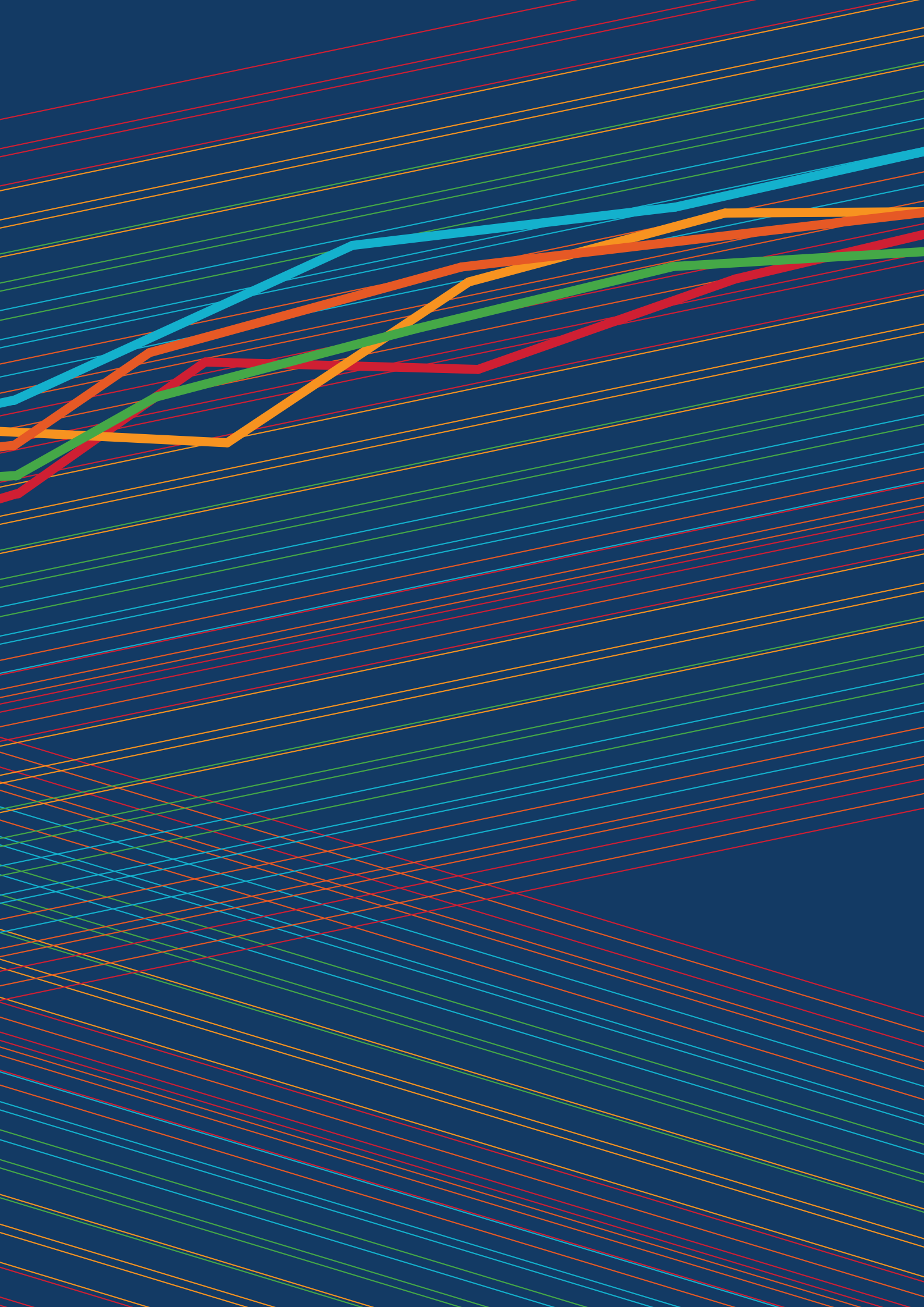


IFAD ANNUAL REPORT 2018



President's foreword



A year of change

IFAD's mission is to end hunger and poverty around the world by helping smallholder farmers increase their own prosperity. Our task remains as urgent as ever. An estimated 736 million people live on less than US\$1.90 a day and almost 80 per cent are in rural areas. Progress in reducing rural hunger has stalled. Today, nearly 821 million people suffer chronic undernutrition – up 34 million since 2014.

At the same time, climate change is putting pressure on farmers around the world and is one of the leading causes of severe food crises. The number of extreme climate-related disasters has doubled since the early 1990s, and it is estimated that up to one billion people could be displaced by climate change and environmental pressures.

The year 2018, as the last year of the IFAD10 replenishment period, was key to preparing the Fund in a variety of ways for our ambitious plan to deliver faster, better and on a larger scale. IFAD is determined to increase its impact, and has made innovation a priority to scale up its reach and effectiveness.

In line with the reforms being carried out across the United Nations system, 2018 was also a year of profound change at IFAD. We started to implement the reforms introduced in 2017 to make the Fund fit to tackle existing and future challenges and to fully contribute to the 2030 Agenda for Sustainable Development.

Seeking out new resources

While core contributions from Member States will remain the bedrock of IFAD's financing, we plan to enhance our capacity to leverage our existing assets through a proper capital adequacy framework. To strengthen our financial architecture, in 2018 we started to implement the recommendations from the Independent Office of Evaluation and the independent review of IFAD's risk management. Substantial effort went into strengthening IFAD's overall risk management and internal control framework. Thus, the groundwork is being laid for starting the credit-rating process.

This year, we also took a decisive step to ensure the implementation readiness and early start of projects. In December 2018, our Executive Board approved the creation of new Faster Implementation of Project Start-up (FIPS) instruments. The Project Pre-Financing Facility (PFF) will give borrowers advance access to funds related to loan projects to provide sufficient liquidity to begin preparation activities prior to approval and entry into force of the financing agreement. The Technical Assistance for Project Start-up Facility (TAPS) will provide grants aimed specifically at the needs of lower-income countries, countries with the most fragile situations, and small-island developing states, and the capacity constraints they face.

The setting up of the Agri-Business Capital Fund, which aims at stimulating private-sector investments in rural areas, was among the year's main achievements. The ABC Fund is an independent impact fund that will invest in small and medium-sized enterprises in rural areas and help to create jobs, in particular for young people and women. In December, we signed an agreement with the European Union for EUR 45 million for the ABC Fund, adding to the EUR 5 million committed by Luxembourg and the EUR 4.5 million committed by the Alliance for a Green Revolution in Africa.

One of the greatest challenges facing smallholder farmers is the impact of climate change. As a further enhancement of our ability to support them in this area, IFAD obtained accreditation to the Green Climate Fund, enabling us to access resources to invest in low-emission and climate-resilient agriculture.

Enhancing operational excellence

Excellence in operations is a prerequisite for expanding and scaling up IFAD's impact. Throughout the year, we strove to strengthen IFAD's operational capacity and presence in the countries we assist.

We continued to decentralize in order to be closer to the communities we serve and to expand the support we provide to Member States. About 30 per cent of staff are now in the field or in the process of moving there, up from 18 per cent a year ago.

We recalibrated our project design process for more effectiveness and to reduce times to approval and first disbursement; and we are transferring more responsibility for portfolio and relationship management to staff on the ground. We also reviewed our non-operational functions to enhance institutional effectiveness. Implementation of these changes is ongoing.

Throughout the year, we strove to strengthen IFAD's operational capacity and presence in the countries we assist and continued to decentralize in order to be closer to the communities we serve

In 2018, the IFAD10 programme of loans and grants totalling US\$3.3 billion was completed

Focusing on delivery

Transforming rural areas into dynamic and prosperous places requires tackling a number of cross-cutting challenges, such as improving nutrition, empowering rural women and girls, offering work opportunities to young people and addressing climate change. During the year, IFAD updated its strategy on environment and climate change, and its action plans on gender and nutrition. It also developed its first youth action plan. While mainstreaming these priorities in all our operations, we are working to develop innovative and transformative approaches.

For programme delivery, 2018 was a pivotal year. With the disbursement of US\$1.14 billion in 2018, we completed delivery of our IFAD10 programme of loans and grants (2016-2018), which totalled US\$3.3 billion.

While delivery is fundamental, it is equally important that we achieve and document results. As part of its impact assessment reporting, IFAD has committed to conducting impact assessments of 15 per cent of its portfolio and measuring the overall impact of its investments. This approach is unique among international organizations. In 2018, 17 impact assessments were completed or close to completion. They showed significant results when comparing project beneficiaries with non-beneficiaries.

Looking ahead



Our work in 2018 has provided a solid basis for the upcoming IFAD11 period. Going forward, we will continue implementing reforms. We plan to deliver a markedly higher programme of loans and grants, and we will begin the preparatory work for the IFAD12 Replenishment Consultations to ensure our funding from 2022 to 2024.

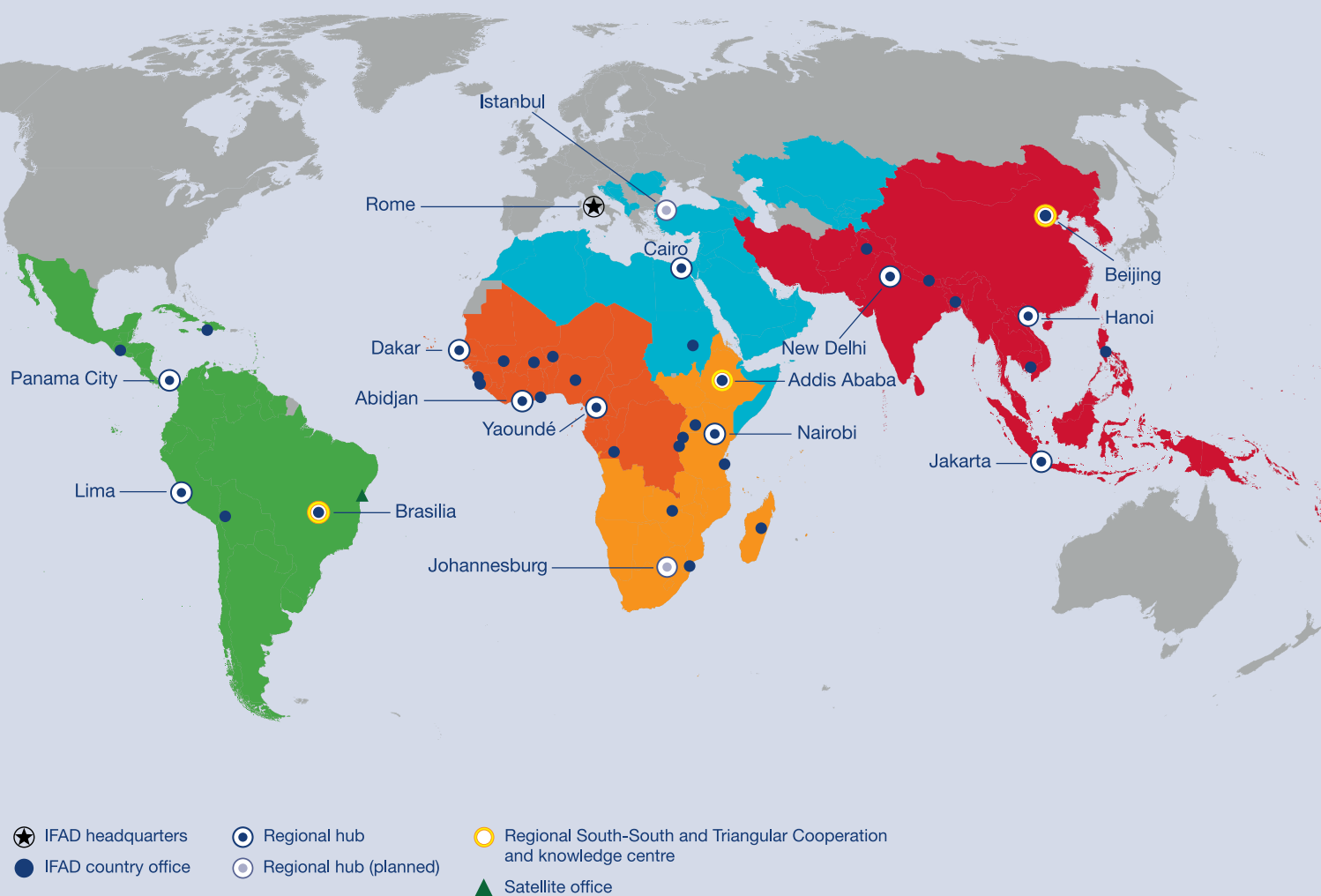
The combination of reforms of the way IFAD works, and the expansion of our financial resources, has consumed time and energy. Yet such changes are essential to combating hunger and poverty among rural communities and achieving IFAD's overarching goals. Thanks to the firm foundations put in place during 2018, we are now much better positioned to deliver on our mission and to support our Member States in achieving the Sustainable Development Goals.

All these achievements were made possible only thanks to the continued high-level commitment and dedication of staff at all levels.

GILBERT F. HOUNGBO
President of IFAD

ONGOING PORTFOLIO

Where IFAD works



Latin America and the Caribbean
 34 ongoing projects in 17 countries
 US\$640.7 million ongoing IFAD financing

West and Central Africa
 34 ongoing projects in 21 countries
 US\$1,321.7 million ongoing IFAD financing

East and Southern Africa
 45 ongoing projects in 16 countries
 US\$1,813.4 million ongoing IFAD financing

Near East, North Africa and Europe
 35 ongoing projects in 17 countries
 US\$846.6 million ongoing IFAD financing

Asia and the Pacific
 58 ongoing projects in 21 countries
 US\$2,428.5 million ongoing IFAD financing

GLOBAL OPERATIONS BY REGION

Asia and the Pacific

PORTFOLIO MANAGEMENT HIGHLIGHTS

58 ONGOING PROGRAMMES AND PROJECTS

in partnership with 21 countries in the region at the end of 2018

6 NEW PROGRAMMES AND PROJECTS

in Bangladesh, China, Indonesia, Myanmar and the Philippines, and additional financing for ongoing projects in Cambodia, Pakistan and Sri Lanka

2 NEW results-based country strategic opportunities programmes in India and Lao People's Democratic Republic

US\$2,428.5 million

INVESTED BY IFAD
in the region's ongoing portfolio

US\$420.4 million

IN NEW APPROVALS IN 2018

36 COUNTRIES

- Afghanistan - 2
- Bangladesh 🇬🇧 - 7
- Bhutan 🇧🇹 - 1
- Cambodia 🇰🇲 - 3
- China - 5
- Cook Islands
- Democratic People's Republic of Korea
- Fiji - 1
- India - 7
- Indonesia - 2
- Iran (Islamic Republic of)
- Kiribati - 1
- Lao People's Democratic Republic 🇻🇳 - 3
- Malaysia
- Maldives - 1
- Marshall Islands
- Micronesia (Federated States of)
- Mongolia - 1
- Myanmar - 3
- Nauru
- Nepal 🇳🇵 - 4
- Niue
- Pakistan - 4
- Palau
- Papua New Guinea - 2
- Philippines - 4
- Republic of Korea
- Samoa
- Solomon Islands - 1
- Sri Lanka - 2
- Thailand
- Timor-Leste
- Tonga - 1
- Tuvalu
- Vanuatu
- Viet Nam 🇻🇳 - 3

Numbers indicate ongoing programmes and projects

🇬🇧 Countries with ongoing ASAP grants

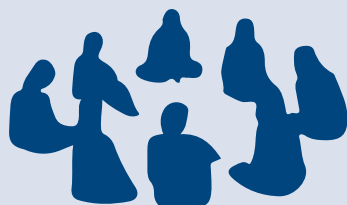
ANNUAL LOAN AND DEBT SUSTAINABILITY FRAMEWORK GRANT DISBURSEMENTS



VIET NAM

Communities in the Mekong Delta are being supported by an **investment** project that has established a **climate adaptation** fund.

Grants awarded to **29 businesses** creating opportunities for smallholders



Microfinance services provided for more than **27,000** women



48 climate-smart agricultural production models implemented

Empowering rural women in India

Building on earlier IFAD-supported projects in India, the Tejaswini: Maharashtra Rural Women's Empowerment Programme has empowered rural women in the State of Maharashtra, improving their quality of life, building their self-confidence and decision-making abilities, and enhancing their participation in all spheres of socio-economic and political life. It has catalysed and sustained lasting social change at the grass-roots level through its community-based empowerment models. Operating in 10,495 villages in all 34 rural districts of Maharashtra, the programme has organized about a million women into 78,318 self-help groups federated into 300 community-managed resource centres (CMRCs).

The programme builds on incentives for disciplined financial behaviour coupled with no subsidy for household-level investment, service-fee-based delivery of support services by CMRCs, and financial self-sustainability of the CMRCs. The robust systems established by the programme have enabled the self-help groups to mobilize over US\$200 million in bank loans and establish almost 500 social enterprises. Through the CMRC model, the programme has put in place an effective and inclusive service delivery mechanism for poor people, one that can be leveraged by various stakeholders.

The project has also set up village-level committees to work on empowerment and social equity – mainstreaming gender concerns, undertaking initiatives to tackle issues such as the availability of drinking water, and addressing violence against women.

Women's control over resources and their participation in decision-making have steadily improved since they joined the groups. Compared with control groups, programme beneficiaries have seen their incomes and productive assets increase, they have more control over their earnings, and their food security and productivity have improved.

Adapting to climate change in Viet Nam

The Mekong Delta is Viet Nam's main crop production area. However, it is highly vulnerable to the impacts of climate change. An IFAD–Government of Viet Nam investment project that emphasizes climate-smart value

chains is supporting at-risk communities in Ben Tre and Tra Vinh provinces. The project, now in its fourth year, aims to reach 30,000 households across the two provinces.

The project piloted a participatory, climate-informed commune and district socio-economic development plan to develop community-based action plans for natural disaster management, improved water resource management and climate change adaptation. To implement the plan, the project established a climate change adaptation fund. The fund provides matching grants to farmers' common interest groups for developing value chains of commodities and scaling up agricultural practices that are resilient to climate change. These grants focus on environmentally friendly and safe agricultural production models, such as fodder plantation for intensive cattle-raising, water-saving irrigation facilities, intensive oyster-raising adapted to changing environments, biofertilizer for maize and peanut production, and organic methods in coconut farming. Forty-eight models are being rolled out at the household level, showing promising financial and social returns in terms of increased income and dietary diversification.

The project also set up a public-private partnership, which has supported 29 private companies with matching grants to create employment and input-supply opportunities for smallholder farmers. In recognition of women's advancement in the economy of communities, the project has helped set up a women's development fund. This fund provides microfinance services to 27,433 women participating in 6,126 saving and credit groups. It is assisted by the project in building its capacities for registration as a microfinance institution.

Improving food security in Afghanistan

Widespread poverty and food insecurity make Afghanistan one of the most fragile countries in the world. In this challenging context, the Community Livestock and Agriculture Project – financed through an IFAD grant – aims to improve the food security of about 940,000 rural people (223,000 households) in the provinces of Kabul, Parwan and Logar.

Afghanistan is traditionally a livestock-keeping country, and estimates suggest that 39 per cent of its population keep cattle. Improved livestock

services could significantly reduce the mortality rate of the country's herd. In addition, increasing the livestock population and linking farmers to markets would create livelihood opportunities.

Therefore, the project has provided livestock owners with 2.1 million doses of animal vaccines and 1.25 million animal deworming kits. To date, under the project 718,638 animals have been treated against various diseases. Following hygiene training, the provision of better animal feed and better exposure to animal health services, average milk production per household has increased from 3.5 litres a day to almost 11 litres a day. To commercialize this additional produce, 18 milk

collection centres and five milk chilling centres have been built and equipped in the project area.

In addition to helping the livestock sector, the project has also undertaken activities to support agriculture. For example, the project has trained 53,930 people (including 23,230 women) on agricultural practices and established 131 irrigation schemes. In the fragile context of Afghanistan, institutional strengthening is of paramount importance, and to this end the project has successfully set up more than 520 community development councils to properly manage the irrigation schemes.



Story from the field

Overcoming adversity in Kiribati

"I never dreamed that I could earn as much as thirty to forty dollars a day from my home garden. I never thought it possible, but anything is possible if you put your heart into it," Tatia translates for her husband, Teuru Taree, who is now disabled.

In 2015, the IFAD-supported Kiribati Outer Islands Food and Water Project held its first community meeting in Eita village on Tabiteuea North, one of four islands selected for project implementation. Teuru returned home from the meeting a changed man, seeing the project as beneficial to him.

Tatia and Teuru were now eager to establish a garden and grow their own food crops. With the help of project staff, they began with a small plot growing bananas, amaranth, pumpkins, chaya, tomatoes, Chinese cabbage and capsicum. Later,

a nutrition training and cooking demonstration enabled Tatia to learn new recipes that are more nutritious for her family.

When Teuru was 37, he suffered a stroke. Immobile for over a year, he watched his wife and three children struggling to make ends meet. Determined to provide for them, he started working on his home garden.

"I became what I am today through hard work and the support my wife gave me. I am so thankful for the continuous support the project's community field officers and island facilitator have given – for the seeds, planting materials and gardening tools, and the daily visits to see how we are progressing with our garden." He says his home garden is now a "gene bank" where others can find plants for their own home gardens.

This Kiribati couple have made a success of their home garden.
©IFAD

GLOBAL OPERATIONS BY REGION

East and Southern Africa

PORTFOLIO MANAGEMENT HIGHLIGHTS

45 ONGOING PROGRAMMES AND PROJECTS

in partnership with 16 countries in the region at the end of 2018

4 NEW PROGRAMMES AND PROJECTS

in Burundi, Eswatini, Mozambique and Uganda, and additional financing for ongoing projects in Kenya and Rwanda

2 NEW results-based country strategic opportunities programmes in Angola and Mozambique

US\$1,813.4 million

INVESTED BY IFAD
in the region's ongoing portfolio

US\$225.6 million

IN NEW APPROVALS IN 2018

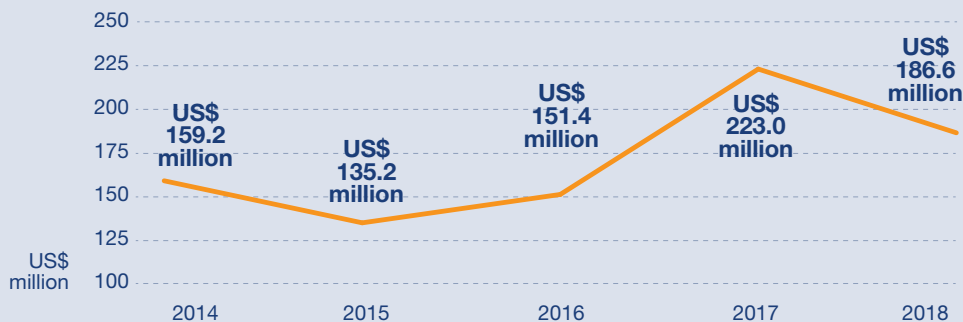
22 COUNTRIES

Angola - 3
Botswana
Burundi 🇸🇩 - 5
Comoros 🇸🇩 - 1
Eritrea - 2
Eswatini - 1
Ethiopia 🇸🇩 - 3
Kenya 🇸🇩 - 5
Lesotho 🇸🇩 - 2
Madagascar 🇸🇩 - 5
Malawi 🇸🇩 - 3
Mauritius
Mozambique 🇸🇩 - 3
Namibia
Rwanda 🇸🇩 - 3
Seychelles
South Africa
South Sudan
Uganda 🇸🇩 - 3
United Republic of Tanzania - 1
Zambia - 4
Zimbabwe - 1

Numbers indicate ongoing programmes and projects

🇸🇩 Countries with ongoing ASAP grants

ANNUAL LOAN AND DEBT SUSTAINABILITY FRAMEWORK GRANT DISBURSEMENTS



BURUNDI

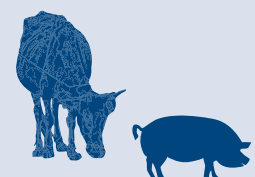
The Project to Accelerate the Achievement of MDG1c trained mothers as role models in promoting safe **nutrition, health and hygiene** practices.



More than **34,000** people have benefited, with almost all malnourished children rehabilitated



880 cattle and **2,200** pigs distributed



4,530 households benefit from maintaining practices learned

Partnering smallholder farmers with the private sector in Seychelles

Seychelles, like several other Small Island Developing States (SIDS), faces complex agricultural and environmental challenges. An IFAD-supported project, the Competitive Local Innovations for Small-scale Agriculture Project, is working to promote sustainable and environmentally friendly production practices and to improve smallholders' access to markets.

For improving market access, the project found that the model best adapted to the local context is that of linking a cluster of farmers to a private firm or institutional buyer through lead market-oriented farmers. In each cluster, the lead farmer is responsible for negotiating and for marketing its crops, while the Seychelles Trading Company supports the clusters with marketing and quality management assistance.

The clusters enable smallholders to produce the output volumes needed to partner with private firms. The project has brokered seven such public-private-producer partnerships. One example is a partnership between a cluster and a major hotel chain. Under a contractual agreement, the hotel chain regularly purchases high-quality fresh fruit and vegetables from the 12 smallholder farmers in the cluster. Another example is the Seychelles Trading Company; it supports a cluster of 100 smallholder farmers by regularly purchasing agricultural products.

A project outcome survey confirmed that 53 per cent of the beneficiary farmers had a more stable relationship with buyers and 47 per cent had improved their capacity to meet market standards, while 76 per cent reported an increase in agricultural production.

By focusing on high-value crops, the cluster partnership approach offers a sustainable model to revitalize domestic agricultural production – a key strategic objective of the Government of Seychelles.

Providing sustainable access to financial services in rural Ethiopia

The provision of rural financial services is strategic to Ethiopia's development efforts. The Rural Financial Intermediation Programme (RUFIP II) has provided 7.6 million rural households with sustainable access to a range of services, contributing significantly to the

development of a nationwide network of 22 microfinance institutions and 5,500 rural savings and credit cooperatives. An estimated 38.2 million people (46 per cent of them female) have received services promoted or supported by RUFIP II. Ethiopian financial institutions target women because they have the best credit ratings. Credit extended to women has a greater impact on household welfare, enhancing consumption and the quality of life for children.

Loanable funds provided under RUFIP II have benefited microfinance institutions – strengthening their balance sheets and increasing their credibility when seeking funds from other sources, including commercial banks. With improved outreach to 6.2 million households, total disbursements to clients from microfinance institutions have grown from ETB 3.3 billion (about US\$180 million) in 2012 to ETB 34.4 billion (about US\$1.2 billion) today. The regulatory and supervisory capacity of the National Bank of Ethiopia continues to be enhanced through various training courses for regulators. The bank has restructured its microfinance supervision division to supervise the growing subsector, which now consists of 36 institutions. The subsector is also being supported with the development of a complete, automated, core banking solution. RUFIP II has also strengthened the institutional capacity of the rural savings and credit cooperatives sector through a comprehensive training plan for regional agencies and district-level staff. Capacity-building initiatives have been supported with training documents, manuals and toolkits.

Improving dietary practices in Burundi

Burundi has a high prevalence of chronic malnutrition (56 per cent), and the nutritional situation of children here is particularly worrying. IFAD is handling the implementation of the European Union-funded Project to Accelerate the Achievement of MDG1c, which aims to improve the nutritional situation in eight provinces across two regions.

The project has trained mothers as role models in promoting safe practices in nutrition, health and hygiene. Known as *mamans lumières*, these mothers come from vulnerable and poor socio-economic backgrounds, but have well-nourished and healthy children, thanks to the adoption of diversified and nutritious dietary practices.

To date, 63 *mamans lumières* and community health workers, as well as 210 parents and community leaders, have been trained in the nutritional care of 26,000 malnourished children and the monitoring of pregnant and lactating women. Over 34,000 people – a number exceeding the initial target by 104 per cent – have already benefited, with almost all the children diagnosed with malnutrition being successfully rehabilitated.

The *mamans lumières* also serve as important voices for promoting good farming practices and income-generating activities. Indeed, the project helps vulnerable households establish kitchen

gardens and acquire pigs to maintain the food practices they have learned. The project has distributed 880 cattle and 2,200 pigs, benefiting 4,534 households. Small livestock production also yields manure (used on fields), generates income (through the sale of pigs) and helps strengthen social cohesion.

The project has generated appreciable and lasting effects. “Out of the 42 malnourished children who benefited [in my area], all are healthy today,” says Josiane, a *maman lumière* in southern Burundi.



Story from the field In Tanzania, a banana cooperative strengthens its marketing skills

Mola Tupe is a cooperative of 20 smallholder banana farmers (12 women and 8 men) on the island of Pemba, Tanzania. The group came together in 2011 through a farmer field school promoted by an IFAD-supported programme. A business coach provided training in record-keeping, group governance, product quality, branding, packaging, pricing and marketing. From an exchange visit, members learned that some banana products could be best made using *Bokoboko*. Only smallholder farmers grow this variety for food-security purposes because it is drought-resistant. In 2017, the cooperative’s members started producing banana products, with an estimated profit margin of 40 per cent and 30 per cent for cookies and chips, respectively. Soon, their monthly contributions to their group savings and credit cooperative grew from TZS 100,000 (US\$43) to TZS 250,000 (US\$109),

enabling them to take out loans to expand production and pay for their children’s schooling.

“We only make banana chips when the price for fresh bananas is low,” says one of the women. “People like the banana flour more and more,” she adds, “though they don’t believe it’s from *Bokoboko!*”

The prolonged engagement of IFAD-supported projects has helped Mola Tupe become a cohesive group and develop a business model that has already spread to other groups on Pemba.

Mola Tupe is not an isolated story: the programme delivered capacity-building to 130,051 people. A total of 1,834 rural producer organizations supported by the programme have engaged in formal partnerships/agreements or contracts with public or private entities, and 449,224 rural producers have been linked to formal markets.

A cohesive group – members of the Mola Tupe cooperative, Tanzania.

©IFAD/Bertha Mjawa

GLOBAL OPERATIONS BY REGION

Latin America and the Caribbean

PORTFOLIO MANAGEMENT HIGHLIGHTS

34 ONGOING PROGRAMMES AND PROJECTS

in partnership with 17 countries in the region at the end of 2018

4 NEW PROGRAMMES AND PROJECTS

in Belize, Brazil, Haiti and Honduras, and additional financing for 3 ongoing projects in the Dominican Republic, Ecuador and Grenada

2 NEW results-based country strategic opportunities programmes in Cuba and Peru

US\$640.7 million

INVESTED BY IFAD
in the region's ongoing portfolio

US\$77.6 million

IN NEW APPROVALS IN 2018

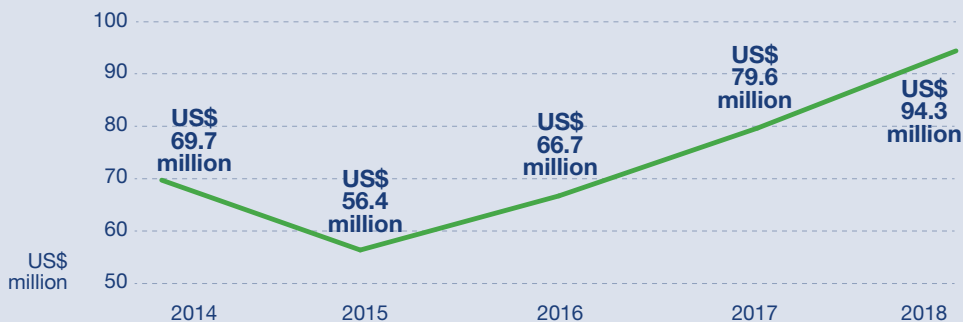
33 COUNTRIES

Antigua and Barbuda
Argentina - 3
Bahamas (The)
Barbados
Belize - 1
Bolivia (Plurinational State of) - 2
Brazil - 6
Chile
Colombia - 1
Costa Rica
Cuba - 2
Dominica
Dominican Republic
Ecuador - 3
El Salvador
Grenada - 1
Guatemala - 1
Guyana - 1
Haiti - 2
Honduras - 2
Jamaica
Mexico - 2
Nicaragua - 2
Panama
Paraguay - 2
Peru - 2
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay - 1
Venezuela (Bolivarian Republic of)

Numbers indicate ongoing programmes and projects

Green leaf icon: Countries with ongoing ASAP grants

ANNUAL LOAN AND DEBT SUSTAINABILITY FRAMEWORK GRANT DISBURSEMENTS



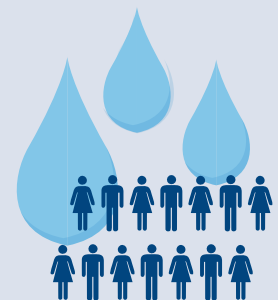
BRAZIL

The Paulo Freire Project has supported the use of **water access** technologies, contributing to improved health and better incomes.



Schools and homes benefit from safe drinking water provided by

5,330 rainwater storage tanks



Almost **3,000** grey water treatment systems allow families to diversify their food production and sell the surplus

Improving water access in semi-arid northeast Brazil

Since 2012, the worst drought in the last 100 years has gripped Brazil's northeast semi-arid region. The IFAD-supported Paulo Freire Project implemented in the 31 poorest municipalities in the State of Ceará has played an important role in disseminating water access technologies in the region.

To date, the project has built 5,330 cisterns to store rainwater for households and schools, benefiting some 45,000 people. These tanks have become critical during prolonged dry periods and for providing safe drinking water throughout the year, thereby also contributing to people's health and well-being. The project also piloted mobile water-treatment units, which turn surface water from lagoons and pits into drinking water of very good biological and mineral quality. In 2018, these units filled 2,667 cisterns, and now other states and projects are replicating them. Another important initiative was the implementation of 2,986 systems for reuse of grey water, benefiting 11,944 people. The impact of this simple technology is immediate and complementary to the investments in cisterns. Normally managed by women, this innovation has allowed diversification into vegetable, fruit, medicinal-plant and fodder production, with a direct impact on households' diets. Some of the production is sold, contributing to an increase in family income.

All three water interventions are small-scale, adapted to the situation of poor rural households in the region, and have low cost and maintenance requirements. They are also built by the families themselves, with the support of technical assistance teams. These teams have been a hallmark of the project, enabling it to pilot and implement these important technologies.

Strengthening local development in Peru

The Strengthening Local Development in the Highlands and High Rainforest Areas Project aims to improve the incomes and quality of life of 39,300 families in the Amazonas, Cajamarca, Lima and San Martín regions of Peru. To date, the project has achieved the planned results, with more than 1,500 rural organizations formalized and financed. Average daily family income has

risen from US\$1.25 to US\$4.0, and increased production levels have improved food security.

In terms of activities, the project is a good example of effective, innovative approaches. This is in large part thanks to the inclusion of technical assistance through local rural extension agents and competitions for innovation.

The Reforesting and Stock Farmers' Association, in Nueva Chota in the San Martín region, put together a dairy production system in the context of a remote forest area. Twenty families who benefited from training in milk production processes and access to market strategies are now producing natural cheese and exotic fruit yogurts. The products meet sanitary regulations and are stored at a distribution centre in San Roque. The association also participates in local food fairs, thus maintaining active links with the market, thanks to the capacities developed as part of its business plan development.

Another initiative generated in the context of the project is Healthy Households, which is currently benefiting 38 families in Pardo Miguel. Housing conditions have been improved through the installation of environmentally friendly stoves and the clear demarcation of boundaries between family spaces and livestock areas. Beneficiaries have also received training to develop small businesses, such as orchid and succulent plant nurseries, and to generate income.

Cooperativism and market access in Brazil

The Semi-arid Sustainable Development Project in the State of Piauí (*Viva o semiárido*) is benefiting 89 municipalities in Piauí, Brazil's second-poorest state. It is fostering the establishment and consolidation of local cooperatives, working mainly with honey, cashew, and goats and sheep, which have value chains with high potential in the semi-arid region. In the Itaim valley, the project helped Ascobetania, an association focused on goats and sheep, to consolidate and raise its status to a cooperative level. Ascobetania then partnered with 16 other associations to form a local producers' cooperative (COOVITA) in 2017, with a woman as its president. The cooperative has 305 members and benefits 1,227 producers. The project provided a specialized technical assistance team to help the cooperative meet the stringent norms and regulations of the registration process.

The cooperative has since evolved in many directions, including improving its administrative and managerial capacity, creating identity labelling, investment and capacity-building of young people, and empowering women in market identification and herd tracking (activities traditionally led by men). It has improved its marketing by selling goats and sheep directly to slaughterhouses in the state capital, eliminating intermediaries and increasing value by 112 per cent, thus generating higher incomes and

returns for beneficiary families. The cooperative has also entered the national food acquisition programme and reinforced its presence at local and regional fairs. It is now also an important provider of services to the project itself, and serves as a role model for community organizations. The project has received a mission from IFAD-supported projects in Mozambique wishing to learn and exchange information on its work with cooperatives and on market access.



Story from the field

In Mexico, communities use non-timber forest resources sustainably and boost their income

In the semi-arid zones of Mexico's North and Mixteca regions, about 35,000 poor people are participating in the Sustainable Development Project for the Rural Communities of Semi-arid Zones (PRODEZSA). Launched in 2015 and cofinanced by IFAD and the Spanish Food Security Cofinancing Facility Trust Fund in coordination with the Government of Mexico, the project aims to strengthen the sustainable use of non-timber forest resources and increase the incomes of the men and women engaged in the project.

The project is promoting rural development on 12.4 million hectares and targeting 1,555 groups of people. It has created, equipped and strengthened 62 rural microenterprises, and incorporated new areas into forest management programmes, thus allowing the sustainable supply of raw materials for processing and marketing. It has also boosted human and social capacities, using technical

and managerial training workshops to promote sustainable production and access to rural markets and businesses.

With the support of the project, rural families are growing native species such as *lechuguilla* (used in the manufacturing industry), oregano (for the production of oils) and *candelilla* (for wax and candles) as potential sources of income and employment.

Aurelia Zapata lives in Ejido Tuxtepec in the municipality of Ramos Arizpe. Together with her family, she has been growing *candelilla* since the revegetation project with PRODEZSA began. This has helped improve her family's nutrition and economic situation. "We produce 40 kilos every two weeks, and with what they pay us for the *candelilla*, we earn around 80 Mexican pesos per kilo. My husband pays for the fruit, I pay for the errands, and we save some money for other needs or emergencies. My son also supports his family."

In Mexico, Aurelia Zapata, a project beneficiary, grows *candelilla*.
©IFAD/RIMISP

GLOBAL OPERATIONS BY REGION

Near East, North Africa and Europe

PORTFOLIO MANAGEMENT HIGHLIGHTS

35 ONGOING PROGRAMMES AND PROJECTS*

in partnership with 17 countries in the region at the end of 2018

2 NEW PROGRAMMES AND PROJECTS

in Bosnia and Herzegovina and Georgia, and additional financing for an ongoing project in Turkey

5 NEW results-based country strategic opportunities programmes in Armenia, Egypt, Georgia, Kyrgyzstan and Republic of Moldova

US\$846.6 million

INVESTED BY IFAD
in the region's ongoing portfolio

US\$40.9 million

IN NEW APPROVALS IN 2018*

*Excludes financing managed by the Fund for Gaza and the West Bank

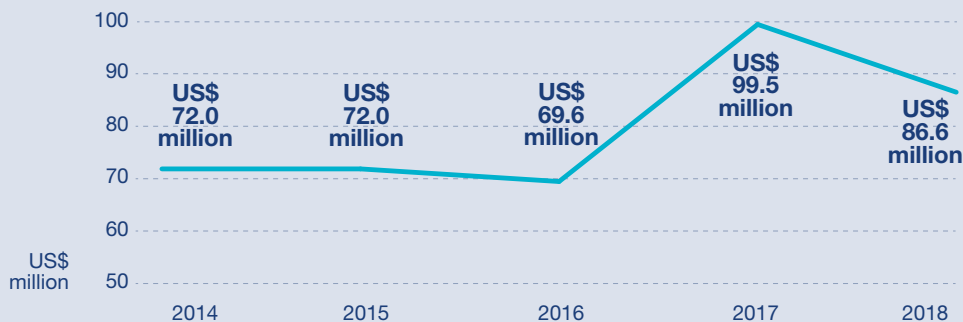
23 COUNTRIES

Albania
Algeria
Armenia - 1
Azerbaijan - 1
Bosnia and Herzegovina - 2
Djibouti - 2
Egypt - 3
Georgia - 1
Iraq - 1
Jordan - 2
Kyrgyzstan - 3
Lebanon - 1
Montenegro - 1
Morocco - 4
Republic of Moldova - 2
Somalia
Sudan - 3
Syrian Arab Republic
Tajikistan
Tunisia - 3
Turkey - 3
Uzbekistan - 2
Yemen

Numbers indicate ongoing programmes and projects

 Countries with ongoing ASAP grants

ANNUAL LOAN AND DEBT SUSTAINABILITY FRAMEWORK GRANT DISBURSEMENTS



JORDAN

The Rural Economic Growth and Employment Project strengthens value chains, boosts **financial services** and encourages **women's participation**.



238 savings and credit groups formed/strengthened

60% of members are women

100 grant agreements signed

66% of grants are for women



59 farmer field schools established

43% of participants are women



Focusing on women's participation in Jordan

In Jordan, the IFAD-supported Rural Economic Growth and Employment Project strengthens horticulture value chains, boosts rural financial services and promotes entrepreneurship among rural populations in five governorates. The project empowers women by encouraging their participation in farmer field schools and in savings and credit groups.

The project has formed or strengthened 238 savings and credit groups with 3,192 members (60 per cent of them women). Through the groups, women have been empowered through focused mentoring programmes on leadership and business creation skills. Women have used the savings generated to invest in private businesses such as plant nurseries, greenhouses and mushroom cultivation. The project has signed 100 grant agreements with groups and individuals for a total of US\$250,000, with two thirds of the grants going to women. The project is increasing not only women's access to and control over assets, but also their empowerment as they take on leadership positions. The purchase of equipment through grants has reduced women's workload and improved the efficiency and quality of their production, with some reporting increased income due to better farming practices and technical assistance for processing.

The project has also established 59 crop-based farmer field schools for improving the production of olives, grapes, oregano, tomatoes, okra and cucumber, with women making up 43 per cent of the participants. This has helped women become recognized at the community level as farmers in their own right. Another 13 farmer field schools have focused on the processing side of the value chain, which has increased women's access to project benefits. To date, the project has trained and hired 11 women engineers to expand women's participation in these schools.

Managing rangelands and water in Tunisia

In Tunisia, the IFAD-supported Agropastoral Development and Local Initiatives Promotion Programme for the South-East – Phase II aims at improving productivity and sustainable management of collective and private rangelands, and of rainfed and irrigated agriculture, in the

governorates of Tataouine and Kebili (southern Tunisia). Directly targeting 66,000 rural people, the programme has supported the establishment of 36 agricultural development groups to co-manage rangelands in a participatory manner.

Since May 2015, more than 78,000 hectares of rangelands have been rehabilitated and left to recover. Now, the first impacts have started to appear, with a visible improvement in vegetation cover, including strong regeneration of species of high pastoral value, coupled with a decline in invasive species. There has also been an increase in forage production of about 20-30 per cent compared with undeveloped rangelands.

Rangeland rehabilitation has helped limit the negative effects of climate change and increased the resilience of livestock herders to heat and drought. To ease pressure on rangelands and ensure more widespread animal grazing, the programme has built boreholes and rehabilitated water points and reservoirs. Following these actions, wildlife has returned to the programme area, with gazelles and foxes being seen.

Another element of the programme has been the work to expand employment opportunities for disadvantaged groups, such as young people and women. To date, 161 people (80 per cent of them women) have received training on creating small businesses. The programme's results have also contributed to the Sustainable Development Goals on climate action and life on land.

Community approaches take root in Sudan

In recent years, Sudan's Butana region has seen a rise in conflicts over water, forests and rangelands between settled farmers and pastoralists. An influx of pastoralists fleeing insecurity in neighbouring South Sudan has placed even more pressure on limited natural resources. The IFAD-supported Butana Integrated Rural Development Project has helped create 12 community-based natural resource management networks. These networks, operating as legal entities, are an important bridge between community development committees and state institutions, helping to address local development issues, reduce tensions and strengthen communities' resilience to climate change. The networks have enabled settled communities to register communal ranges and forests to secure their customary land

rights, and also to respond as one to natural resource management challenges.

For example, the Al-Idaid Network is working to protect community range reserves by erecting visible boundaries, raising awareness among settled and mobile communities, encouraging members to cultivate the area around the reserve as a buffer zone, and managing livestock routes to ease the movement of pastoralists. This grass-roots approach to natural resource management is ensuring that issues between pastoralists

and settled farmers are not ignored, and giving pastoralist communities a voice.

Network leaders and community elders are also coming together to find viable employment for youth, as the lack of jobs is driving young people away and into larger cities. The At-Tasab Network, for example, is providing youth groups with opportunities to earn an income – from work as blacksmiths to jobs at gas-bottle refilling centres – based on their contributions in patrolling forest reserves and sustainably managing natural resources in their communities.



Story from the field In Turkey, strawberry fields bring income for rural women

Ganime Tuncer is proud of her new strawberry farm. “We can have about three tons of fresh strawberries,” says Ganime, who previously grew vegetables for the family’s own consumption. “They are an easy, profitable and beautiful crop.”

Established in 2017 thanks to the IFAD-supported Murat River Watershed Rehabilitation Project, Ganime’s strawberry farm covering one dunum (1,000 square metres) is one of four new project-funded strawberry farms in the village of Ozdilek. Located in a remote mountainous area of Turkey, where traditional, patriarchal societies are common, villages like Ganime’s were targeted by the project in its efforts to empower both men and women in decision-making, improved resource management and income-generating activities.

With the project’s help, women have transformed the land into a rich resource. “We provide organic fertilizer for our strawberries

with the technical support from this project,” says Ganime.

Almost half of the project’s beneficiaries are rural women like Ganime, some of them earning an income for the very first time in their lives. “We sell the strawberries for at least five lira per kilogram to the markets and grocery stores,” explains Ganime, who is enjoying her new role as a self-reliant entrepreneur.

Ganime is not alone. In the project area, there has been an increase in annual income of up to 7,000 Turkish lira per household (about US\$1,300).

“We didn’t have any problems with marketing,” says Ganime. “At the same time, we eat our strawberries and make jam for our own consumption, which we also send to our relatives.”

While the monetary benefits of the new strawberry farm are clear, there are social benefits too: “Sometimes we come to the strawberry fields with our neighbours in the afternoon, and we drink our tea and collect strawberries.”

In Turkey, Ganime Tuncer is turning strawberries into income.
©IFAD/Pervin Yaklav

GLOBAL OPERATIONS BY REGION

West and Central Africa

PORTFOLIO MANAGEMENT HIGHLIGHTS

34 ONGOING PROGRAMMES AND PROJECTS

in partnership with 21 countries in the region at the end of 2018

11 NEW PROGRAMMES AND PROJECTS

in Benin, Central African Republic, Chad, Gabon, Guinea, Liberia, Mali, Niger, Senegal, Sierra Leone and Togo, and additional financing for ongoing projects in Cabo Verde, Mauritania, Nigeria and Sierra Leone

3 NEW results-based country strategic opportunities programmes in Benin, Cabo Verde and Mauritania

US\$1,321.7 million

INVESTED BY IFAD
in the region's ongoing portfolio

US\$372.6 million

IN NEW APPROVALS IN 2018

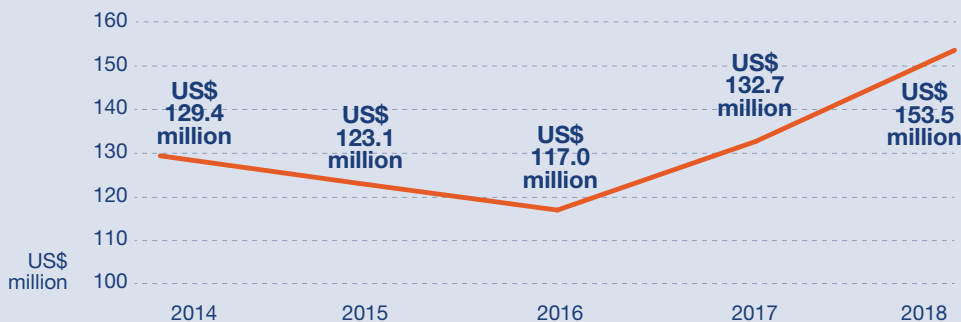
24 COUNTRIES

Benin 🇸🇳 - 2
Burkina Faso - 2
Cabo Verde 🇸🇳 - 1
Cameroon - 1
Central African Republic
Chad 🇸🇳 - 1
Congo - 1
Côte d'Ivoire 🇸🇳 - 2
Democratic Republic of the Congo - 3
Equatorial Guinea
Gabon
Gambia (The) 🇸🇳 - 1
Ghana 🇸🇳 - 2
Guinea - 2
Guinea-Bissau - 1
Liberia 🇸🇳 - 2
Mali - 2
Mauritania 🇸🇳 - 2
Niger 🇸🇳 - 1
Nigeria 🇸🇳 - 2
Sao Tome and Principe - 1
Senegal - 2
Sierra Leone - 2
Togo - 1

Numbers indicate ongoing programmes and projects

🇸🇳 Countries with ongoing ASAP grants

ANNUAL LOAN AND DEBT SUSTAINABILITY FRAMEWORK GRANT DISBURSEMENTS



CABO VERDE

The Rural Socio-economic Opportunities Programme is improving farmers' **productivity**, creating sustainable **employment** and building **resilience** to climate change.



More than **100** market and processing facilities built, improving access to markets

Training in good practices and technologies provided for

4,000 farmers and livestock raisers



10 wells and

2 reservoirs

rehabilitated/constructed



Saving children from malnutrition in Niger

The IFAD-supported Family Farming Development Programme (ProDAF) in Niger's Maradi, Tahoua and Zinder regions is a key mechanism for implementing Niger's Economic and Social Development Plan and its President's initiative for food security and nutrition. Since 2016, ProDAF has helped reduce the proportion of children under 5 years old in the programme regions suffering from acute malnutrition from 18 per cent to 14.8 per cent – equivalent to 58,000 children.

ProDAF increases sustainable productivity and production through better access to water, improved seeds and land management practices. In three years, over 11,000 hectares have been restored and 75,065 hectares are under assisted natural regeneration. With more than 4,500 households now having guaranteed access to water for crop irrigation, yields have increased by an average of 20 per cent – up 52 per cent for irrigated crops and 42 per cent for millet.

The programme has supported the setting up of granaries to ensure food availability for women and vulnerable households during shortages. In addition, households have received 2,568 goat-rearing packages to improve children's nutrition through goat-milk consumption. The 73 nutritional improvement and recovery centres set up in the intervention zone facilitate the management of practical sessions for the care of malnourished children and food demonstrations.

Other donors have joined this effort, making ProDAF an assembler of development finance as almost 34 per cent (US\$75 million) of its resources come from cofinancing. The Government of Niger has pledged to invest about US\$33.4 million in ProDAF.

Strengthening inclusive and pro-poor strategies in Cabo Verde

Cabo Verde's poverty rate fell from 58 per cent in 2002 to 35 per cent in 2015, and the government is targeting 28 per cent by 2021. The IFAD-supported Rural Socio-economic Opportunities Programme (POSER) is a strategic development partner in this effort. POSER is strengthening local institutions and governance structures both to improve smallholders' productivity, production and incomes, and to create sustainable

employment for poor farmers, particularly women and young people.

Since 2012, the programme has benefited 10,816 vulnerable households, mainly through 497 community-driven micro projects and the construction of 44 education and health facilities. This has generated over 2,000 new jobs, 30 per cent of them for young people.

These initiatives have been complemented with training in good practices and technologies for 3,500 farmers and 600 livestock raisers. POSER has also helped improve market access for smallholders with the construction and rehabilitation of 54 market facilities, 51 processing facilities and 10 water wells.

The climate component of POSER builds on local knowledge and capacity. It relies on interaction with institutions responsible for climate change adaptation. Results include soil conservation on 100 hectares; 4 hectares of terraces constructed; 35 hectares reforested; and two reservoirs rehabilitated.

In the next three years, POSER will invest in water mobilization and management, and in inclusive, pro-poor agricultural value chains. The greater availability and more efficient use of water will accelerate the transformation of the country's agriculture sector.

Reducing rural poverty in The Gambia, with a focus on women and youth

The Gambian National Development Plan 2017-2020 envisions a transition to a green economy driven by private-sector investment in small businesses and microenterprises, delivering sustainable and inclusive benefits, with youth and women playing a key role in this process. The IFAD-supported National Agricultural Land and Water Management Development Project (NEMA) is a strategic tool to achieve such an ambition.

After five years of operations, NEMA has benefited more than 10,000 households (80 per cent of them headed by women) with substantial watershed development infrastructure investment (more than US\$40 million). This investment includes 3,000 hectares of upland cropping area, 810 hectares of tidal irrigation schemes, 5,760 hectares of lowland water-control schemes, and 240 hectares of village vegetable schemes. In addition, and to ensure longer-term benefits, specific land and water management

training programmes for rice and vegetables have been put in place.

NEMA has constructed and/or rehabilitated more than 36 kilometres of roads to improve market access. The project has also supported the consolidation of six cluster producer organizations (cooperatives) with more than 12,000 members. In 2018, membership benefits included access to almost 830 tons of rice fertilizer, and as a result average yields rose from 3 to 4 tons per hectare.

In addition, through the creation of a capital investment stimulation fund, NEMA has invested more than US\$500,000 to support 24 rice and horticulture agroenterprises. This fund operates as a matching grant programme, and areas of investment include tractors and boreholes for continuous access to water in horticulture.



Story from the field

Young entrepreneurs revitalize aquaculture in Cameroon

The IFAD-supported Aquaculture Entrepreneurship Promotion Project aims to promote profitable enterprises that create jobs in three regions of the country. Its innovative approach lies in the introduction of the entrepreneurial dimension under a business incubator model. Over 300 small enterprises creating 1,500 jobs will be established in fish value chains, with 30 per cent of the businesses being managed by women and 50 per cent by youth.

In the first year of IFAD support, young entrepreneurs in the project area achieved larvae survival rates of 60 per cent (over three times the national average). About 380,000 fry were produced and distributed to aquaculture producers in the three regions, representing additional production of 230,000 kilograms of fish (5 per cent of national aquaculture production).

In 2016, Michel Otono, married with four children, started an aquaculture business. The project trained Michel in fish production, feeding and marketing, and gave him 10,000 fingerlings and 50 bags of fish feed. In two years, Michel has expanded from 2 fish ponds to 10 and sells all his fish to women for resale in Mbalmayo city. “Before joining the project, it was difficult to have US\$87 per month. Today, with my aquaculture business, my monthly net income is US\$870,” says Michel. “I employ two permanent staff and thirteen temporary staff. With my income, I am sending my children to school, feeding my family and also taking care of my mother.”

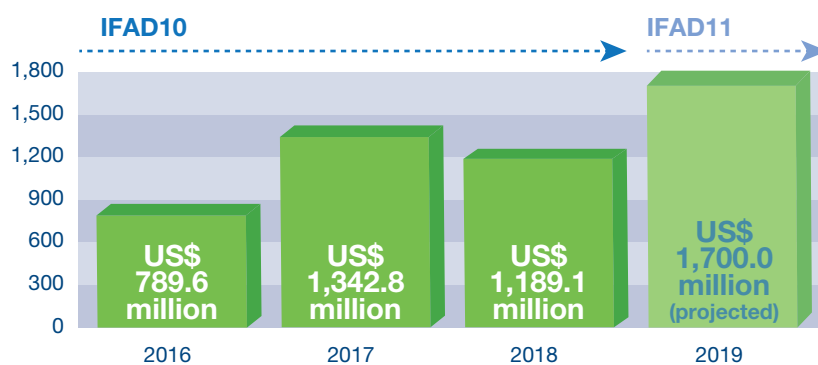
The challenge facing Michel is unpredictable weather due to climate change. With the support of an extension officer, he is coping well. He says: “My advice to young people here is to try aquaculture because it offers a great livelihood.”

Portfolio highlights and financing data

NEW APPROVALS OF IFAD FINANCING FOR PROGRAMMES AND PROJECTS

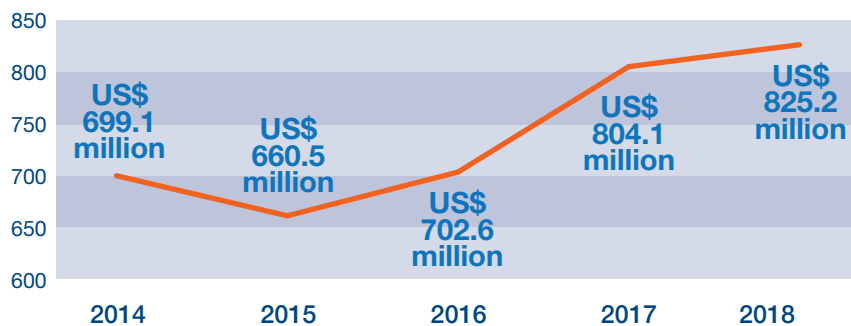
US\$ million

In 2018, the third and final year of the IFAD10 replenishment cycle, the total for IFAD loans and grants approved was US\$1,189.1 million, giving an overall total of US\$3,321.5 million for the cycle. For the first year of IFAD11, the figure is projected to be about US\$1,700 million.



IFAD DISBURSEMENTS OF LOANS AND GRANTS

US\$ million



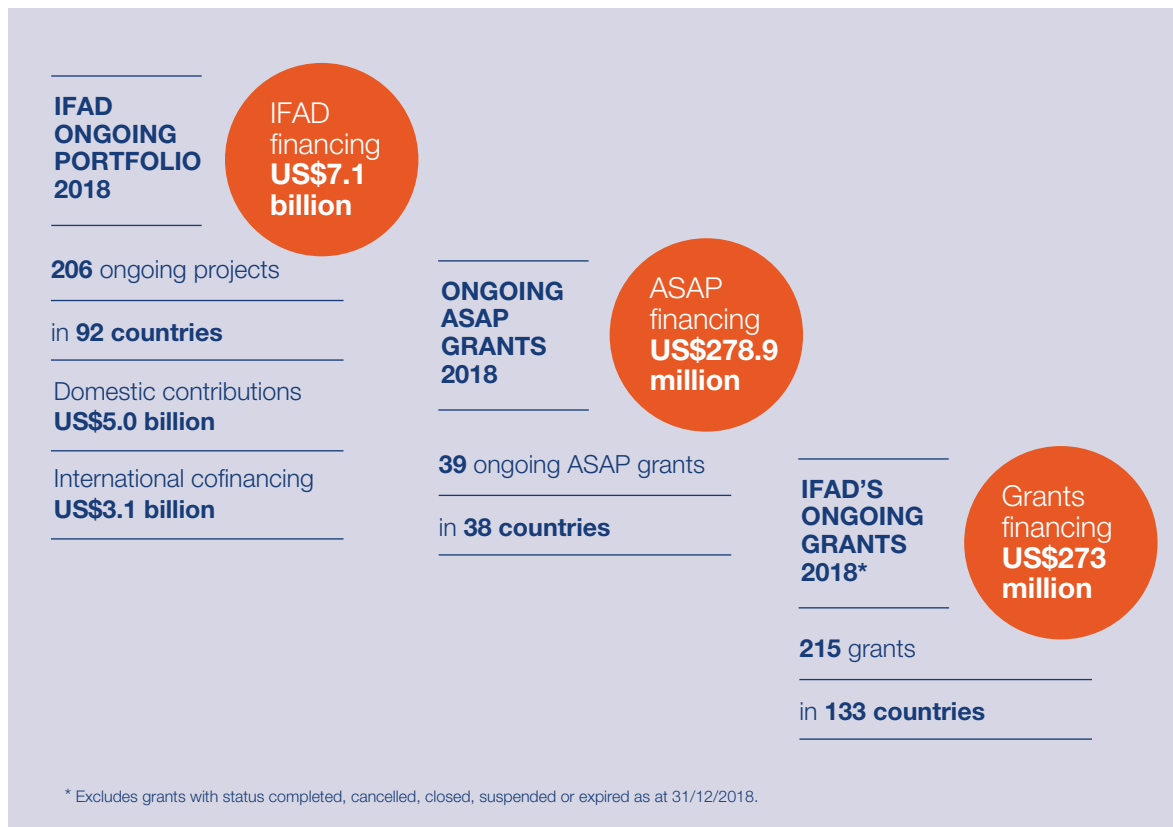
53%
OF ALL IFAD INVESTMENTS
APPROVED IN 2018
EARMARKED FOR **AFRICA**



IN 2018,
STAFF POSITIONS IN THE
FIELD INCREASED FROM

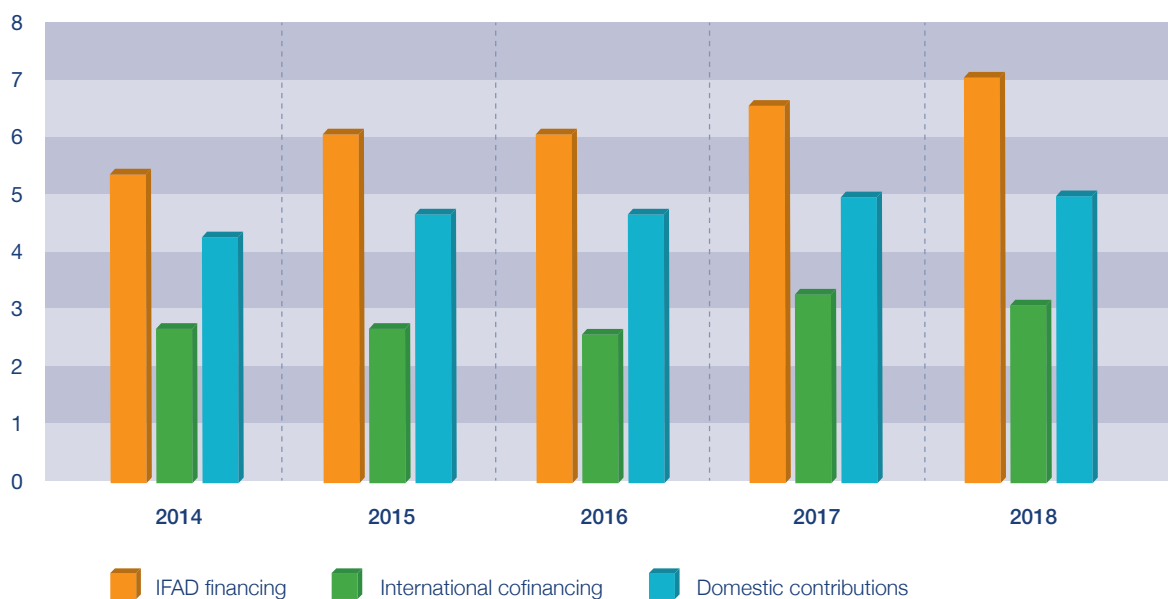
18%
to **30%**



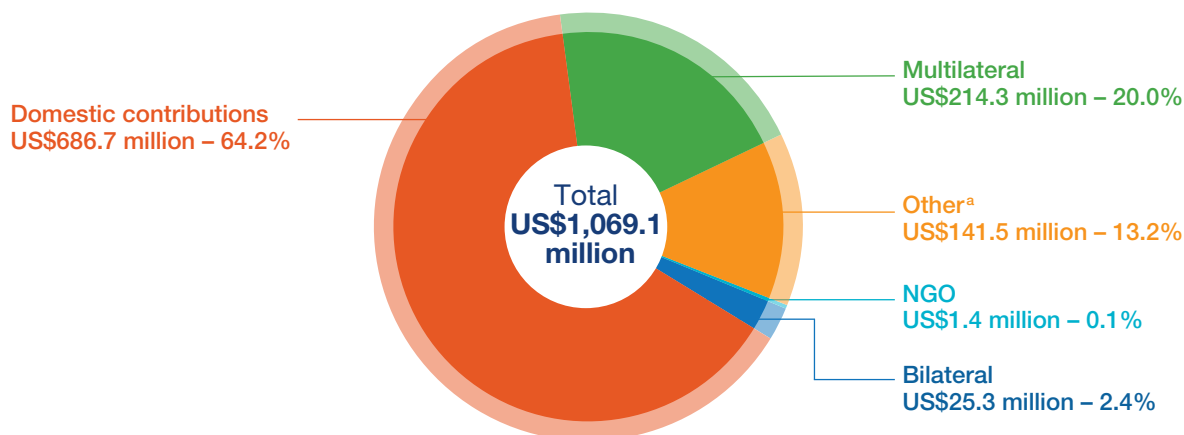


IFAD'S ONGOING PORTFOLIO 2014-2018

US\$ billion



COFINANCING OF IFAD-SUPPORTED PROGRAMMES AND PROJECTS APPROVED IN 2018



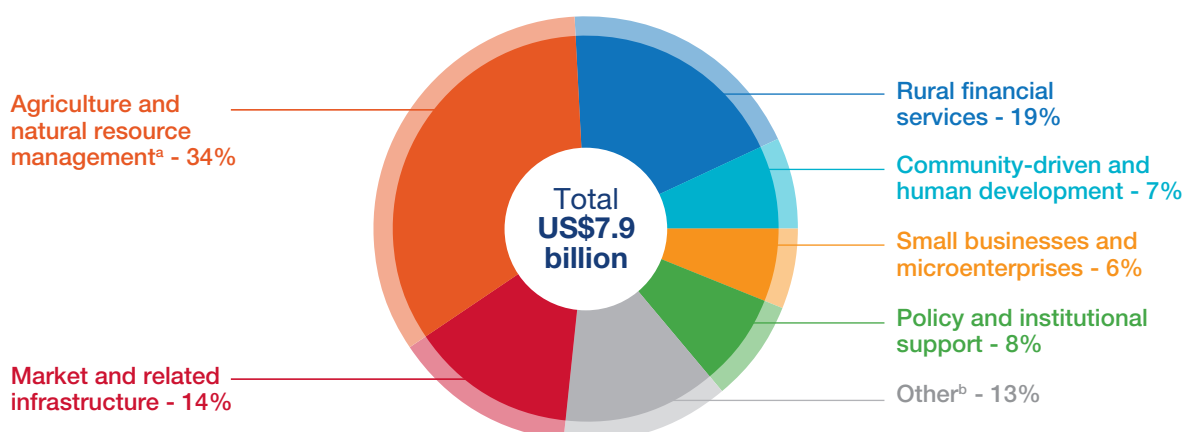
^a Other includes financing under basket or similar funding arrangements, financing from private-sector resources and financing that was not confirmed at the time of Executive Board approval.

IFAD's most important area of work remains agriculture and natural resource management. This sector accounts for 34 per cent of the value of ongoing loans and grants. It empowers smallholder farmers to increase their productivity, adapt to climate change and become more mechanized. It also enables them to manage natural resources more sustainably and efficiently.

As at 31 December 2018, rural finance ranks second, accounting for 19 per cent of funds invested. Its aim is to ensure that rural women and men can access financial services such as credit, savings and insurance to build their businesses and manage risks. About 14 per cent of ongoing investments fund work to improve markets and related infrastructure, such as roads and storage facilities.

IFAD'S CURRENT PORTFOLIO FINANCING BY SECTOR

(as at 31 December 2018)



^a Agriculture and natural resource management includes irrigation, rangelands, fisheries, research, extension and training.

^b Other includes communication, culture and heritage, disaster mitigation, energy production, financing and preparation charges, knowledge management, management and coordination, monitoring and evaluation, and unallocated.

Member States have contributed a total of US\$1.13 billion in bilateral cofinancing to IFAD-initiated programmes and projects since 1978. Spain, France, Germany, the Netherlands, Belgium

and the United Kingdom are the leading six bilateral cofinanciers – together, they have provided over 75 per cent of the total.

COFINANCING OF IFAD-INITIATED PROGRAMMES AND PROJECTS BY DONOR MEMBER STATES (BILATERAL), 1978-2018^a

US\$ million

Belgium	96.9 / 8.6%	Norway	30.5 / 2.7%
Canada	40.1 / 3.6%	Spain	357.4 / 31.6%
Denmark	52.7 / 4.7%	Sweden	48.9 / 4.3%
France	119.9 / 10.6%	Switzerland	21.8 / 1.9%
Germany	102.1 / 9.0%	United Kingdom	80.6 / 7.1%
Netherlands	98.6 / 8.7%	United States	22.2 / 2.0%

Source: Grants and Investment Projects System.

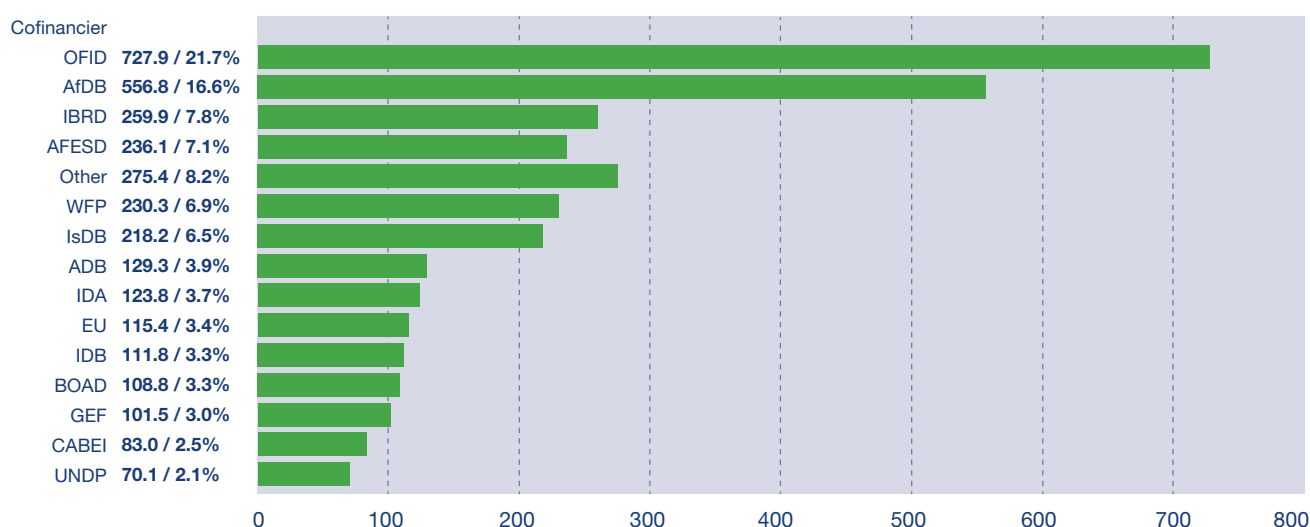
^a The amounts shown are per the President's report for each programme and project presented to the Executive Board. The amounts and percentages shown here represent the share of each bilateral in total bilateral cofinancing of US\$1,130.0 million. Bilateral participation in basket or similar funding arrangements is not included. Any discrepancy in totals is the result of rounding.

Multilateral donors have contributed a total of US\$3.3 billion in cofinancing to IFAD-initiated programmes and projects since 1978. The top four donors are the OPEC Fund for International Development, the African Development Bank,

the International Bank for Reconstruction and Development (of the World Bank Group), and the Arab Fund for Economic and Social Development. Together, these four have contributed over 50 per cent of total multilateral cofinancing.

COFINANCING OF IFAD-INITIATED PROGRAMMES AND PROJECTS BY MULTILATERAL DONORS, 1978-2018^a

US\$ million



Source: Grants and Investment Projects System.

^a The amounts shown are per the President's report for each programme or project presented to the Executive Board. The amounts and percentages shown here represent the share of each multilateral in total multilateral cofinancing of US\$3,348.1 million. Multilateral participation in basket or similar funding arrangements is not included. Any discrepancy in totals is the result of rounding.

Agri-Business Capital Fund (ABC Fund)

– EUR 45 million committed by the European Union and the African, Caribbean and Pacific Group of States to support a new impact fund for rural small and medium-sized enterprises

Accreditation Master Agreement

with Green Climate Fund signed to create the potential for financing IFAD climate projects that empower rural people

China-IFAD South-South and Triangular Cooperation Facility

established to accelerate the exchange of knowledge and promote business-to-business links

Rural Solutions Portal launched to collect and share experience and knowledge in South-South and Triangular Cooperation

Operational Excellence for Results

– exercise completed to support decentralization and to boost IFAD's delivery and contribution to the 2030 Agenda

Decentralization – implementation progressing ahead of target

Credit-rating process – internal financial management strengthened

Impact Assessment Reporting

– 17 assessments completed, enabling IFAD to measure investment impact effectively

New policy on sexual harassment, sexual exploitation and abuse

implemented with immediate effect

IFAD's corporate website

translated into all official languages

IFAD11: FUNDING DEVELOPMENT AROUND THE GLOBE

IFAD's programme of work channels funds from various sources to benefit rural women and men in the developing world.



OUTREACH OF IFAD-SUPPORTED PROJECTS

Rural financial services

16.1 million
voluntary savers



7.7 million
active borrowers



Natural resource management

3 million hectares
under improved management practices

58,000 hectares
under irrigation schemes

Marketing

13,930 kilometres
of roads constructed/rehabilitated

2,709
marketing facilities
constructed/rehabilitated

Microenterprises

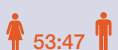
91,250
enterprises accessing business
promotion services

Climate change adaptation

1.5 million
poor smallholder household members
supported in coping with the effects of
climate change

Agricultural technologies

2.6 million
people trained in crop and livestock
production practices/technologies



97.9 million
people

benefiting from services



female:male ratio of people receiving services

Outreach indicators measure the cumulative number of people receiving services from all ongoing projects. While the individual indicators report only the number of participants in a specific project activity, the total outreach figure includes all direct beneficiaries and members of the same household. Figures reported are for 2017.

In focus:

Impact assessment reporting

With the Sustainable Development Goals prompting renewed focus on results-based management and on corporate monitoring and evaluation systems that generate evidence, IFAD introduced the Development Effectiveness Framework to ensure objective assessment and reporting of impact. Through rigorous data collection, impact assessments generate high-quality evidence from IFAD-supported projects that is used to determine impact, inform decisions and learn lessons.

In line with its Development Effectiveness Framework, IFAD is committed to conducting impact assessments of 15 per cent of its portfolio. Designed with the participation of project staff and government counterparts, the impact assessments collect both quantitative and qualitative data from projects representative of the entire portfolio. By aggregating impact estimates from this critical mass of assessments to all projects implemented within the same period, IFAD can measure the overall impact of its investments. This approach is unique among international organizations and ensures that IFAD can attribute results to its projects.

Impact assessment cycle

Since 2016, IFAD has conducted 17 impact assessments of 19 projects. Implemented in close collaboration with project teams and national stakeholders, the impact assessments use a standardized structure to ensure comparability across projects and countries. To identify impact that can be specifically attributed to project interventions, impact assessments collect data from both project beneficiaries and households in the same area that have not received project benefits (non-beneficiaries).

Impact assessments generate high-quality evidence from IFAD-supported projects

IFAD's impact assessment cycle consists of four main steps (see figure on p. 29). The planning phase identifies the project together with the country team and includes a scoping mission, the development of the theory of change and the preparation of the impact assessment plan. During the implementation phase, a local company is recruited to collect the data. Quantitative and qualitative data collection tools are developed and data collection and fieldwork are undertaken. The assessment phase uses a standardized data management and analysis protocol to clean, process and analyse the data and the initial report is prepared. During the dissemination phase, a feedback seminar takes place to discuss results with policymakers, project partners and other stakeholders in the host country.

Results

IFAD's impact assessments have shown significant results when comparing project beneficiaries with non-beneficiaries. In Rwanda, IFAD's Project for Rural Income through Exports helped farmers access rural financial services and increase the production and quality of their cash crops. The project focused on supporting coffee cooperatives, and horticulture, tea and silk value chains. The impact assessment showed significant improvements. Coffee farmers saw a 32 per cent increase in income and a 71 per cent increase in coffee harvest. This led to a 10 per cent reduction in poverty among the farmers and made them more resilient to shocks, especially droughts.

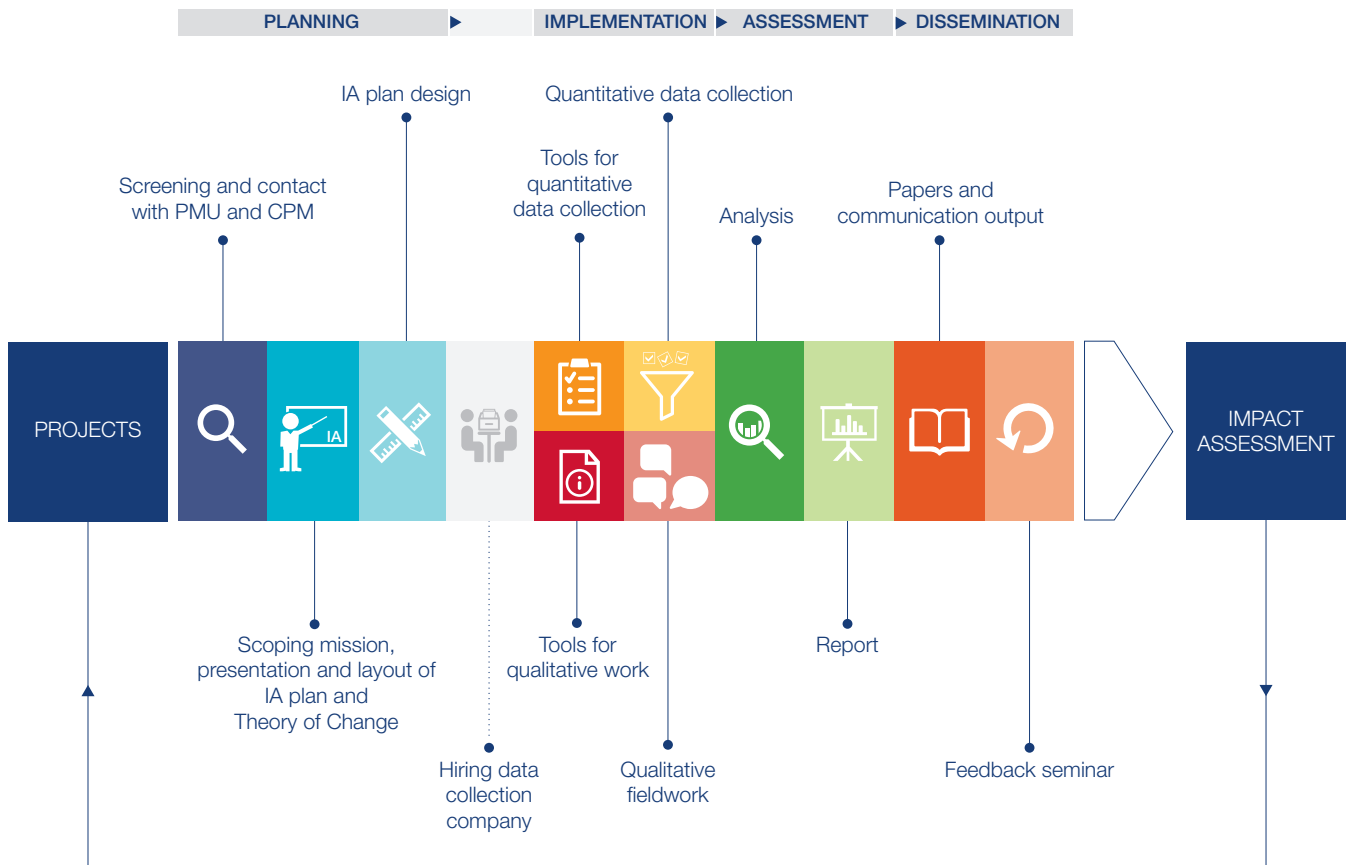
Horticulture farmers experienced up to a fivefold increase in harvests and sales, and some saw a 100 per cent increase in their income. With better incomes, they were able to hire labour and create new jobs, and many farmers invested in other enterprises such as local shops, processing facilities and transport businesses.

In Ethiopia, the Participatory Small-scale Irrigation Development Programme aimed at improving food security and increasing incomes of beneficiaries by providing access to small-scale irrigation infrastructure systems. The impact assessment collected seasonal data over the period of one year to capture impacts over the dry, short rainy and long rainy seasons. Across all seasons, project beneficiaries were more likely to be resilient than were non-beneficiaries – particularly in the dry season (with a 110 per cent increased probability) – and more likely to move out of poverty and stay above the poverty line. Household incomes increased

by 55-105 per cent through the various seasons, and farmers experienced gains in productive assets ranging from 10 per cent in the long rainy season to 22 per cent in the dry season. These results point to the transformative and sustainable impacts that small-scale irrigation projects can have in terms of building resilience for farmers.

The Guangxi Integrated Agricultural Development Project aimed to increase rural household income for smallholder farmers in China through community infrastructure improvements, agricultural production and marketing support. The impact assessment found that poverty fell by 12 per cent among project beneficiaries, with the yields and value of their fruit crop production rising by 19 per cent and 29 per cent, respectively. Project beneficiaries also had 40 per cent higher savings than non-beneficiaries, and improved asset ownership. Impacts were particularly strong among households that benefited from agricultural

IFAD's impact assessment cycle



production and marketing support along with improved infrastructure.

In Mexico, the Community-based Forestry Development Project in Southern States promoted microbusiness development for the sustainable use of forest natural resources and the adoption of good environmental practices by rural communities.

Impact assessment of a project in China found that poverty had fallen by 12 per cent among beneficiaries and asset ownership had improved

The impact assessment showed project beneficiaries increased their annual income by 22 per cent and owned 15 per cent more assets than non-beneficiaries. In Campeche, beneficiaries were 37 per cent more likely to sustainably exploit natural resources from common land. In Chiapas, they were 120 per cent more likely to start new business activities than in other states, where percentages were much lower.

Project areas exhibited a 3 per cent increase in the normalized difference vegetation index compared with non-project areas, with beneficiaries being 16 per cent more resilient than non-beneficiaries to drought shocks.

Main lessons

A number of key lessons have emerged from the impact assessments conducted in the period 2016-2018. These lessons are useful for decision-making and the designing of future projects because they point to approaches and activities that are more likely to achieve positive results and sustainable impact. Evidence shows that projects have greater potential to generate impact if they:

- use a focused logic with clearly specified goals and interlinked activities
- have a well-defined theory of change identifying how activities lead to outputs, outcomes and impact
- are participatory and responsive to feedback from project beneficiaries and are ready to adapt implementation accordingly
- address barriers to input and output markets throughout the value chain
- are tailored to the local context and specific target groups
- have risk management strategies and safeguards in place in case of extreme events, such as weather events.

Spotlight on financial operations

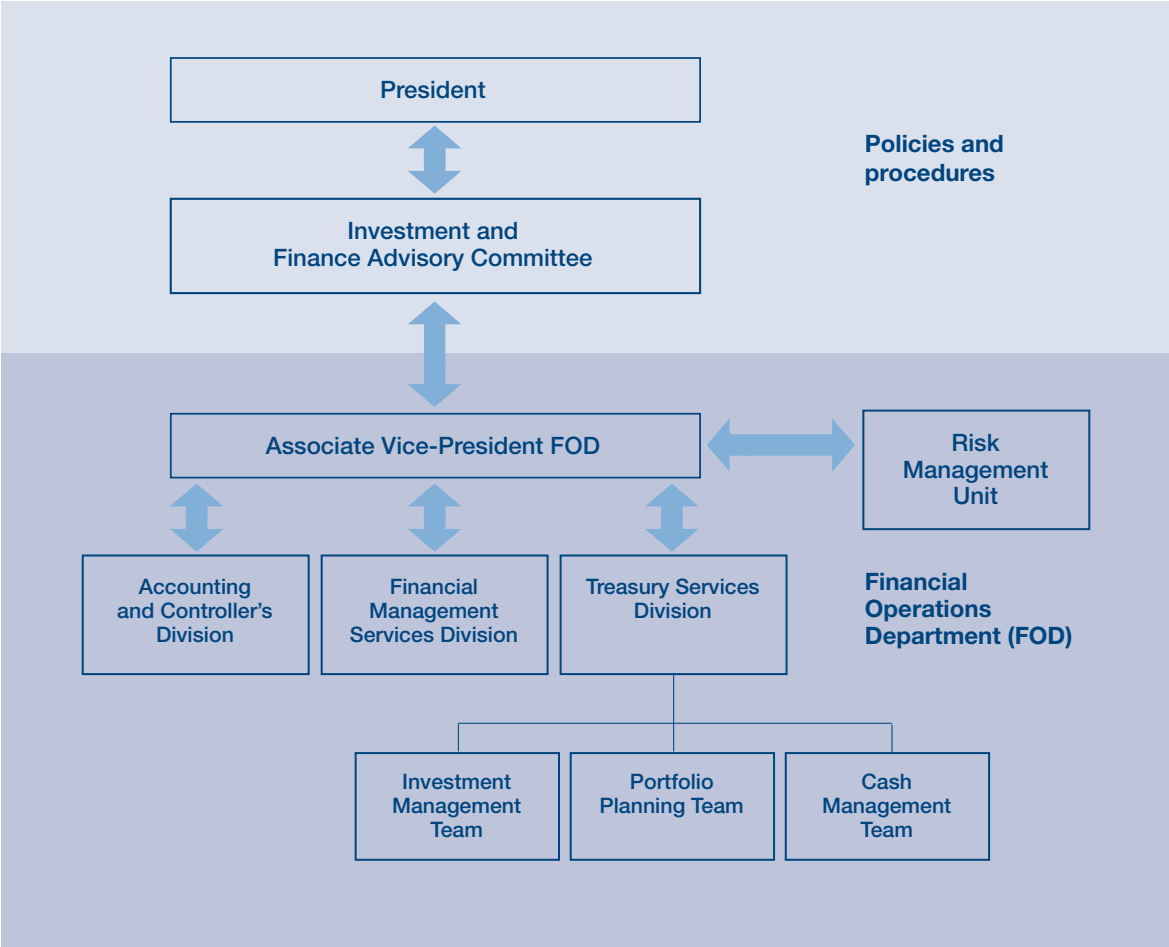
In 2018, IFAD moved forward with its efforts to increase and broaden its financial reach, with the goal of continuing to serve its clients within its mandate. It embraced corporate change and initiated key structural reassessments to support the new financial architecture that will serve its evolving needs. Such key changes, which will continue in 2019, encompassed all business areas, including financial risk management, review of policies, diversification of the range of investments and operational activities, decentralization, and innovative financial solutions.

Strengthening the risk function

Traditionally, IFAD’s funding has come largely from Member States’ contributions. The adoption of the Sovereign Borrowing Framework has already provided some diversification of funding sources, with the addition of leverage to IFAD’s balance sheet. In 2018, IFAD began work on the introduction of a hybrid financing model that blends contributions with debt in order to support an increasing programme of loans and grants.

In this context, substantial effort went into strengthening IFAD’s risk management and internal control framework (see figure). Among other measures, a new risk management unit was created to support oversight functions

IFAD’s internal flow of financial information



on financial activities and achieve the Fund's goals in a financially sustainable manner. A corporate-level evaluation of IFAD's financial architecture (by IFAD's Independent Office of Evaluation) and an independent financial risk assessment (by an external consulting firm) were completed. They provided key inputs for implementing a wide array of policy, structural and organizational changes that will accompany IFAD in its growth as an international financial institution.

An enhanced controllership function, automation and service

In 2018, IFAD established a second-line-of-defence controllership function. This function will support the transformation of IFAD's financial architecture and business model, and position IFAD positively with credit rating agencies. It will also protect IFAD against operational, financial and reputational risks, particularly in an enhanced decentralized environment. This involves the creation of a holistic internal control framework, continuous control and risk assessments, monitoring and reporting results, and control digitization supported by internal control focal points in the field. In addition, IFAD continued to ensure compliance with new International Financial Reporting Standards to support a clean audit opinion. It also embarked on full automation of all its internal and external client services. This will ensure rapid and consistent client communication and problem resolution.

A modern financial management model

Initiatives to enhance IFAD's business model and changes in financial architecture remained ongoing. They included diversification of IFAD's product offering and the introduction of risk management pillars, while also enhancing relationships with sister international financial institutions – particularly in the area of debt. In 2018, much groundwork was laid to establish the IFAD Transition Framework (see p. 34) to better support IFAD's borrowers and recipients along their development journey. IFAD's financing terms also underwent revision to better tailor them to different strategic topics such as the fragility of small states' economies and countries

in transition, while providing greater flexibility for ordinary term borrowers.

IFAD's growing culture of increased transparency was also embraced through enhancements in disclosure of project financial and lending data on its public website and audit reports. Direct financial management support for IFAD's borrowers and recipients, in particular ministries of finance, continued as another key priority in 2018 through regular project missions and targeted capacity-building for IFAD-supported projects. Decentralization of financial management staff to five regional hubs will ensure that staff are closer and more accessible to government and project counterparts.

Towards a modern treasury

The ongoing process of modernizing treasury functions resulted in a profound change in terms of range of activities, processes, risk and controls. Internalization of investment activities continued, while diversification of instruments was pursued through implementation of derivative instruments, in parallel with a continued de-risking of IFAD's investment portfolio. Special attention was given to innovation, in terms of both systems and automation but also in regard to innovative financial approaches to support IFAD's beneficiaries.

An important expansion of banking relationships and a wider range of operational activities supported the ongoing decentralization process in both the areas of in-country financial services and the possibility of executing payments in local currency. Operational simplification efforts continued to focus on policy-level priorities, including best practices in trade compliance and post-trading activities. There were also efforts in place to streamline processes and restructure treasury-specific systems. Best practices were central in the execution of financial transactions, with attention given to ensuring adherence to international regulations.

Innovative financing

Additional resource mobilization

IFAD will implement a comprehensive revision of its financial architecture to strengthen its role as an assembler of development finance. The intention is to diversify the Fund's resource base and expand the financial and operational products it offers to borrowing countries. Driving this change is the need to focus core resources on the poorest people and the poorest countries, while remaining universal and offering a mix of lending and non-lending support to all its developing Member States and leaving no one behind.

While core replenishment contributions will remain the foundation of its capital and financial commitment capacity, IFAD will integrate borrowing into its financial framework for the first time. IFAD's prudent leveraging strategy would allow the Fund to replace ad hoc borrowing with borrowing as an integral part of its funding mechanism. IFAD's leverage will hinge on the established Sovereign Borrowing Framework and the Concessional Partner Loan framework, and on possible borrowing from capital markets. In 2018, within the Sovereign Borrowing Framework, IFAD drew two tranches for a total EUR 100 million from the EUR 200 million loan with the French Development Agency to support the IFAD10 programme of loans and grants.

Preparatory work has started in line with the IFAD11 commitment for a road map on financial architecture transformation to obtain a credit rating and then consider approval of market borrowing from its stakeholders.

New partnerships

IFAD has partnered with the European Union, the Government of Luxembourg and the Alliance for a Green Revolution in Africa to establish the Agri-Business Capital Fund (ABC Fund) – a new impact fund that will boost investments in small rural agribusinesses across emerging markets. In particular, the ABC Fund, a private-sector fund to be incorporated in Luxembourg in early 2019, will target small and medium-sized enterprises,

farmers organizations and agripreneurs to spur economic and social development in rural areas and create jobs. In 2018, the European Union and the African, Caribbean and Pacific Group of States committed EUR 45 million to support the fund.

Managed by Bamboo Capital Partners and Injaro Investments, the ABC Fund will provide loans to owners of rural, agricultural small and medium-sized enterprises that fall into the “missing middle” between large-scale farmers served by commercial banks and subsistence farmers relying on microcredit. The new fund will place a particular focus on incubating new enterprises led by young people. This will both improve the incomes of this vulnerable group and create broader employment opportunities in rural communities, particularly in Africa, to offer an alternative to migration.

Concessional partner loans

Concessional partner loans are an innovative financing initiative used by international financial institutions (e.g. the International Development Association and the African Development Fund). This type of loan was introduced at IFAD in October 2017 to enable it to supplement traditional grant contributions and capital resources provided by Member States. Members providing concessional partner loans receive voting rights on the basis of the “grant element” embedded in the loans due to their concessional terms. The loans' embedded concessionality, including lower coupon and longer maturities, will allow IFAD to match its concessional lending terms, which is not currently the case for other borrowing options available in the market. By the end of 2018, two concessional partner loans had been pledged by France (EUR 50 million) and India (US\$20 million). In addition, representatives of Finland and the Republic of Korea had met with IFAD to discuss the terms and mechanics of such loans.

Institutional reform and collaboration

Operational Excellence for Results

The Consultation on the Eleventh Replenishment of IFAD's Resources (IFAD11) set the strategic directions for the period 2019-2021 based on a programme of business model enhancements to promote excellence in operations, value for money, and a commitment to transparency, accountability and results. IFAD has consequently embarked on reforms, within the broader framework of United Nations reform, to strengthen its capacity to deliver "bigger, better, smarter" on the Sustainable Development Goals.

In 2018, IFAD completed an internal reform exercise, called Operational Excellence for Results. The aim of this exercise was to boost IFAD's delivery and contribution to the 2030 Agenda through four strategic areas of business model enhancements: (i) a re-engineered country-based model; (ii) a headquarters fit for purpose; (iii) more delegation to the frontlines; and (iv) recalibration of business processes.

Through this exercise, IFAD developed a new decentralized map for IFAD country offices (see inside front cover), and revised country programme roles. It assigned and relocated staff according to this map, increasing IFAD's presence on the ground and strengthening policy engagement, partnership-building and overall project performance. This change raised the proportion of staff positions in the field from 18 per cent to 30 per cent and leveraged new technical positions at headquarters and in the field.

To support decentralization, IFAD used the exercise to refocus the project design process on improving quality and effectiveness, while also reducing the lags between project concept, approval and first disbursement. Moreover, it revised the Delegation of Authority Framework to transfer more responsibility for portfolio and relationship management to staff on the ground, while also increasing accountability checks and monitoring.

As part of the exercise, IFAD also conducted reviews to ensure functions in non-operations are fit for purpose and to enhance IFAD's overall institutional effectiveness, including through a business process review. Once fully implemented, the changes should generate efficiency savings of about US\$3.43 million. IFAD expects more efficiency gains in 2019 as business processes are streamlined and the newly created Change, Delivery and Innovation Unit oversees further implementation of changes, the consolidation of results and an enhanced culture of delivery and innovation – all with the goal of maximizing IFAD's contribution to the 2030 Agenda.

IFAD Transition Framework

The introduction of a transition framework was proposed by IFAD management as one of the innovations of IFAD's Business Model to Deliver Impact at Scale. At the Consultation on the Eleventh Replenishment of IFAD's Resources (IFAD11), it was agreed – and reflected as an IFAD11 commitment – that IFAD would develop the transition framework and present it for Executive Board approval by December 2018.

The IFAD Transition Framework consists of a set of institutional reforms to guide IFAD's engagement with borrower countries, in order to more effectively tailor that engagement to individual countries' specific requirements. Thus, it will enhance IFAD's ability to respond to changing country conditions as Member States transition across income levels and different levels of creditworthiness. The guiding principles of the framework are that it should offer Member States transparency, predictability and sustainability of interventions.

A working group of the Executive Board – with representatives of all Lists – oversaw development of the transition framework. In 2018, IFAD management prepared a series of technical documents for the working group, and met with the group on seven occasions. The group endorsed the key elements of the framework. These elements are lending (financial) and non-lending (operational) in nature, and they serve to offer countries a broader suite of services and products. They engage in a differentiated manner to ensure smooth transitioning to higher income levels and to minimize the risk of backsliding.

The framework defines country transitions on the basis of the twin pillars of income level and creditworthiness. However, IFAD recognizes that these variables alone do not fully capture a country's unique development challenges and capacities. Therefore, in developing a tailored approach to address countries' specific needs during the transition period, IFAD will complement the country analysis with other variables, such as the IFAD Vulnerability Index and the Rural Sector Performance Assessment, in line with the revised performance-based allocation system formula.

To facilitate countries' access to new lending terms, the framework introduces phasing-out and phasing-in periods for borrowers that become eligible for less concessional financing. Operationally, borrowers will have access to a more diversified suite of products, including the possibility of piloting results-based lending and regional lending operations. Reimbursable technical assistance will be enhanced to strengthen IFAD's offer for upper-middle-income countries. IFAD's newly developed Cofinancing Strategy and Action Plan will provide strategic guidance to boost domestic resource mobilization and more effectively leverage international cofinancing.

The revised guidelines for country strategic opportunities programmes (COSOPs) will play a key role in laying out the logic for IFAD's engagement with borrowers and the tailored support in cases of country transition.

COSOPs will become a medium-term transition strategy with enhanced flexibility to undertake mid-course adjustments in the event of changing country conditions.

In December 2018, the Executive Board approved the IFAD Transition Framework. In 2019, the working group will analyse further elements, and management will report on lessons learned from implementing the framework in its midterm review of IFAD11.

United Nations reform

IFAD showed strong commitment to the United Nations comprehensive reform process, as evidenced by its continual and timely engagement in the reform agenda and production of numerous key outputs. It actively engaged in the United Nations reform discussions within the organization, and with the Rome-based agencies, the United Nations Reform Transition Team, and Member State representatives. Internally, it raised staff awareness through various initiatives. In response to the United Nations General Assembly's resolution to reposition the United Nations Development System, and in an effort to ensure that related reform proposals are implemented in a timely manner, IFAD developed a tracking matrix for identifying its required actions, including deadlines, roles and responsibilities. In addition, IFAD produced two update papers for the Executive Board on its engagement in the reform of the United Nations Development System.

Rome-based agency collaboration

For the United Nations Rome-based agencies (RBAs) – IFAD, the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP) – 2018 was an important year for collaboration among them as they reaffirmed their joint resolve in scaling up the partnership. In June, the principals of the RBAs came together to sign the first-ever trilateral memorandum of understanding. The memorandum provides a framework for the existing collaboration and recognizes the importance of a cohesive and complementary approach in working together. To translate the provisions of the memorandum into concrete actions, the agencies worked on developing an RBA Action Plan with timelines and deliverables across countries, regions and existing mechanisms of RBA collaboration. In this regard, work also continued on developing indicators to assess the results of RBA collaboration at all levels.

Within the context of the repositioning of the United Nations Development System and efforts to contribute to the United Nations “working as one”, the RBAs worked to strengthen joint strategic planning and programming by developing joint country strategies in pilot countries. Grounded in each agency’s respective country strategic plan, these strategies will be informed by the new generation of the United Nations Development Assistance Framework in order to ensure coherence and avoid duplication of efforts.

In August 2018, the RBA principals embarked on their second joint mission to Niger. Their mission to the Maradi region revealed the need to scale up joint programmes that strengthen resilience. In this regard, a joint Action Plan for the Sahel Region is now under development in close consultation with the RBAs and national authorities to ensure ownership and alignment with national development strategies.

In September, IFAD hosted the second annual session of the Informal Joint Meeting of the FAO Council, IFAD Executive Board and WFP Executive Board. September also saw the launch of the 2018 edition of *The State of Food Security and Nutrition in the World*, prepared jointly for the second consecutive year by the three RBAs together with the United Nations Children’s Fund and the World Health Organization.

The Rome-based agencies are developing joint country strategies to strengthen strategic planning in pilot countries

In November 2018, the RBAs undertook a joint mission to Burundi to visit a milk value chain where all three RBAs are working together with the private sector. In the third quarter of 2018, the Multilateral Organization Performance Assessment Network, with the support of the RBAs, undertook a dedicated case study on RBA collaboration at the country level, focusing on joint work in Bangladesh, Ethiopia, Jordan and Madagascar. One output from this was a synthesis report on how partnerships can enhance effectiveness and efficiency in contributing to the Sustainable Development Goals and the 2030 Agenda overall.

The *2018 Joint Progress Report on RBA Collaboration* is available at: <https://webapps.ifad.org/members/eb/125/docs/EB-2018-125-R-55.pdf>

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The USB card contains the complete contents of the Annual Report in Arabic, English, French and Spanish.

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IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US\$20.9 billion in grants and low-interest loans to projects that have reached about 483 million people. IFAD is an international financial institution and a United Nations specialized agency based in Rome – the United Nations' food and agriculture hub.



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