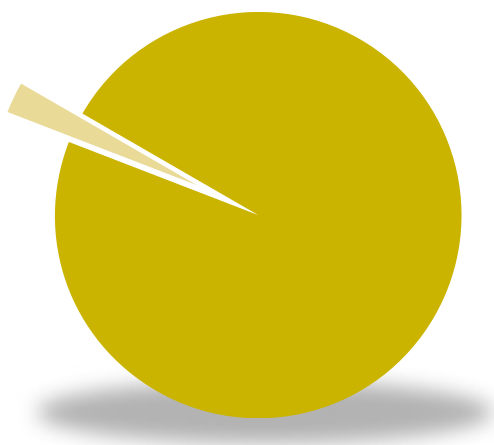
The strategy for the **Near East and north Africa** covers both the Fund's north African and Middle Eastern borrowers and more recent Member States from central and eastern Europe and the newly independent states of the former Soviet Union. In the former group, the strategy during the year has emphasized participatory natural resource management; gender mainstreaming; improved technologies for dryland areas; decentralization; post-conflict management; and knowledge-sharing through networking. In the latter group, commonly termed 'transition' economies, it has emphasized market-oriented institutional development; privatized rural agricultural and financial services; and rehabilitation of infrastructure.



Priority Target Groups

The Fund's priority beneficiaries continue to be the chronically very poor of the world's rural areas. They are the people kept in extreme, long-term structural poverty as a result of prevailing social, economic and political relations, and who are often bypassed by 'mainstream' development assistance. Their situation is frequently characterized by membership in ethnic minorities; exclusion or under-representation in institutions responsible for resource allocation and management; political instability; dependence upon a subsistence base that is narrow, ecologically fragile or remote; and an absence of even the most basic infrastructure and services.

> CHART 1 Projects and Programmes Approved in 2001: Direct Beneficiaries^a



^a Based on data in project appraisal reports. Where the count of households is reported, rather than that of individuals, the latter is estimated by applying an average of five persons to each household.

- 15.8 million people
24 projects initiated (designed and developed) by IFAD
- 0.4 million people
one project initiated by the Asian Development Bank with IFAD cofinancing

'Direct beneficiaries' refers to families or households in which at least one member participates in one or more project activities, e.g. credit, inputs, training, land improvement or support for microenterprise.

'Indirect beneficiaries' refers to a much larger group that will have access to new or improved facilities as a result of project activities. These range from village and local infrastructure (mainly roads and water provision) to rangeland and community land improvement, rural financial services, strengthened extension or other technology transfer systems, health and education centres, improved market systems and support for community organization and initiatives.

Based on statistics from past projects estimating the participation of women, on average about 40% of IFAD project beneficiaries are women heads of households or among the main income earners.

IFAD attaches special importance to reaching rural poor women with its benefits. Women tend to bear the brunt of poverty even in situations where everyone is very poor. In many areas they are the principal producers and nearly always the managers of household food security. Most importantly perhaps, it is striking that regardless of other cultural variations, and possibly because of their responsibilities with respect to physical and social reproduction in the home, they are commonly the main source of energy for change. It is usually women rather than men, for example, who regularly if albeit informally set up networks for information exchange, self-help savings and loan groups and labour and care-sharing arrangements. Nine basic objectives make up IFAD's current gender strategy in project design: improved availability and quality of gender data and analysis; protection and enhancement of women's access to land and other natural resources; addressing of constraints affecting women's time and labour; improved access of women to rural financial services; addressing of gender issues in agricultural technology systems; provision of new skills and information to rural women in order to increase their incomes; facilitation of communication between rural women and other change agents; increased use of community-based strategies for the participation of poor women in local development decision-making; and enhanced women's contributions to household health and food security.

Improving Impact and Impact Assessment

The Strategic Framework for IFAD 2002-2006 is guided by the two basic principles of prioritization and impact demonstration. The ability to capture impact quantitatively and qualitatively and to do so in a timely manner is clearly essential to effectiveness. Consequently, a major element of the Fund's work during the year has been directed towards refining methodologies of impact assessment for poverty reduction. These are designed to demonstrate what IFAD has done, how many poor people's standards of living have been improved, what types of development have been achieved and which have been shown to be most efficacious and why.

Learning from evaluation is key to maintaining the focus and improving the impact of IFAD's poverty-reduction efforts. The Fund's Office of Evaluation and Studies provides an independent review capability that complements the self-assessments of the Programme Management Department. During 2001, IFAD carried out twenty-four evaluations, comprising two corporate (replicable innovation [see Box 6] and the technical assistance grant programme), four country-programme (Papua New Guinea, Sri Lanka, Syria and Viet Nam), six thematic and twelve project evaluations.

Connecting the Poor to Prosperity

To the extent that impoverishment is a function of exclusion and marginalization, then its reduction is essentially a matter of working for inclusiveness. The practical challenge for the Fund is to remain committed to the 'hard-core' poor in ways that connect them effectively to sources of personal, cultural and economic growth. IFAD has to combine remaining true to its mandate – assisting the 'poorest of the poor' – with maximizing the returns on its investments through efficient systemic linkages. During 2001, the Fund has been establishing such links on different levels and in various aspects.



For many of the Fund's target groups, the lack of local economic specialization still places a premium on increased access to the basic rural production resources of land and water. Where possible, greater productivity in agriculture is used as the basis for development of the non-farm rural economy. IFAD's projects pay particular attention to enhancing employment opportunities in this sector, not least in the use of microfinance to provide working capital. More often than not, increased access, productivity and diversification have to be negotiated and achieved in ecologically fragile areas. Almost all the countries under the Debt Initiative for HIPC's are located in such areas, i.e. tropical or dry zones, and it is estimated that nearly 65% of the world's poor live in areas subject to drought and desertification. In such situations, failure to establish inclusive and respectful partnerships can lead to irrecoverable environmental degradation.

box 1

> Improving Access of the Poor to Basic Productive Resources: The Maghama Improved Flood Recession Farming Project in Mauritania

Financed by an IFAD loan of about USD 11 million, this project became effective in June 1993 and closed at the end of December 2000. One of its key objectives was to ensure greater, secured access to land for landless farmers. A very small minority of landowners traditionally controlled access, and customary tenure arrangements were both short term (one year) and usually required payment in kind and/or services rendered. In years of low rainfall, landowners understandably kept the reduced flooded lands for their own use, thus further restricting access of the landless in periods when they were most vulnerable to food insecurity.

The project constructed flood works, which expanded the average flood recession area from about 3 000 to 9 000 hectares (ha). Funding of the works was authorized only after agreement on secure land-tenure arrangements had been reached by local stakeholders, landowners and landless peasants and guaranteed by the Government. This arrangement provided strong incentives for the resolution of existing land-tenure issues.

The process leading to the adoption of new land-tenure arrangements involved several steps. First, a social survey led to the discovery that the dominant social grouping was not the nuclear family, but the *gallé* (extended family). Land-tenure arrangements extended across the boundaries of individual villages and were part of multidimensional relationships between villages, *gallés* and individuals within the *gallé*. It was also found that flood recession lands could not be allocated according to a fixed parcel basis, because flooded areas are subject to high interannual variability, and productive potential depends on the position of the parcel on the slope of the flooded plains. Another finding was that customary rights to land varied in an incremental fashion from very weak to land ownership. A second survey identified land-access rights of villages, *gallés* and individuals within the *gallés*.

The next step was the preparation by a group of landowners of a draft agreement on land tenure, called an *entente foncière*. This agreement was the subject of an intensive information campaign, followed by discussions in all villages concerned. The agreement set out the following principles: (i) customary ownership rights were to be maintained; (ii) access to flood recession land was to be guaranteed to indigenous populations; (iii) exploitative tenure arrangements were to be prohibited; and (iv) landless farmers would have secure access to land for at least 15 years.

The draft agreement has subsequently been adopted by 25 of the 28 villages, and the remaining three intend to do so in the near future. Despite the persistence of oral traditions, ten villages have agreed to commit their detailed, individual tenure arrangements to a *procès verbal d'insertion*, which has the signatures of all parties directly concerned, as well those of traditional and formal local authorities. The remaining villages intend to do so within the next year. Three years after the flood recession works were completed, the new tenure arrangements appear to be holding, and no conflicts have been reported. A second phase of the project is now being prepared that will consolidate the indigenous land-tenure arrangements established by the original initiative.

Knowledge management (KM) is playing an increasingly important role in IFAD operations. KM involves, *inter alia*, the developing of networks between development agents and the rural poor for the mutually beneficial exchange and further elaboration of information, analyses, technologies and skills. Opening up lines of reciprocal communication and the coherent organization of ideas and data are necessary preconditions to development stakeholders becoming better informed and educated – and consequently more likely to identify viable initiatives and achieve sustainable results. With regard to technology, for example, smallholders are initiating partners, with researchers and extension agents, in identifying technology issues and in developing and distributing appropriate and adaptable technology. Assistance has been targeted at food crops and livestock commodities that are traditionally produced and consumed by the rural poor.

As a relatively small organization, but with unique project-based experience with severe poverty and tried methods for its reduction, IFAD appreciates the importance of contributing to replication and wider impact through **policy dialogue and strategic partnerships** with governments and agencies that share the Fund's development concerns. Such dialogue is critical both to maximizing impact and to the efficient use of development assistance. The key objectives of partnership are replication and scaling up through cofinancing; strengthening the formulation and application of macroeconomic reform programmes in the interests of the poor; sharing institutional capacity and comparative advantages; and exchanging knowledge on policy and practices.



box 2

> **Policy Dialogue and Strategic Partnership: The Albanian Mountain Areas Development Agency**

Under the auspices of the IFAD-initiated Mountain Areas Development Programme, the Government of Albania has established a Mountain Areas Development Agency. The agency is designed as a small, technocratic **programming and resource facility** and has become the Government's **preferred national institution for mountain area development**. Its board has representation from the Deputy Prime Minister's office and the Ministries of Finance, Economic Cooperation and Trade, Agriculture, Local Government, and State (anti-corruption). The board's composition is indicative of the range and importance of the agency's **cross-sectoral representation and approach**. The agency provides the only **regional, national, cross-border and international forum** for mountain area development in Albania. In other words, it is the institutional means of approaching such development on the basis of the area's distinct social and economic structures and systems and its consequent needs, policies, priorities and practices.

The key **programming** functions of the agency are to inform government policies, assist in their technical articulation, disseminate information and realize such policies through:

- > using them as a basis for orienting and drawing up a **strategy** for mountain area development; and
- > translating the strategy into a **portfolio of preliminarily identified and prioritized investments**.

The key resource functions of the agency are to:

- > compile and maintain an up-to-date and, as far as possible, comprehensive **economic, social and technical database** on mountain area development;
- > carry out **supplementary and specific research** and other support studies;
- > assist, if required, in the **appraisal** of development proposals;
- > maintain a **monitoring and evaluation capability** to enable government and other stakeholders to assess the progress, achievements and impact of activities;
- > promote, inform and publicize the **legal basis of relevant institutions and transactions**;
- > develop **contacts and a directory of relevant agencies**;
- > develop **contacts and a directory of relevant contractors for goods (materials/products) and services (technical/managerial/financial)**;
- > provide a **media support capability** in education, training and publicity; and
- > provide, through the Mountain Areas Finance Fund, the necessary **graduated support to the development of rural financial services** in mountain areas for their transition into full participation in a privatized, market-oriented economy.

MADA is a good example of an innovative institution offering an important forum for policy dialogue and strategic partnership as a result of its systems-based approach to poverty reduction. Its facilitation of links between government, private and financial sectors in the context of a coherent investment strategy and database has proved attractive to cofinanciers.

Increasing access to basic resources, improving the flow and quality of relevant knowledge and information, getting agreement on appropriate policies, and coherence and complementarity of aid are valuable only to the extent that the rural poor are individually and organizationally able to make use of them. **Capacity- and institution-building among the poor, and coalition-building** between them and other pro-poor forces, are an important aspect of networking in support of successful development.

box 3

> **Capacity- and Coalition-Building among the Poor: IFAD's Experience in the Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas in Indonesia**

Coalition-building means allying with institutional partners that share the aim of promoting and safe-guarding the development interests of the poor and strengthening them through capacity-building investments. The approach builds upon a common vision of the stakeholders, so that the consequent empowerment of the poor and the accompanying growth of their political, economic, social and human capital is not a threat to participant institutions, but the desirable final result of their collaboration.

PIDRA is an Indonesian example of successful coalition-building. As a people-centred programme, a key element of its strategy is to promote the participation of very poor target groups – in selecting the economic and infrastructure investments to be made available to them – by building their capacity, self-confidence and self-help ability. Beneficiary capacity-building is complemented and enhanced by the coaction at various levels of implementation of public- and private-sector agencies, reflecting their respective comparative advantages in poverty reduction. This is a substantial change from the top-down approach that in the past resulted in a lack of ownership of programme activities and the development of dependency rather than self-reliance.

Appreciation of the potential benefits of coalition-building was the point of departure for the programme's design. PIDRA is the result of extended consultations with government and non-government stakeholders. Governmental institutions recognized the importance of balancing their technical capabilities with the more community-based approach of NGOs in order to secure genuine progress in poverty reduction and the sustainability of its achievements. The principles of beneficiary participation and empowerment through capacity-building and social mobilization were identified as the appropriate ones to drive any action taken under the jointly identified programme components. A subsequent analysis of village-level power relations identified the development opportunities and constraints of the poor, particularly with respect to their access to basic productive resources such as land and water, and was used to inform PIDRA's institutional design. Together with government counterparts (e.g. field extension workers), NGOs involved in the programme enabled the poor to take part in the analysis through training and formation activities that provided them with the necessary skills for self-assessment of their development problems and possibilities.

Under the resulting arrangements, the poor form self-help affinity groups, comprising both men and women farmers. PIDRA's annual work plans and budgets are based on annual village plans drafted by village institutions, in which the poor are represented through their self-help groups. The programme has strengthened non-governmental and governmental institutions through training and financial support, so that they can deliver adequate assistance to development initiatives of the poor in accordance with their expressed preferences.

Guaranteeing effective communication and coordination among all implementing partners with such different institutional backgrounds is not always an easy task. However, their common understanding of their roles and functions as service providers to the poor in the empowerment process has so far smoothed obstacles during programme implementation. After only one year, the beneficiaries are expressing satisfaction with the activities undertaken to date, and promising results are already recorded in terms of livelihood improvement.

Of course, markets are the pre-eminent linkage and medium with regard to economic growth. Efforts to increase agricultural productivity can only be effective if they are linked to an appreciation of market potential. Integrated approaches are needed along the full continuum of production, processing and marketing in order to raise rural incomes and significantly contribute to economic growth and poverty reduction. Strengthening market linkages in a market-driven environment involves reliable market intelligence, timely and assured input supply, post-harvest storage, feeder roads and transport infrastructure, and access to traders in a competitive market environment. Upstream linkages involve collaboration with agribusiness companies, while downstream linkages involve partnerships with processing and trading companies. IFAD-supported projects have sought to improve these linkages to the benefit of the poor by promoting grassroots participatory organizations, facilitating the entry of private service providers and small-scale traders, and strengthening market linkages with private trade. Measures to improve the competitiveness of poor rural producers – and to ensure that the political, regulatory and legal environments determining terms of trade do not discriminate unfairly against them – are at the centre of the Fund's concerns with respect to market-mediated poverty reduction. The ever-more rapid emergence of global markets, as part of globalization, is becoming an increasingly important issue with respect to linkage of the poor with market systems and the impact of that linkage upon their standard of living.

box 4

> Market Linkages in Eastern and Southern Africa

The context for development of small-scale rural production among the poor has changed radically in eastern and southern Africa. The demise or contraction of the parastatal agencies that had dominated the supply of modern production inputs (including credit) and the purchase of staples and major export crops has made rural producers increasingly dependent upon market mechanisms. In most areas these mechanisms are weakly developed, and the rural poor are unprepared to exploit opportunities and negotiate equitable exchanges. Helping rural poor people respond to this challenge has become one of IFAD's priorities. The problem had initially been seen as input supply. The response was cautious development of small-scale input stockists in marginal areas of Zimbabwe under a small grant to CARE. Success led to expansion of activities under a larger technical assistance grant covering Kenya, Mozambique and Zambia. This field experience revealed that the problem also included output marketing and relations between smallholders and agroprocessors. Better understanding of smallholder perceptions and strong endorsement by governments in the region has subsequently led to the rapid widening and scaling up of IFAD's engagement. New lending programmes in Mozambique, the United Republic of Tanzania, Uganda and Zambia have marketing and private-sector linkages as their core issues, while ongoing programmes have taken on new components (as in Kenya and Zimbabwe). Thus a new issue has stimulated new approaches that include: heavy emphasis on the development of forums for policy development involving all major market players; greater attention to participation by the private sector; and new institutional arrangements reflecting the fact that marketing goes beyond agricultural production concerns and institutions. It has also generated new partnerships. National and systemic problems have been addressed through mobilization of substantial cofinancing (e.g. with the African Development Bank [AfDB]) and institutionalization of coordination (e.g. with the Norwegian Agency for International Development [NORAD] and United States Agency for International Development [USAID]). The issue has also given rise to a vertical expansion of programme scope, with an emphasis on institutional development and policy reform. It is increasingly evident that what is at stake is not only improvement in marketing. Rather, it is a new approach to smallholder development that recognizes the business character of the enterprises of the poor and the special problems of achieving equitable exchanges in a situation of major asymmetries of information and economic power among the actors.

As was noted in the opening of this report, poverty is generated by unequal power relations that pose a growing threat to social stability and civil order. It is sad but unsurprising, therefore, that IFAD projects must often attend to post-conflict reconstruction or conflict prevention as part of their design and implementation. The elimination of poverty on the basis of participation and partnership is not only inherently right and humane, but makes everyone a stakeholder in peace and prosperity.

box 5

> IFAD's Catalytic Role in Conflict Situations in Latin America and the Caribbean

Internal warfare and other forms of often violent struggle – either allegedly or actually related to securing the social, economic and civil rights of marginal groups – are both results and causes of poverty in Latin America and the Caribbean. Such conflicts have been present in at least one third of the region's countries, inevitably compromising the effectiveness of poverty-reduction projects and programmes.

Several development initiatives financed by the Fund have had to face this particular problem. In some cases, IFAD has played a key role in preventing the escalation of these conflicts. In the Rural Development Project for Ngöbe Communities in Panama, support given to the indigenous leadership was critical in obtaining legal government endorsement of their ownership of ancestral territories, which had long been in dispute with non-indigenous settlers.

In other cases, IFAD has played an important role in *post-conflict* situations. The Rehabilitation and Development Project for War-Torn Areas in the Department of Chalatenango (PROCHALATE) in El Salvador was located in an area of severe internal conflict and was designed and implemented after signing of the peace accords in 1992. The pre-completion evaluation concluded that PROCHALATE's success in the reconstruction of the social and political fabric of war-torn Salvadorean communities was directly related to its role in obtaining the commitment of local actors.

The strategy of involving civil society and the Government in development activities in a post-conflict situation produced one of the most outstanding outcomes of this project. IFAD facilitated the participation of more than a dozen NGOs in project design and implementation, and it engaged in policy dialogue with the Government to foster the participation of ex-combatants as partners in development. This process of consensus-building enriched the knowledge of both IFAD and the Government on the handling of development operations in post-conflict situations. As a result, other countries in the region requested IFAD's intervention to design similar projects after the peace accords.

In both Panama and El Salvador, IFAD projects played an important catalytic role and maximized the impact of its programmes through an innovative approach and the broadening of the effects of its activities.