50 years of support to investment in agriculture and rural development

1964 - 2014
FAO Investment Centre
50 years of development support

Food and Agriculture Organization of the United Nations
Rome, 2015
1964 • 2014
FAO Investment Centre
50 years of development support
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Preface

Fifty years have passed since the Food and Agriculture Organization of the United Nations (FAO) began to provide investment support for agriculture and rural development to its member countries. FAO entered its first formal partnership with an international financing institution, the World Bank, in 1964. Soon after, FAO established the Investment Centre, to support member countries’ investment efforts in the agriculture sector, engaging rapidly in a growing number of cooperative arrangements with other international financing institutions, including the International Fund for Agricultural Development (IFAD) and regional development banks. Through the Investment Centre, member countries and partner financing institutions gained access to FAO’s unique technical knowledge needed for formulating and implementing investments.

Over the past five decades, the Investment Centre has adapted, expanded and diversified. The Centre has helped some 170 member countries throughout the world. This assistance often started with strategic and policy work to identify the best investment options. Indeed, the largest part of the Investment Centre’s work has been to formulate more than 2,000 investment projects in agriculture, forestry, fisheries and livestock, also covering food security and nutrition as well as rural development. In half a century, this work has contributed to over US$ 100 billion worth of investments worldwide, which have gone a long way towards improving the lives and livelihoods of rural populations, particularly the poor.

In addition, through its extensive work at country level, the Investment Centre has contributed greatly to building national investment planning and implementation capacities.

To celebrate the Investment Centre’s 50th anniversary, we at FAO reflected on these years of experiences in facilitating investment in agriculture and rural development. We have prepared this book to tell the story of how the Investment Centre came to be, what it is now and what we hope it will be in the years to come. Annotated with personal reminiscences, early documents and photos, this is a lively, multifaceted recounting of the Investment Centre’s evolution. The book will appeal to former, current and future investment specialists and those who have an interest in learning from experiences in agriculture and rural development.

Our long experience shows that the Investment Centre has been able to adapt to changing, and often challenging, circumstances, over these past 50 years. Most importantly, it has been able to remain dynamic and to maintain relevance, providing countries with quality investment support, building on its strengths, and remaining a centre of excellence for agriculture and rural investments.

Going forward, the Investment Centre has a solid foundation on which to rise to the Sustainable Development Goals that UN Member Nations set for themselves in 2015 for the horizon 2030, particularly the ones for ending hunger and malnutrition, reducing rural poverty, while achieving sustainable production, as well as efficient, inclusive and resilient food systems.

Mr. Laurent Thomas
Assistant Director-General, Technical Cooperation Department
Acknowledgements

This book was produced with the participation of many collaborators and contributors within and outside the FAO Investment Centre Division. The initiative was carried out by an Investment Centre team, led by Ida Christensen, a rural sociologist, who played a key role in coordinating the inputs from contributors, drafting the chapters, managing the review process and liaising with external consultants to finalize the publication. Maria Ricci, a project officer, provided instrumental support in researching information, liaising with contributors, managing correspondence and reviewing and proofreading drafts. She also ensured a smooth workflow from the early inception stages until the final printing of the book.

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<tr>
<th>Acronym</th>
<th>Abbreviation</th>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>AFSI</td>
<td>L’Aquila Food Security Initiative</td>
</tr>
<tr>
<td>CAADP</td>
<td>Comprehensive Africa Agriculture Development Programme</td>
</tr>
<tr>
<td>CAD</td>
<td>Command Area Development</td>
</tr>
<tr>
<td>CP</td>
<td>Cooperative Programme</td>
</tr>
<tr>
<td>DFID</td>
<td>UK Department for International Development</td>
</tr>
<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<tr>
<td>EX-ACT</td>
<td>Ex-Ante Carbon-Balance Tool</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
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<tr>
<td>FFS</td>
<td>Farmer Field School</td>
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<tr>
<td>GAFSP</td>
<td>Global Agriculture and Food Security Program</td>
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<tr>
<td>GEF</td>
<td>Global Environment Facility</td>
</tr>
<tr>
<td>GM</td>
<td>Genetically Modified</td>
</tr>
<tr>
<td>GS</td>
<td>General Service</td>
</tr>
<tr>
<td>HLTF</td>
<td>High-Level Task Force on the Global Food Security Crisis</td>
</tr>
<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>IDB</td>
<td>Inter-American Development Bank</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>IFI</td>
<td>International Financing Institution</td>
</tr>
<tr>
<td>ISFP</td>
<td>Initiative on Soaring Food Prices</td>
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<td>ISP</td>
<td>Investment Support Programme</td>
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<tr>
<td>ISS</td>
<td>Investment Support Service</td>
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<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
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<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>NAIP</td>
<td>National Agricultural Investment Plan</td>
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<td>NARS</td>
<td>National Agriculture Research System</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
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<tr>
<td>REDD</td>
<td>Reducing Emissions from Deforestation and Forest Degradation</td>
</tr>
<tr>
<td>SEPSS</td>
<td>Socio-Economic and Production Systems Studies</td>
</tr>
<tr>
<td>SPFS</td>
<td>Special Programme for Food Security</td>
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<tr>
<td>SDC</td>
<td>Sustainable Development Goal</td>
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<td>SUN</td>
<td>Scaling Up Nutrition</td>
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<tr>
<td>SWAp</td>
<td>Sector-Wide Approach</td>
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<td>SWAP</td>
<td>Sector-Wide Agricultural Programme</td>
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<tr>
<td>T&amp;V</td>
<td>Training &amp; Visit</td>
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<tr>
<td>TCP</td>
<td>Technical Cooperation Programme</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>WFP</td>
<td>World Food Programme</td>
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<tr>
<td>WUA</td>
<td>Water User Association</td>
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</table>
The central tenets of FAO’s mission since it was founded 70 years ago.
For 50 years, the Investment Centre has been at the forefront of responding to countries’ investment needs in a rapidly changing world.

What and Why?
The FAO Investment Centre

From its early days, FAO urged international financing institutions (IFIs) to recognize that investing in agriculture and rural development was essential for achieving FAO’s goals by stimulating economic growth and reducing poverty in the areas where the majority of the world’s poor live. In 1964, FAO created its first formal Cooperative Programme (CP) with an IFI – the World Bank – for the common end of facilitating a greater flow of capital into priority agricultural projects and thereby increasing agricultural production. The forerunner of the Investment Centre, the CP soon became an integral part of FAO, working to achieve its mission by facilitating effective investments in agriculture and rural development.

Today, the FAO Investment Centre continues to lead the Organization’s efforts to promote increased and more effective public and private investment in agriculture and rural development as part of its fight against poverty, hunger and malnutrition. Throughout its half-century of existence, the overall mandate of the Centre has remained largely unchanged: working with governments, IFIs, national and international organizations, FAO’s sister UN agencies, the private sector and farmers to increase and improve investments in agriculture and rural development. A parallel aim has always been to contribute to strengthening the capacity of national partners to take over the formulation of investment operations themselves.

Since its inception, the Investment Centre has been widely recognized for its responsiveness and flexibility to adapt over the decades to global trends and emerging priorities of FAO and partner IFIs, while maintaining its technical rigour and integrity. This is perhaps the key to why it continues to be an integral part of development efforts 50 years on.

The Investment Centre: A unique model

The Investment Centre was created as the first multidisciplinary unit in FAO. It was also the first unit to work through cooperative work agreements and cost-sharing arrangements between FAO and IFIs: partnerships that have evolved over time, starting with the CP, extending to a number of regional development banks and reaching 26 partners since 1964.

Sixty percent of the Centre’s annual budget (US$ 36 million) is funded through the billing of its services to IFIs, Trust Funds and the Technical Cooperation Programme (TCP). Of this, the FAO-World Bank CP contributes US$ 14 million. The Centre also has large work programmes with the International Fund for Agricultural Development (IFAD), the European Bank for Reconstruction and Development (EBRD), the Global Environment Facility (GEF) and several other development banks and funds.

The remaining 40 percent of the budget is covered by FAO Regular Programme funds. There is no cost to the recipient country for the Investment Centre’s services, except in providing logistical support and counterpart staff to work with the Centre’s field missions.

Because the Centre bears a share of operational costs, it is able to remain an independent voice and act as a credible link between FAO’s own field programme of technical assistance, the financing agencies and the partner country.

True to FAO’s mandate, the Centre’s aim is to provide impartial, objective advice in the interests of the countries it serves.

Overview

Top partners | Amount of investment (US$ million) | Number of projects
---|---|---
World Bank | 89,800 | 1,072
IFAD | 10,521 | 329
AfDB | 3,772 | 161
ADB | 2,612 | 51
EBRD | 1,213 | 34
IDB | 614 | 24
GEF | 383 | 44
EU | 182 | 15
UNCDF | 44

Amount of investment mobilized during the life of the Investment Centre (1964-2014)
<table>
<thead>
<tr>
<th>Date</th>
<th>Organization</th>
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<tbody>
<tr>
<td>April 1964</td>
<td>World Bank</td>
</tr>
<tr>
<td>July 1965</td>
<td>IDB – Inter-American Development Bank</td>
</tr>
<tr>
<td>October 1967</td>
<td>ADB – African Development Bank</td>
</tr>
<tr>
<td>April 1968</td>
<td>ADB – Asian Development Bank</td>
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<tr>
<td>January 1977</td>
<td>AFESD – Arab Fund for Economic and Social Development</td>
</tr>
<tr>
<td>August 1977</td>
<td>CAF – Corporación Andina de Fomento</td>
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<tr>
<td>December 1977</td>
<td>IFAD – International Fund for Agricultural Development</td>
</tr>
<tr>
<td>July 1978</td>
<td>BADEA – Banque Arabe de Développement Economique</td>
</tr>
<tr>
<td>June 1979</td>
<td>AAAID – Arab Authority for Agricultural Investment</td>
</tr>
<tr>
<td>August 1982</td>
<td>BOAD – Banque Ouest Africaine de Développement</td>
</tr>
<tr>
<td>August 1982</td>
<td>IsDB – Islamic Development Bank</td>
</tr>
<tr>
<td>February 1984</td>
<td>BCIE – Banca CentroAmericana de Integración Económica</td>
</tr>
<tr>
<td>April 1984</td>
<td>UNCDF – United Nations Capital Development Fund</td>
</tr>
<tr>
<td>December 1984</td>
<td>CEDEAO – Communauté Économique des États de l’Afrique de l’Ouest</td>
</tr>
<tr>
<td>September 1985</td>
<td>EADB – East African Development Bank</td>
</tr>
<tr>
<td>March 1986</td>
<td>WFP – World Food Programme</td>
</tr>
<tr>
<td>August 1986</td>
<td>CDB – Caribbean Development Bank</td>
</tr>
<tr>
<td>December 1986</td>
<td>BDEAC – Banque de Développement des États de l’Afrique Centrale</td>
</tr>
<tr>
<td>March 1994</td>
<td>EBRD – European Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>May 2002</td>
<td>GEF – Global Environment Facility</td>
</tr>
<tr>
<td>December 2009</td>
<td>GTZ – German Technical Development Cooperation</td>
</tr>
<tr>
<td>April 2010</td>
<td>IFC – International Finance Corporation</td>
</tr>
<tr>
<td>February 2011</td>
<td>CTB – Coopération Technique Belge</td>
</tr>
<tr>
<td>October 2011</td>
<td>UNOPS – United Nations Office for Project Services</td>
</tr>
<tr>
<td>January 2013</td>
<td>IGAD – Intergovernmental Authority on Development</td>
</tr>
</tbody>
</table>

"If you want to go fast, walk alone.
If you want to go far, walk together."

African proverb
How does the Investment Centre work?

Structure

The Investment Centre has undergone several structural changes during its half-century of existence to reach its current incarnation. Today it is organized in three services that cover its geographic areas of operation: (A) Africa; (B) Asia & the Pacific; and (C) Near East, North Africa, Europe, Central Asia, Latin America & the Caribbean.

The Investment Centre operates through a tripartite partnership between countries, IFIs and FAO. The Centre’s main non-lending partners are developing and in-transition countries. The Centre helps these countries generate investment in agriculture and rural development over the long term to improve the lives and livelihoods of their citizens, particularly the rural poor.

The Investment Centre always aims to complement rather than substitute national expertise and thus works in close partnership with national development partners – including local government, market agents, other value chain participants and smallholder farmers – to enhance project ownership and sustainable impact. Throughout project formulation and implementation, the Centre’s most important partners are the local men and women – smallholder farmers, pastoralists, fishers – who participate in and benefit from investment projects and who are involved in project planning decisions that affect their lives.

The Investment Centre helps in-transition and developing countries generate investment in agriculture and rural development over the long term to improve the lives and livelihoods of their citizens, particularly the rural poor.

Staffing

With some 90 professional staff based at headquarters in Rome, Italy, and across FAO’s decentralized offices, the Investment Centre is the largest single international entity specializing in formulating investment projects for agriculture and rural development and has one of the largest teams of agriculture investment specialists in the world.

Budgetary accountability and the need to demonstrate delivery to IFIs have always been the driving forces in creating a fast-paced and dynamic division.

The Investment Centre was the first FAO unit to introduce staff-time recording, instituting it from its very early days. This was to provide a credible basis for charging the time worked on different activities to the Centre’s partners. This system has contributed to a strong accountability among staff about how they use their time within allocated budgets. An additional incentive for staff to perform well is the fact that almost all output of the Centre is subject to thorough external review by the concerned governments and the IFIs.
Methodology

Most of the Investment Centre’s work is done in the field, during interdisciplinary missions. Every year, the Investment Centre fields an average of 800 missions and undertakes an additional 200 desk assignments, involving a total of about 4,800 staff weeks.

Over the years, the Investment Centre’s bread-and-butter work has been to support the identification, preparation, appraisal, supervision and evaluation of agriculture and rural development projects and programmes.

At the “upstream” level, the Investment Centre advises national governments on strategies, planning and programming conducive to public and private investment. At the same time, it provides assistance in country sector and subsector studies on investment for agriculture and rural development to reduce rural poverty.

Since its establishment, and intensifying during the last decade, the Centre has prioritized capacity development, in line with the growing emphasis given by FAO and IFIs on national ownership and sustainability of programmes and community participation in project design and implementation. The Centre achieves this by drawing on the knowledge and expertise of FAO staff from across the Organization. In countries with well-established capacity, the Centre provides guidance and specialist inputs. In countries with lower institutional and staff capacity, it delivers more comprehensive services while building the skills of local counterparts through on-the-job investment and implementation training.

The Centre’s role is to help countries to prepare their investment projects, programmes, plans and strategies. This stance, firmly adopted from the moment of establishment, was a “bottom-up” approach long before such a description had come into general use in development terminology.

Every year, the Investment Centre fields an average of 800 missions and undertakes an additional 200 desk assignments, involving a total of about 4,800 staff weeks.
Number of projects & total investment per region (1964-2014)

Total number of projects
- India: 2,049
- Brazil: 325
- China: 781
- Tunisia: 344
- Bangladesh: 238
- Tanzania: 220
- Indonesia: 84
- Morocco: 84
- Yemen: 40
- Ethiopia: 37

Amount of investment (US$ billion)
- India: $112.76
- Brazil: $37.70
- China: $25.06
- Tunisia: $15.34
- Bangladesh: $13.74
- Tanzania: $13.16
- Indonesia: $9.20
- Morocco: $1.73
- Yemen: $1.43
- Ethiopia: $2.43

Top countries (1964-2014)

Total number of projects
- India: 517
- Brazil: 58
- China: 38
- Tunisia: 43
- Bangladesh: 39
- Tanzania: 45
- Indonesia: 39
- Morocco: 39
- Yemen: 39
- Ethiopia: 38

Amount of investment (US$ billion)
- India: $55.53
- Brazil: $13.16
- China: $11.96
- Tunisia: $2.13
- Bangladesh: $1.73
- Tanzania: $1.43
- Indonesia: $1.01
- Morocco: $1.54
- Yemen: $3.84
- Ethiopia: $2.43
**Top 20 areas of work (1964-2014)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of Projects</th>
<th>Amount of Investment (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural development</td>
<td>561</td>
<td>31.37</td>
</tr>
<tr>
<td>Irrigation, drainage &amp; water management</td>
<td>314</td>
<td>32.80</td>
</tr>
<tr>
<td>Forestry</td>
<td>123</td>
<td>6.38</td>
</tr>
<tr>
<td>Livestock</td>
<td>117</td>
<td>3.87</td>
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<td>Agricultural sector investment programmes</td>
<td>115</td>
<td>4.60</td>
</tr>
<tr>
<td>Fisheries</td>
<td>109</td>
<td>2.65</td>
</tr>
<tr>
<td>Rural finance &amp; micro-enterprises</td>
<td>99</td>
<td>7.04</td>
</tr>
<tr>
<td>Crop production</td>
<td>99</td>
<td>3.18</td>
</tr>
<tr>
<td>Research extension &amp; education</td>
<td>75</td>
<td>4.90</td>
</tr>
<tr>
<td>Cash crops</td>
<td>74</td>
<td>3.90</td>
</tr>
<tr>
<td>Environment &amp; natural resources management</td>
<td>73</td>
<td>3.23</td>
</tr>
<tr>
<td>Food security</td>
<td>59</td>
<td>.88</td>
</tr>
<tr>
<td>Education (1964-1988)</td>
<td>57</td>
<td>.41</td>
</tr>
<tr>
<td>Agro-industries</td>
<td>47</td>
<td>1.69</td>
</tr>
<tr>
<td>Emergency &amp; rehabilitation</td>
<td>27</td>
<td>1.63</td>
</tr>
<tr>
<td>Marketing, processing &amp; storage</td>
<td>26</td>
<td>1.43</td>
</tr>
<tr>
<td>Seeds</td>
<td>21</td>
<td>.56</td>
</tr>
<tr>
<td>Land management, soil fertility &amp; soil conservation</td>
<td>16</td>
<td>.99</td>
</tr>
<tr>
<td>Country programme</td>
<td>15</td>
<td>.03</td>
</tr>
<tr>
<td>Land tenure</td>
<td>11</td>
<td>.73</td>
</tr>
</tbody>
</table>

What are the Investment Centre’s achievements?
The Investment Centre is acknowledged by its partners for its capacity to:

- draw on a wide range of technical expertise
- mobilize interdisciplinary teams with in-depth country knowledge in a timely and flexible manner
- act as an effective facilitator between various partners
- draw upon institutional memory and continuity in its support
- enable countries to deliver quality outputs such as investment strategies, plans, programmes and projects

Since its establishment, the Centre has helped 170 countries across all regions formulate more than 2,000 investment projects and programmes in the agriculture sector, including forestry, fisheries and livestock. These have generated over US$ 100 billion in agricultural investment worldwide.

**Investment Centre results (1964 - 2014)**

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<tr>
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</thead>
<tbody>
<tr>
<td>Countries</td>
<td>87</td>
<td>95</td>
<td>91</td>
<td>144</td>
</tr>
<tr>
<td>Projects</td>
<td>357</td>
<td>438</td>
<td>374</td>
<td>880</td>
</tr>
<tr>
<td>Total investment (US$ billion)</td>
<td>15.30</td>
<td>23.12</td>
<td>26.41</td>
<td>48.65</td>
</tr>
</tbody>
</table>
How has the Investment Centre remained relevant for 50 years?

The Investment Centre has remained relevant and competitive over the decades by adapting to changes in the development world and by responding to evolving methodologies for addressing agriculture, poverty and food security. The Investment Centre has survived in a form recognizable from its earliest incarnation, which testifies to the fact that it remains a useful vehicle for effective interagency collaboration, serving national clients well in their fight against rural poverty, hunger and food insecurity.

The Investment Centre’s longevity as a vital force in international development financing can be attributed to these factors:

- Accountability to IFIs, Member Governments and beneficiary communities
- Engagement of FAO’s technical capacities
- Drawing on different funding sources and financing agencies
- Ability to work closely with partners and add value to their work
- Adapting and adjusting to new development approaches
- Addressing the needs of smallholders
- Focusing on project investment lending in agriculture and rural development
- Strong team spirit and professional approach
- Documenting processes and providing guidance
- Interdisciplinary teams
- Supporting country partners with formal and informal capacity development
The Investment Centre’s highly skilled, interdisciplinary technical experts and their knowledge of the requirements of the IFIs on the one hand, and the Centre’s institutional strength to promote national capacity development in project design on the other, have differentiated it from consulting companies. Its credibility is valued by both governments and IFIs, and enables national ideas and needs to become successfully funded programmes producing results that significantly improve food and nutrition security, rural livelihoods and environmental sustainability.

This book will provide a chronological walk through the Investment Centre’s evolution over the past 50 years, sharing reminiscences of the camaraderie and excitement of the early days; chronicling the development of partnerships and methodologies; detailing the growing pains and lessons learned; and ultimately providing a comprehensive look at the manner in which the Investment Centre has adapted and remained at the forefront of efforts to facilitate effective public and private investment in agriculture and rural development.

- **Chapter 1** covers the 1960s and 1970s, a period in which the mutual desire of FAO and the World Bank to increase effective investment in developing countries led to the creation of the CP. By the end of the 1960s, an interdisciplinary, multipartnered entity emerged as the FAO Investment Centre and became an integral part of the growing focus on addressing rural poverty.

- **Chapter 2** covers the 1980s, a decade in which the Investment Centre was challenged with proving its unique value. The Centre not only thrived, but also became an innovator in placing environmental concerns and bottom-up approaches at the heart of international development.

- **Chapter 3** encompasses the 1990s, a time of reflection for the Investment Centre. Resources were reduced and staffing levels dropped from the highs of the 1980s; yet opportunities arose with new donors and major partners emerging. During this period, the Investment Centre launched a communication strategy and succeeded in maintaining relative independence and a critical mass of high-calibre staff.

- **Chapter 4** begins in 2000 and continues through the present. The Millennium Development Goals set the tone for international development in the 21st century, with measurable targets for global poverty and hunger reduction. The Investment Centre’s journey during this decade and a half has been linked to these commitments of financing and aid effectiveness, while being guided by FAO’s process of strategic reform.

- And finally there is **Chapter 5**, in which the Investment Centre anticipates and envisions its future.
Chapter 1

The years of creation and expansion: 1960s-1970s

Paving the way for agricultural investment
Number of projects & total investment per sector (1964-1979)

Total number of projects  337
Amount of investment (US$ billion)  15.12

- Rural Development: US$ 1.61 billion
- Irrigation, Drainage & Water Management: US$ 5.42 billion
- Education: US$ 0.36 billion
- Rural Finance & Micro-enterprises: US$ 1.41 billion
- Livestock: US$ 0.95 billion
- Forestry: US$ 1.67 billion
- Seeds: US$ 0.19 billion
- Marketing, Processing & Storage: US$ 0.62 billion
- Crop Production: US$ 0.85 billion
- Cash Crops: US$ 1.05 billion
- Agro-industries: US$ 0.36 billion
- Fisheries: US$ 0.46 billion
- Research, Extension & Education: US$ 0.15 billion
- Agro-industries: US$ 0.36 billion

Factsheet: Investment Centre results

Top 5 sectors (% of total projects approved):
- 19% Irrigation, Drainage & Water Management
- 15% Education
- 11% Rural Development
- 10% Livestock
- 8% Forestry

Top 4 partners:
- 90% of total investment mobilized: World Bank
- 100% of all Centre-supported projects: World Bank

Professional staff: from 12 in 1964 to 112 in 1979
Number of projects & total investment per region (1964-1979)

<table>
<thead>
<tr>
<th>Region</th>
<th>Total number of projects</th>
<th>Amount of investment (US$ billion)</th>
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<td>Asia &amp; the Pacific</td>
<td>33</td>
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<tr>
<td>Near East &amp; North Africa</td>
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Top countries (1964-1979)

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<tr>
<th>Country</th>
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<th>Amount of investment (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
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<td>Tunisia</td>
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</table>
Paving the way for agricultural investment

The Investment Centre’s story began during the 1960s, a time of significant global change. Europe was still feeling the after-effects of World War II while post-colonialism was firmly underway in Africa. Newly independent states were emerging, the old powers were waning; the economic landscape was shifting, as were political alliances. A divided world was emerging; one governed by states with distinctly opposing political philosophies, most notably the Soviet Union and the United States of America. The United Nations, scarcely two decades old, was finding new ways to navigate this challenging landscape. Throughout the 1960s, it evolved and expanded at a rapid pace in response to the complex environment.

While much of the focus of international development work in the early 1960s remained on reconstruction in northern Europe and on improving the living standards of the people in southern Europe, FAO began raising global awareness about the persistent problem of hunger, recognizing the need to deal more effectively with the problems posed by rapidly growing populations in the developing world. Consequently, the Organization initiated an Expanded Programme of Technical Assistance, resulting in more resources being channeled towards developing countries and reflecting the fact that many newly independent nations had become FAO member countries.

In addition to its core programmes in July 1960, the Organization officially launched the ambitious “Freedom From Hunger Campaign”, which led to the convening of the World Food Congress in June 1963. Steered by FAO, the Congress drew international attention to the problems of hunger and malnutrition. As described by Binay Ranjan Sen, FAO Director-General at the time, the World Food Congress signaled the pinnacle of the Campaign, the central tenet of which was that “human investment is the most important investment of all”.

The World Food Congress opened the door for discussions on the need to intensify agricultural development at a global level, emphasizing that any sustained attack on the hunger problem would have to come from a rapid increase in food production in developing countries themselves. During the Congress, FAO’s Henry Ergas – a former senior administrator in the Bank of Greece who was to become the first Investment Centre Director – was the driving force behind discussions that resulted in an agreement between the World Bank and FAO, a partnership that continues to this day. FAO and the World Bank proposed to work together to assist member countries with the formulation of agricultural projects. For the first two years, the World Bank and FAO shared the costs of the CP equally, but in January 1966 the Bank agreed to meet 75 percent of the costs, with FAO funding the remaining 25 percent. To ensure that the partnership got off on the right foot, the agreement required representatives from both organizations to attend regular quarterly reviews. In the initial days these reviews were attended by Henry Ergas, the team leader from FAO, and Peter Reid, the focal point from the World Bank, as well as other senior staff of both institutions.

Eight days after the formal MoU was signed, the FAO Director-General set out the parameters for the new CP team, to be established under the Director of the Office of Programme and Budget. Although the team would report to a designated team leader, members were to remain part of their technical divisions in order to best apply their experience and technical know-how to the new programme with the World Bank. To ensure operational flexibility and high delivery standards, the team leader (later Director) was given full responsibility for managing the CP budget and for recruiting staff.

With the understanding that the staffing situation would be reviewed as the CP evolved, the original team was pulled together by Henry Ergas, who managed to attract a core of 12 high-calibre senior professionals with a variety of backgrounds and expertise and 19 support staff, giving life to the first multidisciplinary unit in FAO.

The proposal for collaboration became reality with the formation of the FAO/International Bank for Reconstruction and Development (IBRD) Cooperative Programme (CP). A Memorandum of Understanding (MoU) was signed on 2 April 1964 by FAO Director-General Binay Ranjan Sen and World Bank President George David Woods, establishing the initiative as an integral part of the FAO Secretariat.

The MoU between FAO and the World Bank required the two organizations to work together to assist member countries with the formulation of agricultural projects. For the first two years, the World Bank and FAO shared the costs of the CP equally, but in January 1966 the Bank agreed to meet 75 percent of the costs, with FAO funding the remaining 25 percent. To ensure that the partnership got off on the right foot, the agreement required representatives from both organizations to attend regular quarterly reviews. In the initial days these reviews were attended by Henry Ergas, the team leader from FAO, and Peter Reid, the focal point from the World Bank, as well as other senior staff of both institutions.

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With the understanding that the staffing situation would be reviewed as the CP evolved, the original team was pulled together by Henry Ergas, who managed to attract a core of 12 high-calibre senior professionals with a variety of backgrounds and expertise, as well as 19 support staff. In this way he gave life to the first multidisciplinary unit in FAO, an organization otherwise structured into technical areas and for which working across disciplines was a novel idea.
The CP harnessed the technical strengths of FAO, which was the undisputed leading international source of agricultural development expertise. The new programme was well placed to identify promising technical assistance projects being carried out by FAO and to explore ways of converting them into financeable projects. The CP opened opportunities for the World Bank to expand into new areas of agricultural lending.

Traditionally, the World Bank had focused on large-scale capital-intensive projects that were directed mainly towards big farm enterprises. As a result, many early CP projects were large infrastructure and commodity-related projects in irrigation, drainage and flood control, livestock, credit, fisheries, rubber, oil-palm and forestry. But in what would become a widely accepted practice, the CP introduced the World Bank to the idea of focusing investments on medium- and small-scale farmers, especially through strengthening institutions, as opposed to simply funding rural infrastructure. Among early projects, the CP was influential in engaging the World Bank in financing seed industry and small-scale irrigation development projects. Working mainly in the poorest countries of Asia and Africa, the CP also focused on crop and livestock development for small-scale producers as well as on expanding production of internationally traded commodities.

The first CP-prepared project approved for World Bank funding was the Tanzania Agricultural Credit Project, which started in 1966 and provided cooperatives and their member farmers with credit for the development of several commodities.

To read more about this project, see section: The first missions fielded by the Cooperative Programme. p. 39.

Breaking new ground: the first Cooperative Programme projects

“As newcomers, we learned that our role was not to serve financing institutions but to assist FAO’s member countries in identifying and preparing their projects for financing.”

Andrew MacMillan, former Senior Adviser, Investment Centre
Early initiatives also saw the CP engaged in a number of projects in Europe. The Government of Spain received assistance in preparing a livestock development project in support of which the World Bank made its first loan to Spain in 1969. Working jointly with UNESCO, it also provided assistance to the agricultural and food technology aspects of a World Bank-funded higher technical education project in Greece in 1970.

Throughout the 1960s and 1970s, projects were formulated and approved through a series of clearly defined steps: identification, preparation and, finally, appraisal by the financing institution. The CP usually sent large multidisciplinary teams to the concerned country. The teams would spend lengthy periods of time in the field working closely with national counterparts, collecting and analysing relevant information and examining different development options. The reports were written by the missions on return to Rome and sent to the concerned governments and the World Bank for comments. As time went on, increasing attention was given to developing national partners’ capacities through joint hands-on work. To read more about this, see feature: Early project identification and preparation, p. 38-39.

**EARLY COOPERATIVE PROGRAMME ACTIVITIES IN EUROPE**

**Spain Livestock Development Project: approved in 1969**

- **PROJECT PURPOSE**: to finance the development of livestock resources in order to increase meat production, principally beef, through a combination of credit, technical assistance and liberalized meat trade.

As a result of a mission to Spain in 1965, organized by FAO and the World Bank, a joint report concluded that there would be a major increase in the demand for meat (especially beef and veal), requiring additional investments to expand meat production. The report recommended that high priority be given to a large-scale programme for livestock development, with associated pasture improvement and technical assistance.

At the request of the Government of Spain, Cooperative Programme (CP) teams visited Spain in 1967 and 1968 to assist in the preparation of a project for the first phase of this programme. The loan agreement was signed in June 1969 for an amount of US$ 25 million.

**Greece Education Project: approved in 1970**

- **PROJECT PURPOSE**: to provide technical assistance in agriculture and food technology, as well as to finance the construction and equipping of five education centres to train Government personnel capable of performing para-professional duties in agriculture, business, engineering and food processing.

This was one of many initiatives supported by the Investment Centre, in the 1960s and 1970s, in the education sector. In 1969, a joint UNESCO and FAO mission visited Greece to help the Government prepare a project for submission as a loan request to the World Bank, with the CP providing assistance with the agriculture and food technology aspects. Based on a long-term programme conceived by the Government of Greece to make its education system a more effective instrument for economic development, the project was approved in 1970 for the equivalent of US$ 13.8 million.

The CP usually sent large multidisciplinary teams to the concerned country. The teams would spend lengthy periods of time in the field working closely with national counterparts, collecting and analyzing relevant information and examining different development options.
New partnerships: the Investment Support Programme

The collaboration with the World Bank was proving to be a success, with the 1960s witnessing a growing number of CP-led tasks that would result in projects being financed by the World Bank. Keen to expand its scope, the Investment Centre began to look for additional opportunities for agricultural financing.

As a result, FAO entered into cooperation arrangements with regional development banks during the 1960s: the Inter-American Development Bank (IDB) in 1965; the African Development Bank (AfDB) in 1967; and the Asian Development Bank (ADB) in 1968. Gradually links were established with more institutions, including the Kuwait Fund and the Arab Fund for Economic and Social Development and some subregional financing institutions, such as the Caribbean Development Bank and the Central American Bank for Economic Integration (for a list of Investment Centre partnerships, see p. 4).

This led to the creation of the Investment Support Programme (ISP) in 1969 to work with regional partners and international financing institutions (IFIs) other than the World Bank. Different working modalities and financial arrangements were negotiated with each of the new partners. In most cases, FAO bore a higher share of the total costs of operations undertaken by the ISP than was the case under the FAO/IBRD CP. Staff were designated, from FAO and the respective IFI, to serve as contact points and to assist with overall coordination. Desks for ISP staff were established at IDB and AfDB headquarters in Washington, D.C. and Abidjan, respectively, to enhance collaboration.

The most important difference between the CP and ISP partnerships was that while the World Bank agreement provided for pre-financing of CP operations within an annually agreed overall budget, as it still does, other IFIs refinanced FAO expenditures following submission of bills for each agreed task. This partly explains why the CP has continued to be larger than all other IFI programmes combined.

By broadening the range of its partnerships, FAO was able to leverage additional investment funding for the agricultural programmes of its member countries, at no direct cost to the concerned governments. By broadening the range of its partnerships, FAO was able to leverage additional investment funding for the agricultural programmes of its member countries, at no direct cost to the concerned governments.
Work ethic and team spirit

An Investment Centre team was a close-knit group working hard in a high-pressure environment that required them to travel frequently and spend an average of three to six consecutive weeks in the field with minimal or no contact with their families or the office. They often travelled together, and the appreciation for their common goal helped to draw them closer. Recognizing the need to focus on the key issues at hand in order to make each project a reality, Investment Centre teams learned the importance of getting to understand the people whose lives they were working to improve. Their commitment and accountability to those people was their driving force when acting as mediators between IFIs as lenders and national governments as borrowers.

The Investment Centre staff also knew that there were no “right” answers in designing rural development projects: only more or less plausible proposals. The differing views and continuous dialogue on what was “plausible”, however, was a powerful source of creativity and innovative thinking. The peer-review committees, held to assure quality of project proposals, were rigorous, harsh and therefore dreaded by the Centre staff. At the same time, they were priceless sources of support for quality enhancement and a forum of knowledge generation that fed directly into the development of a long series of guidelines for project design, starting as early as 1967.

As is still the case today, the Investment Centre team was able to stay up to date on member countries’ development plans and needs thanks to FAO’s worldwide network of country offices and staff working on technical assistance projects.

First structural changes to the Investment Centre

In response to the World Bank’s reorganization of its agriculture department along regional lines in June 1973, the CP was split into two services, each responsible for a specific geographical area. With the total number of staff members now reaching 70, a third service was created in June 1976 to formalize the work carried out in support of lending institutions other than the World Bank: the Investment Support Service (ISS). By 1979, the Investment Centre had finally assumed the structure of five services that characterized it for more than 20 years to come: three dedicated to the CP and two to the ISS.

Investment Centre Structure, 1979

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The years of creation and expansion: 1960s-1970s

33
The 1970s: A new focus on the rural poor

The 1970s brought a very important shift in thinking about the role of agriculture and especially of small-scale farming in development work, one that had a profound and far-reaching impact on the work of the Investment Centre.

The shift was triggered by two seminal events: first, due to disastrous weather conditions, a major food crisis occurred, especially in Africa, giving rise to a new awareness of the need to alleviate the harsh living conditions faced by the vast numbers of rural poor. Second, a serious energy crisis, resulting in soaring prices of oil controlled by the Middle East, negatively affected the economies of industrialized countries – particularly Canada, Japan, the United States and countries of western Europe. The 1973 oil crisis had a detrimental effect on the viability of the input-intensive agricultural model that international agencies were promoting in developing countries at the time.

The international community was forced to adapt and respond. Two of these responses in particular would significantly influence the Investment Centre: an adjustment in development focus by the World Bank; and the creation of the International Fund for Agricultural Development (IFAD).

The change in the World Bank’s development efforts evolved from a series of conferences that began in Bellagio, Italy, in 1969 and continued through the early 1970s. A small group of world financial and development organization leaders, including Addeke Hendrik Boerma, then Director-General of FAO, and Robert McNamara, President of the World Bank, attended the initial conference in April 1969. The group expressed a growing concern with the unequal distribution of wealth in poor countries – a situation particularly extreme in rural areas – and the need to place agricultural development at the forefront of the world’s development agenda.

In 1973, Robert McNamara gave a landmark speech in Nairobi, Kenya, placing integrated rural development at the heart of the World Bank’s mission. Consequently, the World Bank broadened the scope of projects that it wanted to finance, opening up doors to possibilities in previously neglected topics, such as food crop production, small-scale infrastructure, research and training.
The second major event evolved from discussions at the World Food Conference, convened in 1974, to examine the implications of the food security crisis. These discussions led to the formation of the Rome-based organization IFAD, a specialized agency of the United Nations dedicated to eradicating rural poverty, with a substantial proportion of its funding coming from oil-rich nations. At the beginning, an MoU between FAO and IFAD was signed on 15 December 1977 introducing new approaches to agricultural investment and lending, and offering a “harmonious approach to agriculture, rural development, food production and nutrition”. IFAD formally became a major partner of the Investment Centre.

The shift in strategic focus towards smallholder productivity as the only long-term solution to the food shortage was new, and the commitment to directing investments to smallholder farmers was strong: the World Bank had committed itself to provide financing to FAO’s ongoing efforts in support of agriculture by including components for smallholder farming in at least 70 percent of agricultural loans in the five years to follow, with the goal of achieving a 5 percent annual growth rate for production on small farms by 1985. With the Investment Centre providing significant support to a nascent IFAD in its focus on raising food production, levels of income and nutrition of smallholder farmers and the rural poor, rural development became the main focus of the Investment Centre’s projects for the decade.

By 1980, 80 percent of the Investment Centre’s activities were dedicated to rural development. The next decade would affirm this focus and establish the Centre as a driving force in disseminating and scaling up FAO technical expertise and innovation.

An MoU between FAO and IFAD was signed on 15 December 1977 introducing new approaches to agricultural investment and lending, and offering a “harmonious approach to agriculture, rural development, food production and nutrition”.

The shift in strategic focus towards smallholder productivity was new, and the commitment to directing investments to small farmers was strong.
Early project identification and preparation

The Investment Centre’s work in the early years focused on assisting governments in identifying and preparing projects for crop and livestock development, with investments in irrigation, infrastructure and equipment, and in strengthening agricultural credit institutions.

Many of these projects were for expanding production of internationally traded crops or for subsector development, for instance for livestock, fisheries or forestry.

Project identification missions

Agricultural development projects were typically identified by interdisciplinary field missions, which entailed visiting the country concerned for three to four weeks at the direct request of the government. After being briefed by the government on current development policies and priorities for agricultural investment, the team would visit the areas proposed for potential investments to meet with local government officials, farmers and other stakeholders. The mission would then debrief the country’s responsible ministries before submitting reports within ministries improved (notably in many countries in Asia and Latin America) and responsibility for most formulation work could gradually be passed over to local teams.

An example of Investment Centre identification and preparation work: Pakistan – Cotton Development Project (1975-1976)

Cotton production in Pakistan, instead of increasing in the 1990s, as national capacities to prepare reports within ministries improved (notably in many countries in Asia and Latin America) and responsibility for most formulation work could gradually be passed over to local teams.

THE FIRST MISSIONS FIELDED BY THE COOPERATIVE PROGRAMME

Tanzania Agricultural Credit Project – approved in 1966

The purpose of the CP’s intervention in Tanzania was to help raise finance for the National Development Credit Agency’s programme to provide finance to cooperatives, and subsequently to farmers, including:

- Short-term credit to finance fertilizers and pesticides for cotton and coffee
- Medium-term credit to finance equipment for crop farming, dairying and fishing
- Long-term credit to finance the development of tea and sisal smallholdings and primary agricultural processing facilities

This was the first CP project to be approved for funding by the World Bank in 1966. The credit agreement for the Tanzania Agricultural Credit Project was signed for an equivalent of US$ 5 million.

Sudan Mechanized Farming Project – approved in 1968

The goal of the CP’s first assignment in the Sudan was to help the Government design a project for expanding investment in farm machinery and other on-farm improvements. A loan for US$ 5 million was approved by the World Bank in 1968 after the establishment of the Mechanized Farming Cooperation. The loan led to the following:

- Establishment of approximately 140 farm units of 1,000 feddans (420 hectares) each on average
- Preparation for the development of mechanized farming on a larger area of about 600,000 feddans (252,000 hectares), including the preparation of land use plans and the construction of roads and water supply systems
- Purchase of suitable machinery, and promotion of improved husbandry methods and better soil management

This was the outcome of the first assessment mission fielded by the CP with a multidisciplinary team that arrived in the Sudan in June 1964.
Agricultural research: beyond the Green Revolution

In the early 1960s, a group of academics and intellectuals calling themselves the Club of Rome began to look at the pressure that rapid economic and population growth was putting on the world’s resources. In 1972, they published a book called *Limits to Growth*, which drew particular attention to the potential food shortages that would occur unless steps were taken to increase agricultural productivity.

These projections led to the awareness that new technologies, like those of the Green Revolution, would be needed in developing countries if widespread hunger were to be avoided.

To improve research in this field, the World Bank emphasized three main initiatives:

- Training of national staff through scholarships
- Development of research management systems and facilities
- Provision of technical assistance, especially in the area of research management

Along these lines, the Investment Centre became heavily involved in the preparation of a number of such projects in Bangladesh and Pakistan, as well as a large project in Nigeria in the 1980s and 1990s, totalling US $100 million. After the first phase of the projects, the Centre discovered that research was often being duplicated by different research institutes.

The Centre saw a need to streamline efforts, particularly with regards to key crops.

As a result, the second phase of projects, prepared in the 1990s, emphasized the establishment of interconnected Apex agencies – Agricultural Research Councils – financed by the Centre. Functioning as part of the National Agriculture Research Systems (NARS) they would direct national research and facilitate international cooperation.

**Unexpected results**

Subsequently the Investment Centre took responsibility for preparing a number of implementation completion reports for agricultural research projects in Africa and Asia, which were funded by the World Bank. Overall, the findings were disappointing: few, if any, new technologies or cultivars resulted from the investments. The reports led by the Investment Centre also showed that national prioritization mechanisms were not being developed and adopted as desired, and that the Apex institutions that were established previously were ineffective. Instead, individual research institutes and scientists retained their independence in isolation from what was being done at other institutions.

**A decline in momentum**

The mid- to late 1990s saw the World Bank and other investors withdrawing their support from public sector NARS for a variety of reasons:

- **First**, Genetically modified (GM) technology was being exploited primarily in the developed world, with the private sector beginning to invest heavily in developing new crop varieties. In a number of developing countries, a thriving private sector was producing hybrid vegetable seeds using low-cost labour. When private companies succeeded in patenting the specialist knowledge and equipment needed to develop GM crops, public sector NARS were not able to compete (with the exception of those in China and South Korea).

- **Second**, internal reviews by the World Bank showed that only a few countries that had received agricultural research project funding had been able to meet their obligations to maintain facilities and staff, or to make adequate operational funding available.

- **Third**, anti-genetically modified organism activism was growing, hindering the development of GM technology in many NARS.

As a result of these developments, Investment Centre activity in the agricultural research sector also dropped off markedly, giving way to new approaches of working directly with farmers to meet location-specific needs, based on local capacities for innovation.
The Centre’s work has focused mainly on optimizing livestock productivity through:

- Improved pasture management
- Strengthened veterinary services, including provision of drugs and vaccines
- Improved herd management
- Enhanced marketing
- Investments in milk processing and abattoirs

Early interventions focused on improving productivity through funding the introduction of exotic breeds with high meat and dairy yields, while paying little attention to local and indigenous breeds.

The emphasis on large-scale ranching enterprises gradually changed because of poor economic results and limited social impact.

In later years, the Investment Centre concentrated, primarily in Africa, on supporting veterinary campaigns that provided technical support for institution building and funding for drugs and vaccines. Other projects sought to improve rangeland management, including through opening up marketing arrangements for surplus livestock. In Asia, much of the Centre’s livestock-related activities focused on the promotion of small-scale dairy farming, milk collection and processing.

The Investment Centre was also involved in operations to support the construction of physical infrastructure to enable farmers to increase stock numbers and benefit from improved cooperative arrangements, veterinary extension services and disease diagnosis and treatment facilities, mainly in Latin America but also in Africa and East Asia.

The financing of projects based exclusively on livestock development has been largely discontinued since the late 1980s, with livestock generally being considered as a component of more inclusive rural and agricultural development programmes.
Chapter 2

The years of challenge and innovation: 1980s

New partnerships bring innovative approaches
Number of projects & total investment per sector (1980-1989)

Total number of projects: 438
Amount of investment (US$ billion): 23.12

- Irrigation, Drainage & Water Management: US$ 5.43 billion
- Rural Development: US$ 6.26 billion
- Fisheries: US$ 0.95 billion
- Education: US$ 0.05 billion
- Emergency Rehabilitation: US$ 0.14 billion
- Livestock: US$ 0.73 billion
- Forestry: US$ 1.69 billion
- Rural Finance & Micro-enterprises: US$ 2.90 billion
- Cash Crops: US$ 2.35 billion
- Crop Production: US$ 1.13 billion
- Agro-industries: US$ 0.25 billion
- Seeds: US$ 0.12 billion
- Marketing, Processing & Storage: US$ 0.34 billion
- Research Extension & Education: US$ 0.77 billion
- Professional staff: from 116 in 1980 to 95 in 1989

Top 5 sectors: (% of total projects approved)
- 24% Rural Development
- 13% Irrigation, Drainage & Water Management
- 11% Fisheries
- 10% Forestry/Crop Production
- 9% Cash Crops

Top 5 partners: (% of total investment mobilized)
- World Bank: 76% of Centre-supported projects
- IFAD: 9% of Centre-supported projects
- AFD: 7% of Centre-supported projects
- ADB: 5% of Centre-supported projects
- EBRD: 0.5% of Centre-supported projects

Factsheet: Investment Centre results
Number of projects & total investment per region (1980-1989)

Total number of projects
- Sub-Saharan Africa: 75 projects
- Asia & the Pacific: 111 projects
- Latin America & the Caribbean: 175 projects
- Europe & Central Asia: 20 projects
- Near East & North Africa: 75 projects

Amount of investment (US$ billion)
- Sub-Saharan Africa: $3.86
- Asia & the Pacific: $6.35
- Latin America & the Caribbean: $4.35
- Europe & Central Asia: $3.86
- Near East & North Africa: $4.11

Top countries (1980-1989)

Total number of projects
- Tunisia: 21 projects
- Yemen: 11 projects
- Bangladesh: 12 projects
- Indonesia: 10 projects
- Nepal: 10 projects
- Brazil: 17 projects
- Ethiopia: 14 projects
- Sri Lanka: 15 projects
- Mauritania: 17 projects
- Morocco: 14 projects
- Pakistan: 19 projects

Amount of investment (US$ billion)
- Tunisia: $0.72
- Yemen: $0.37
- Bangladesh: $2.10
- Indonesia: $0.60
- Nepal: $0.34
- Brazil: $0.76
- Ethiopia: $0.87
- Sri Lanka: $0.54
- Mauritania: $0.10
- Morocco: $0.87
- Pakistan: $0.10
The 1980s: A decade of challenge and innovation

The 1980s was a decade of challenge and innovation for the Investment Centre. The challenges came from within FAO and from the Centre’s prime partner, the World Bank. FAO believed the Investment Centre should be more independent from the priorities of international financing institutions (IFIs) so that it could better serve FAO’s policy development agenda. On the other hand, the World Bank was struggling with budget challenges and a desire to exert greater budgetary control over the Cooperative Programme (CP).

The Investment Centre had to justify its expenditures and prove its worth as an entity that added value to the work of both FAO and the World Bank, while at the same time adapting to the changing nature of agriculture and rural development. This was particularly difficult in a decade that witnessed shocking food crises and unsettling economic and social conditions.

The drive to innovate was inspired by two gatherings that heralded new approaches by FAO in its development efforts, approaches that would gain increasing support from the development community throughout the decade. The World Conference on Agrarian Reform and Rural Development, held under the auspices of FAO in July 1979, augured the importance given in the 1980s to participation of rural people and engagement of civil society in development. The World Commission on Environment and Development established in 1983 (known as the Brundtland Commission) began to draw global attention to the environmental limits to economic growth and rallied countries to pursue sustainable development through poverty reduction, gender equity and wealth redistribution. These concerns sowed the first seeds of approaches that were to be taken up by the Centre in the 1980s and to grow through subsequent decades.

The World Commission on Environment and Development began to draw global attention to the environmental limits to economic growth and rallied countries to pursue sustainable development through poverty reduction, gender equity and wealth redistribution.

Economic liberalization, debt and famine

Great global socio-economic changes were taking place as wealth and production migrated to newly industrializing economies. As economic liberalization increased in the developed world, multinational corporations associated with the manufacturing industry began relocating into countries such as China, Mexico, South Korea, Taiwan and Thailand. The United Kingdom and the United States introduced laissez-faire economic policies, beginning a trend towards neo-liberalism with legislative initiatives pushing for free trade, deregulation, enhanced privatization and an overall reduction in government control of the economy.

Meanwhile, developing countries across the world faced economic and social difficulties as they suffered from multiple debt crises in the 1980s, prompting many of them to apply for financial assistance from the International Monetary Fund and the World Bank. Because of a national famine in the mid-1980s, Ethiopia was forced to depend on foreign aid to provide food to its population, and the accompanying media coverage alerted the world to the incongruity of famine in a world of plenty.

Growing awareness of food insecurity

FAO was at the forefront of a number of activities in the 1980s to raise awareness of the importance of addressing the problems posed by food insecurity and to encourage world governments to commit to finding lasting solutions.

In 1981 the first World Food Day was observed by 50 FAO member countries. At the height of the Ethiopian famine, FAO became heavily involved with post-emergency operations through its Agricultural Rehabilitation Programme for Africa, supporting 25 affected countries by supplying farmers with seeds and fertilizer, repairing irrigation systems and rebuilding cattle herds. In 1983, FAO’s Committee on World Food Security adopted a broader concept of world food security, with the ultimate objective of ensuring that all people at all times had both physical and economic access to the food they needed. In 1986, the FAO Council endorsed a World Food Security Compact, which provided a clearly defined moral basis for action by governments, organizations and individuals directed toward securing food for all. The compact urged developing countries to promote domestic food production as the first line of defense and to reexamine, and if necessary revise, national policies to ensure adequate incentives to farmers, particularly small-scale producers.

The years of challenge and innovation: 1980s

Because of a national famine in the mid-1980s, Ethiopia was forced to depend on foreign aid to provide food to its population, and the accompanying media coverage alerted the world to the incongruity of famine in a world of plenty.
Official Development Assistance (ODA) commitments to agriculture increased dramatically from about US$ 1.8 billion in 1973 to nearly US$ 9.5 billion in 1988. The share of ODA commitments to agriculture (compared with other sectors) stood at about 17 percent in the early 1980s. It was only at the very end of the decade that a declining interest was noted in providing assistance specific to agriculture.

A shift to policy-focused lending

From the late 1980s, the World Bank began focusing on structural adjustment and increased use of policy conditions in project design for new loans – especially for concessional lending. As part of the structural adjustment agenda, a reduction of the state role in agriculture was encouraged in favour of an increased role for the private sector, while subsidies on fertilizer, seeds and other inputs were reduced. Policy-based lending operations grew sharply during the 1980s, with World Bank structural and sectoral adjustment projects accounting for almost 20 percent of total World Bank lending in 1986, compared with only 4 percent in 1980. As a result of these changing World Bank policies and priorities, and the move from a project focus, the 1980s saw no growth in the number of projects the Centre had prepared under the CP. On the other hand, there was a major increase in the total number of projects prepared under the Investment Support Programme (ISP), following a considerable expansion of work with other IFIs.
Operational challenges and opportunities
Mobilizing investment through limited FAO funds

During the same period FAO’s shrinking budgets prompted a number of
cost-cutting measures. Following a comprehensive 1987 review, the portion
of the Investment Centre’s budget that came from FAO’s Regular Programme
suffered a series of cuts.

Further financial difficulties resulted from the United Nations Development
Programme’s (UNDP) financial crisis and the reduction and eventual phase-out
of UNDP projects implemented by FAO. Since its inception, the Investment
Centre had provided a crucial link between the many UNDP projects supported
by FAO’s technical experts and financing institutions. During the mid-1980s
FAO withdrew its senior agricultural advisers from UNDP offices and established
separate FAO country offices headed by FAO country representatives.

Fortunately, some additional financial support to investment work for
agricultural project preparation came through FAO’s Technical Cooperation
Programme (TCP), launched in 1976 and funded by assessed contributions
of FAO’s Members.

The TCP grew rapidly through the 1980s and proved extremely useful for
the Centre in providing rapid financing to governments for work required
to complete project preparation beyond the available budget agreed with
the financing institution.

By 1990, 104 TCP projects had been approved in support of investment,
86 of which (with a total project value amounting to US$ 10.1 million) were
assigned to the Investment Centre for implementation: 56 under the ISP
and 30 under the CP.

TCP projects were designed to produce tangible and immediate results supporting improved food security and poverty alleviation, and to catalyse long-term
development changes. The Investment Centre was well placed to fulfill this
catalytic role, by helping to mobilize investment funds. Consequently, the symbiotic
relationship with TCP played a large role in the diversification of the Investment
Centre’s work during the decade.

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Balancing the Cooperative Programme and the Investment Support Programme

Since its inception, the Investment Centre had provided a crucial link between the many UNDP projects supported by FAO’s technical experts and financing institutions.

The 1980s saw the beginning of what was to become a growing divergence between
the way in which the Investment Centre worked with the World Bank through the
CP, and how it conducted its operations with its other partners through the ISP.

During this decade, the management of the World Bank’s operational budget
for agriculture and rural development (including the CP budget) was delegated
increasingly to its task managers, who were held accountable for delivering against
lending programme targets. Within a tight framework, World Bank managers
needed to exert greater control over the project cycle from conception to appraisal,
and to use the workforce made available through the CP budget as an extension
of their own staff resources.

Over time, this led to a progressive reduction in the number of CP tasks for which
the Investment Centre was delegated full operational responsibility.

The Centre’s management sought to counter this trend because it prevented
from making full use of its considerable capacity to lead project identification
and preparation, and to propose innovative approaches to project design.

The Centre was also concerned that the new operational modalities carried
the risk of undermining government “ownership” of projects, which the Centre
had sought to cultivate.

As a consequence of these changes, the share of
Centre support to CP projects (compared with total
number of projects) fell below 50 percent in the
1980s, from 88 percent during the previous decade.

During the late 1980s, the World Bank proposed
moving the CP team to its headquarters in
Washington, D.C., or potentially discontinuing the
Programme. However, the intervention of FAO
Director-General Edouard Saouma helped convince
the World Bank of the importance of saving the CP
and keeping it in FAO headquarters so that it would
continue to benefit from proximity to FAO technical
resources and expertise.

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The years of challenge and innovation: 1980s
In contrast with the CP, most of the ISP’s partner institutions, in particular, the International Fund for Agricultural Development (IFAD) and African Development Bank (AfDB) – those that had quite limited expertise in agriculture – continued to delegate full responsibility to the Investment Centre for helping governments to prepare projects for their eventual appraisal and financing. This encouraged staff to be creative and led to the Investment Centre becoming a recognized leader in developing approaches that would engage the intended beneficiaries of projects more systematically in their design.

In most cases ISP partners were supportive of moves to build local capacities for project formulation.

By the end of the decade, 60 percent of Investment Centre staff were working for the CP, and 40 percent on the ISP. Despite the challenges, of the 2,186 Investment Centre missions fielded under the CP and the ISP between 1980 and 1987, more than 70 percent were under the Investment Centre’s complete responsibility. For almost half of the projects approved in that period, the Centre had been responsible for the entire identification and preparation process.

Diversification and the growth of partnerships with IFAD and UNCDF

The 1980s saw a considerable expansion of the Centre’s work with the ISP. This included an increased ability to cater to different mandates, procedures and requirements and a broadened scope of operations.

This growth, prompted by new and maturing partnerships (primarily with IFAD, and then with the United Nations Capital Development Fund - UNCDF), helped the Centre benefit from cross-fertilization of experiences and knowledge.

The decade also saw increased activity with the AfDB and the Asian Development Bank (ADB), for whom the Centre prepared twice (57) and three times (31) as many projects, respectively, compared with the previous decade. In addition, some 17 bilateral agencies contributed US$ 335 million in co-financing for projects formulated by the Investment Centre along with US$ 240 million provided by the Arab Funds.

Because of their common agenda, the Rome-based sister agencies FAO and IFAD had fostered a very close relationship since the latter’s establishment in 1977. The partnership grew exponentially through the 1980s, with more than half of IFAD-initiated projects being prepared by the Investment Centre by 1990. As a young financing institution defining its role and comparative advantage in the UN landscape, IFAD looked to the Centre’s expertise to help develop the tools to deliver on its mandate of raising food production and levels of income and nutrition among the rural poor. Investment Centre staff played a significant role in defining participatory formulation processes with beneficiary engagement.
turning around the top-down approach that was characteristic of the earlier generation of projects. Through these efforts, the Centre helped IFAD define its niche and contributed to its thinking around agricultural sustainability. IFAD had – by end of decade – become the Investment Centre’s second largest partner, mobilizing about US$ 2.1 billion through a total of 85 projects.

As with the partnership with IFAD, cooperation with the UNCDF expanded rapidly. UNCDF supported small projects in the poorest countries, with FAO providing UNDP-financed technical assistance. By 1990, close to 80 percent of the Fund’s loan portfolio had been prepared with the help of the Investment Centre.

Developing national capacities for project formulation

During the late 1980s and early 1990s, IFIs became increasingly aware of the need to promote ownership of projects on the part of governments and beneficiaries. Although it was difficult to reconcile the World Bank’s “upstream” structural adjustment requirements with a promotion of national “ownership” of projects, development practitioners at the time (including within the World Bank) started making concerted efforts to address issues of weak government ownership of agricultural liberalization policies and a widespread detachment from what were essentially donor-imposed and donor-prepared projects.

During the 1980s, Investment Centre staff were conscious of the need to shift the lead responsibility for project preparation from Investment Centre teams to national teams. Using an approach that gained widespread support, teams were increasingly made up of international consultants as well as national counterparts, conducting studies together during the project identification and preparation phases, all with significant Investment Centre input.

In countries that had sufficient local expertise, the Centre limited its role to providing special input and advice only on matters beyond the local capacity. The goal was to complement and build up national expertise, rather than substitute it. This preparation modality entailed a different programming and scheduling of phases, all with significant Investment Centre input. The years of challenge and innovation: 1980s

By 1990, close to 80 percent of UNCDF’s loan portfolio had been prepared with the help of the Investment Centre.

The development and updating of guidelines for agricultural investment projects continued with the same intensity in the 1980s, as in previous decades. Following the first guidelines produced in the 1960s and 1970s, the 1980s saw the preparation of guidance material with new methodologies and operational tools for social, economic and financial analysis, as well as for sectors of particular interest: agronomists’ contribution to Investment Centre missions (1980); engineering studies (1983); irrigation and drainage (1986); fisheries (1989); and social analysis (1989). Evident in all is the continued leading role of Investment Centre missions to train and to encourage national and local project ownership.

Integrated development dominates the Investment Centre’s project portfolio

The Investment Centre started — mainly in partnership with IFAD — to explore what later became known as “bottom-up” approaches. The farming systems approach, for example, emerged as a new way of trying to find location-specific solutions to major agricultural development problems by understanding local people’s farming choices based on their systems, their constraints and their capacities.

It was also the heyday of area-based integrated development approaches. World Bank lending for agriculture had shifted from the large capital-intensive projects of the 1970s to a focus on strengthening farmers’ grassroots groups, associations and cooperatives in community-driven approaches. Given the Investment Centre’s experience in interdisciplinary work at the grassroots level, the World Bank’s shift to integrated development opened the door for more Centre responsibility in project preparation and design. During the decade, almost a quarter of all Centre-supported projects approved for financing were area-based rural development projects, generating a total investment of US$ 6.3 billion.

Integrated agricultural development projects combined interventions in several subsectors within a given production system, such as crops, livestock, agroforestry, fish farming, seed multiplication, on-farm research and extension. They focused mainly on small-farm agriculture and rural infrastructure, including credit and extension services, feeder roads, rural markets and water supply. Meanwhile, integrated rural development projects went beyond the agriculture sector to address area-based rural needs, such as water and sanitation, health and education. Both were rather complex in their implementation modalities, more so the latter, requiring high levels of coordination of national line ministries. It was the heyday of area-based integrated development approaches, covering many sectors and requiring high levels of coordination of national line ministries.
In the forestry sector, investment centre missions began focusing on the needs of poorer rural communities thanks to a shift away from large-scale wood energy plantations and towards the creation of village woodlots.

FAO’s TCP provided essential expertise to sector-specific initiatives through targeted, short-term, catalytic projects that addressed technical problems in the fields of agriculture, fisheries, forestry and rural livelihoods.

Despite their limitations, such projects remained very popular throughout the 1980s and into the 1990s.

COLOMBIA INTEGRATED RURAL DEVELOPMENT PROJECT (1977 – 1987)

Designed by the investment centre in 1976 for world bank funding, the goal of this ten-year project was to help the intensification of farm production on holdings of less than 20 hectares in three highland regions with high incidence of rural poverty.

- Advisory services were built up and linked for farm development and operation, tree planting, soil conservation and produce marketing.
- Training courses were provided for staff and farmers at the centre and through mobile training units.
- Credit was provided for farm and marketing operations and development.
- Rural roads were constructed and improved, linking productive areas to main roads and to markets.
- Furniture and equipment were provided to rural primary schools.
- Health services were made accessible to an increased number of rural households in the project area.
- Domestic water supply schemes were developed in parts of all areas, and in one area the rural electricity network was also extended.

Despite the extreme complexity of the project and its context, it performed well, owing in part to the high-level political support it received. Production increases were significant, and the target population was lifted above the poverty line in a cost-effective way.

Alongside its work on area-based rural development projects, which dominated the work of the 1980s, the investment centre continued to support commodity- and sector-specific projects. Fisheries, forestry, livestock and crop production subsectors were actively supported through 200 projects, generating a combined investment of US$ 6.6 billion during the decade. Irrigation, drainage and water management comprised 25 percent of supported projects (59 projects) from 1980 to 1989, mobilizing US$ 3.4 million.

The growing global attention to environmental concerns led to a reduction in the demand for funding of large-scale dam-based irrigation. Consequently the Investment Centre became involved in a series of small-scale irrigation projects in Bolivia, Morocco and Peru that became widely acknowledged for their innovations. The projects developed in Morocco, for example, served as a launching point for the evolution of good practices in the sector. To read more about the Morocco case and other experiences related to irrigation, see feature: Irrigation and water management, p. 68-69.

Research efforts adapt to the new approach

In the area of agricultural research, the early 1980s witnessed a move away from funding large monolithic research organizations to creating small poles for technological innovation, building on local capacities and using extension of the training and visit (T&V) model to disseminate good farming practices. The investment centre was involved in a series of T&V extension projects, actively promoted by the World Bank as a one-size-fits-all approach, which seemed appropriate at the time for small-scale farmers with small, irrigated holdings. The model proved less successful when expanded to cover diverse farmers, especially to rained agriculture plots in Africa, and was eventually succeeded by the more participatory farmer field schools (FFS) approach to support farmers and to build capacities. To learn more about this approach, see feature: Upscaling Farmer Field Schools, p. 94-95.

In the area of agricultural research, the early 1980s witnessed a move away from funding large monolithic research organizations to creating small poles for technological innovation.

In the fisheries sector, with the increased attention given to sustainable resource management, aquaculture took the spotlight as a way to support livelihoods in the fight against poverty. As a result, the Investment Centre became involved in a number of inland fishery investment projects and initiatives. For more information on this sector, see feature: Capture and inland fisheries, p. 72-73.

FAO’s TCP provided essential expertise to sector-specific initiatives through targeted, short-term, catalytic projects that addressed technical problems in the fields of agriculture, fisheries, forestry and rural livelihoods.
In 1988, the first SEPSS were carried out, as a preliminary step in the project design process, by rural sociologists and agronomists working for the Investment Centre. The goal was to find the most effective way of incorporating sociological perspectives into project design, leading to designs that were more people-centred and more responsive to the priorities of poor households and women.

Starting in 1988, the Investment Centre promoted the integration of what was then called “Socio-Economic and Production Systems Studies” (SEPSS) into the project cycle. Pioneering SEPSS work was undertaken by Centre agronomists and team leaders jointly with rural sociologists to integrate socio-economic perspectives into project design. For more details on the integration of social aspects in the Investment Centre’s work, see box below and feature: Bottom-up development and sustainable livelihoods approaches, p. 96-97.

SOCIO-ECOOMIC AND PRODUCTION SYSTEMS STUDIES (SEPSS)

In 1988, the first SEPSS were carried out, as a preliminary step in the project design process, by rural sociologists and agronomists working for the Investment Centre. The goal was to find the most effective way of incorporating sociological perspectives into project design, leading to designs that were more people-centred and more responsive to the priorities of poor households and women.

Each international team worked closely with a local team, using the project design process to enhance local capacity, in particular of line agency officers who would be responsible for project implementation.

Steps included:

- Identifying key regional-level line agency staff who would implement the project and securing their release to participate in the design study
- Providing one week of training to the local team on how to facilitate participatory mapping, ranking and planning at village level
- Carrying out a preliminary zoning of the project area to identify broad patterns in terms of agro-ecological conditions, ethnic groups and production systems, and selecting two to three villages to represent each system
- Preparing the logistics
- Working together as a team to facilitate village-level participatory rural appraisal exercises and carry out farmer household interviews in 20 villages over a three-week period

One of the aims of SEPSS was to create a common understanding among mission members, local design teams and future implementing agencies by conducting the village and household interviews together as one team. This helped all members to understand the small-scale farmers targeted by the project from the initial stages of design.

The first guidelines for project design were released in 1989. The conclusion was that SEPSS were the most effective way of incorporating sociological perspectives in terms of their influence on project design. Consequently, from 1988 to 1998, SEPSS were carried out in 60 projects, the majority of which were for IFAD, but also for the World Bank, ADB, AfDB and Caribbean Development Bank.
Social analysis was an area where the Investment Centre took the lead in the 1980s, pioneering new approaches that became widely adopted by partners (notably IFAD and World Bank) in the 1990s.

In response to mounting evidence that cost-benefit analysis, although necessary, was not sufficient to predict farmer uptake of innovations, the Centre made its first efforts – in the mid-1980s – to engage rural sociologists in carrying out surveys of farmers prior to project design missions.

The Investment Centre develops new technology to support investment work

Realizing the potential of technological innovation to support investment work in the late 1970s, the Investment Centre designed the first computer software for cost-benefit analysis in livestock development. Later, the Centre also became active in promoting and disseminating the use of computer software to support overall financial and economic analysis work. Performing calculations on a computer was a technological breakthrough and the Investment Centre played an instrumental role in training national staff worldwide as well as partner agencies, notably IFAD, in the use of this technology.

Technological advancements were also integrated in the Investment Centre’s internal management and office administrative systems. Before the 1980s, the average size of a final report prepared for partner IFIs was over 400 pages, making the Centre the largest user of temporary secretaries in FAO. The pressure to move quickly in order to produce those reports against tight deadlines motivated the Investment Centre to become a major forerunner in the use of computer technology at FAO. Technological development in the 1980s marked a revolution in the way the Investment Centre accomplished its office work, allowing the team to more efficiently meet its deadlines.

For more information on the evolution of technology at the Investment Centre, see box on p.66.

Generally, the Investment Centre managed to cope in these difficult times by finding new partners, broadening its services and adapting to new working modalities and approaches. It was able to do this largely thanks to the highly efficient work-flow management systems it had in place – with a time-recording system introduced in 1978, a modern and flexible management structure, successful negotiation capacities and sufficient delegation of authority with regard to recruitment of staff and consultants. In this way it was able to quickly meet the emerging needs of countries and partners.

Modern and flexible management structure, successful negotiation capacities and sufficient delegation of authority coupled with a skill to recognize opportunities in times of crisis were the factors that continued to make the Investment Centre resilient and responsive to the changes in the next decade.
Technological development in the 1980s marked a revolution in the way the Investment Centre accomplished its office work, allowing the team to more efficiently meet its deadlines.

Performing calculations on a computer was a technological breakthrough and the Investment Centre played an instrumental role in training national staff worldwide as well as partner agencies.

In the early 1980s, the World Bank developed first Costab and then Farmod, innovative specialized computer software to calculate project costs and produce product models. Until then, economists often spent several weeks calculating project costs using a calculator, pencil and paper.

Costab included detailed tables showing base costs, physical and price contingencies and financing in both domestic and foreign currencies, taking into account the effects of changes in exchange rates.

The first version of Costab was promptly used by the Investment Centre, after sending key economists to Washington, D.C., for training and conducting joint training courses in Rome.

The Investment Centre played a critical role in training relevant parties in the use of this highly specialized tool. First focusing on instructing national staff in its use, the Investment Centre developed a training course that was delivered during a number of missions across the world, starting in Brazil in 1985. With the adaptation of the tools for the Microsoft Windows platform, International Fund for Agricultural Development staff also began to use Costab and Farmod, with the help of the Investment Centre’s training activities, as did other departments of FAO, the Asian Development Bank and the African Development Bank.

Nowadays, computerized financial analysis software systems, especially Costab, have become mainstream tools, but they were revolutionary at the time. Costab made it possible – for the first time – to show cost categories separately from project components, which facilitated procurement during implementation.
Irrigation and water management

The World Bank financed massive irrigation infrastructure projects in the early 1970s, most of which were in South Asia. But farmers proved unable to complete the work envisioned by the project design, and most schemes remained underdeveloped. As a result, millions of farmers could not fully benefit from the irrigation investments. In response, the World Bank financed the Command Area Development (CAD) programme in 1974 to ensure water delivery to entire command areas. Due to the large scale of the work, the Investment Centre established a permanent mission for the CAD programme, preparing many projects and effectively covering large areas at relatively low cost.

CAD continued into the 1980s with more than 30 Investment Centre missions during the decade. The CAD programme involved improving on-farm infrastructure, as well as organizing farmers’ participation in irrigation management. Numerous Water User Associations (WUAs) were created and given responsibility for the distribution of water from canals or within pumping schemes, resulting in improved water management and increased irrigated areas. The Investment Centre produced a number of publications on the subject, many of which are still relevant today.

Participation in water management

The Chinese economic reform, which began in the late 1970s, led to irrigation and water management projects on a massive scale, such as the project in the Tarim Basin. Also, following the dissolution of the Soviet Union early in 1990, the Investment Centre assisted countries of the Commonwealth of Independent States in evaluating their irrigation sector. The evaluations found that water management needed farmers’ participation and this would require changes in the legal framework.

In response, the Investment Centre supported the drafting of laws for WUAs in a number of countries and their enactment in Albania, Georgia, Macedonia and Moldova.

By the early 2000s, countries as geographically diverse as Azerbaijan, Belize, India, Romania and Viet Nam were promoting the establishment of WUAs with Investment Centre assistance. This led to projects that included components on irrigation management transfer, consisting of different legal frameworks for each country. However many governments failed to transfer enough responsibility and assets to farmers’ organizations, resulting in WUAs’ limited ability and willingness to invest in their own schemes.

Modernization gains attention

Since 2000, emphasis has moved to the rehabilitation of irrigation schemes. Increasingly these schemes include investments in agriculture and related livelihood activities.

Modernization is an essential focus, with an aim to integrate technical, managerial and institutional options to improve resource utilization and water delivery service to farmers. The Investment Centre has supported a number of World Bank-funded projects in this scope, including:

- The Water Resource Assistance Project in Viet Nam (2004-2012) that focused on the modernization of the country’s six largest irrigation schemes by introducing the Mapping System and Services for Canal Operation Techniques (MASSCOTE) approach

- The Water Conservation Project II in China that adopted water-saving technologies based on evapo-transpiration and integrated water resources management

- The Integrated Modern Agriculture Development Project in China that adopted water savings based on evapo-transpiration and incorporated climate change considerations

Learning by doing in Morocco: an Investment Centre commitment to agricultural policy-making

As development projects became increasingly integrated in their approach starting in the 1970s, the Investment Centre became actively engaged in a series of agricultural development projects in Morocco. The country became a frontier laboratory for innovative projects that linked agricultural investments with social infrastructure and engaged farmers in decisions on cropping patterns. Tested in the early 1970s in Latin America with Investment Centre assistance, the concept of integrated rural development projects brought to light the need for:

- Associating agricultural development with investments in roads, drinking water, schools, health and services
- Farmers’ participation in all aspects of the project cycle
- Effective coordination between all involved ministries

Following the success of the Karia-Tissa Integrated Development Project in 1976, the Investment Centre became the major FAO contributor to international institution assistance to Morocco, with projects including:

- Meknès with the World Bank in 1979
- Taza and Oulmès Romani with the World Bank in 1982
- Settat with the African Development Bank in 1985
- Safi-Abda with the International Fund for Agricultural Development (IFAD) in 1987

Karia-Tissa Integrated Development Project – 1976

The Karia-Tissa project, focusing on a rural area in the northeast Rif mountains, was one of the first so-called ‘integrated agriculture investment projects’, developed by the Investment Centre in Morocco and funded by the World Bank. One innovative practice tried in Karia-Tissa and later used around the world was to offer short-term loans to local farmers based on their real needs and repayment abilities, rather than on their formally declared incomes.

The way forward: Updating irrigation guidelines to reflect lessons learned

The Investment Centre, in cooperation with FAO technical divisions, the World Bank and IFAD, is currently updating the Guidelines on Irrigation Investment Projects with the latest developments in the field, incorporating experiences and lessons learned from recent investment projects.

The scope of the Guidelines is to:

- Provide a tool for capacity building for all irrigation project practitioners
- Better respond to the multiple challenges in irrigation and agriculture water management
- Improve investment efficiency and sustainability
The years of challenge and innovation: 1980s

In 1987, another turning point was reached when the World Bank approved a new policy for forestry projects. The “oil shocks” of the early 1970s led to renewed interest in domestic, renewable sources of energy in developed and developing countries. The realization that the price of plantation-grown oil would be beyond the reach of most domestic consumers. This led to the emergence of what became known as ‘social forestry’ (Ethiopia, Haiti, India, Lao People’s Democratic Republic, Mozambique, Nepal, Rwanda), a term that underlines the emphasis on the role of women and grassroots approaches.

Social forestry becomes an important part of development efforts

Project formulation work was moving away from large-scale wood energy plantations towards the creation of village woodlots, together with the integration of tree planning into traditional farming systems – agroforestry. This shift occurred with the realization that the price of plantation-grown wood would be beyond the reach of most domestic consumers. This led to the emergence of what became known as ‘social forestry’ (Ethiopia, Haiti, India, Lao People’s Democratic Republic, Mozambique, Nepal, Rwanda), a term that underlines the emphasis on the role of women and grassroots approaches.

The change to a ‘people approach’ and eventually to a poverty alleviation approach in forestry was a clearer understanding of new concepts such as participation, survival strategies and gender. To help deal with this, anthropologists and sociologists were becoming part of formulation teams. Much was learned during the early days of social forestry projects, especially with regard to the importance of participation, consultation, the role of women and grassroots approaches. In 1987, another turning point was reached when the

Rising energy prices prompt a focus on wood energy

Fuel scarcities and rapidly rising energy prices in the 1970s led to renewed interest in domestic, renewable sources of energy in developed and developing economies alike. Concerns that energy shortages would cause hardship in developing economies set the scene for wood energy to replace forest industries development in project formulation. New projects had the main objective of increasing wood energy supplies, especially in poorer rural areas where wood was the main source of fuel for cooking and heating. The wood energy projects formulated by the Investment Centre (Malawi, Uganda) were composite in nature and country-specific. However, most included large-scale wood energy plantations, smaller-scale peri-urban plantations, village woodlots, agroforestry, charcoal production, improved wood stoves and ovens, and wood energy studies.

The advent of the wood energy project marked a turning point in project formulation: for the first time, formulation missions had to work outside forest reserves to solve unfamiliar problems. Wood energy projects also brought in other important changes – rural poverty began to be taken into account and villagers and farmers were to be included as project beneficiaries.

Social forestry becomes an important part of development efforts

Project formulation work was moving away from large-scale wood energy plantations towards the creation of village woodlots, together with the integration of tree planning into traditional farming systems – agroforestry. This shift occurred with the realization that the price of plantation-grown wood would be beyond the reach of most domestic consumers. This led to the emergence of what became known as ‘social forestry’ (Ethiopia, Haiti, India, Lao People’s Democratic Republic, Mozambique, Nepal, Rwanda), a term that underlines the emphasis on the role of women and grassroots approaches.

The change to a ‘people approach’ and eventually to a poverty alleviation approach in forestry was a clearer understanding of new concepts such as participation, survival strategies and gender. To help deal with this, anthropologists and sociologists were becoming part of formulation teams. Much was learned during the early days of social forestry projects, especially with regard to the importance of participation, consultation, the role of women and grassroots approaches. In 1987, another turning point was reached when the

UN Brundtland Commission published its report Our Common Future on sustainable development. The environment was moving centre stage, and sustainability, gender and poverty alleviation were moving up the political agenda.

The 1990s: forestry project formulation faces difficult transformations in planning and policy

In 1992 the UN Rio Earth Summit took place, out of which emerged the Statement of Forest Principles. Although non-binding, these principles gave impetus to sustainable forestry practice, and reinforced the linkages between forestry, the environment and poverty. The National Forest Programmes also emerged in the mid-1990s, providing a useful reference point for Investment Centre project formulation missions. As the focus on forestry intensified, the scene seemed set for a growth in demand for the Centre’s services to formulate sustainable, environmentally friendly forestry projects. However, another change was affecting forestry projects: in 1991 the World Bank had adopted a new restrictive Policy for Forestry in response to criticism from environmentalists and indigenous peoples’ organizations that Bank lending in forestry had led to deforestation, environmental degradation and the erosion of stakeholder rights. This policy severely limited the scope of Bank lending in forestry, especially in tropical regions, during the mid-1990s.

However, during the same period there was a development that had a positive impact: the establishment of the Global Environment Facility (GEF). Most countries had been actively mainstreaming environmental best practices into forest management, yet many were reluctant to take loans to conserve biodiversity. The GEF proved highly effective in addressing this problem by providing concessional funding through the World Bank for conservation. By 2000, the Bank had recognized that its policy was preventing it from engaging positively in forestry. It issued a new Policy for Forestry in 2002, one aimed at taking a more pragmatic and flexible approach to investments in forestry. As a result, World Bank task team leaders and the Investment Centre once again became actively involved in the formulation of stand-alone forestry projects.

Climate change: a growing concern

During the first decade of the new millennium, earlier concerns over climate change intensified and attention was turning to carbon emissions from deforestation and forest degradation. In 2005 an agreement was reached on the Reducing Emissions from Deforestation and Forest Degradation (REDD+), aiming to reduce carbon emissions from forests and to enhance forest carbon stocks. Incentive mechanisms under the REDD+ are still to be agreed upon, so its impact on project formulation work in the Investment Centre has yet to be felt.

What does the future hold for forestry projects?

Looking back, the main changes witnessed by the Centre in its work on forestry projects have not been so much how projects have been formulated, but rather the rationale to support their objectives, and the objectives themselves. Projects have moved away from the top-down approach using international consultants towards a bottom-up approach using local teams. The participation of stakeholders has also been greatly improved and, of course, evolving technology has had an impact.

However, much more fundamental has been the change in forestry project objectives from industrial development to wood energy to social development-with-poverty-alleviation to poverty-alleviation-with-conservation to climate change and, possibly, ecological restoration.

Future changes are difficult to predict but it is clear that changes in forestry project formulation have been driven mainly by events outside the sector – the oil shocks of the 1970s, the Brundtland Report, the Rio Earth Summit, concerns over rising poverty and food insecurity, climate change and, more recently, concerns over the impact of environmental degradation on sustainable economic development.
Capture and inland fisheries

In the 1970s, the Investment Centre was involved in traditional approaches for increasing fishery production — for example, through the introduction of fisheries in Argentina, shrimp culture in Indonesia and Ecuador, and aquaculture in the Nile Delta of Egypt. Projects related to fish landings — such as introducing innovative fisheries infrastructure in Yemen — were also supported. With the onset of sustainable resource management considerations, beginning with a coastal fisheries project in Malaysia in the late 1970s, investment for fleet reduction was proposed to make fisheries more sustainable.

Before the 1980s, the World Bank had a series of investment projects for flood plain management in Bangladesh. Imperative to the expansion of the development of fisheries in the Oxbow Lakes, FAO and the Investment Centre became involved in the third phase of the project in 1984, with key interventions including improved hatcheries, breed management and predator control. Excellent benefits resulted for marginal fishers, who traditionally relied on inland fishing, with yields jumping to over one tonne per hectare.

By the 1980s, fisheries management, diversification and poverty reduction took a more central place in inland fisheries projects and in the Investment Centre’s efforts. Aquaculture was expanding as an opportunity for production and livelihoods support through the introduction of new hatchery technology and innovative farm designs for poverty alleviation for inland fisheries. The Centre supported shrimp culture in South Asia; inland fisheries and aquaculture in the Dominican Republic; and a review of inland fisheries and aquaculture potential in West Africa.

Using Geographic Information System technology, Investment Centre teams led the first zoning studies for inland fisheries and aquaculture development in Ghana. In addition, the Investment Centre undertook a number of fisheries investment feasibility studies, sometimes concluding that no investment should take place. In one such case, the Investment Centre undertook a study of the potential for fisheries in Kenya in 1987 for the United Nations Development Programme and found that, due to a lack of resources, a project should not be funded. Similarly, a number of studies on fishing in the Bay of Bengal in India found that the area was severely overexploited and recommended the reduction of the fishing fleet, although the Government of India was not interested in funding this activity until the tsunami in 2001.

Chinese aquaculture presents a new challenge

In 1986, the Investment Centre was involved with the World Bank projects in China, a world leader in aquaculture (Guangdong, Hebei, Jiangxi and Shandong) that focused on incremental benefits from aquaculture technologies. At the time, rural China was undergoing economic reform that caused a move towards alternative agriculture enterprises and was encouraging intensified agriculture. After years of working with the collectives system, farmers and extension workers did not have a good understanding of the available enterprise choices.

An important role of the Investment Centre became to assess the economic potential of the numerous proposed fisheries interventions and to build the capacity of national staff to undertake these types of assessments.

In 1995, the Investment Centre also assisted in the preparation of the Assam Rural Infrastructure and Agricultural Services Project in India, utilizing many of the experiences from Bangladesh and including investments in pond-based aquaculture. The results were again outstanding, with fish production exceeding design expectations by more than 0.8 tonnes per hectare. The results of the Assam experience were presented by the Investment Centre to World Bank staff in Delhi in 2000, highlighting the potential advantages of integrating aquaculture practices in the rehabilitation of small irrigation reservoirs. Subsequently, the Centre was involved in the integration of fisheries components in irrigation projects for Andhra Pradesh, Assam, Karnataka, Madhya Pradesh and Uttar Pradesh. Following Investment Centre design recommendations, the World Bank also used this model of integration in Orissa and Tamil Nadu.

From the mid-2000s, looking to make a genuine difference in the lives of inland farmer groups among the poorest communities in the Indian subcontinent, Investment Centre interventions primarily concentrated on three important areas: capacity building, innovative technology and environmental sustainability.

There was also a move towards improving seed production capacity, best farming practices, pond fertilization strategies, feeding procedures, water quality management and improved market accessibility. The results were outstanding. For example, in Madhya Pradesh, the estimated fish production increased by 539 percent and the average production of fish ponds increased from 1.5 to 4 tonnes per hectare, while fish prices rose from about US$ 0.60 to US$ 1.30 per kilogram. Similarly, Tamil Nadu saw its productivity of irrigation tanks increase from 25 to 100 kilograms per hectare.

The value of fish production in the project also rose to US$ 12 million, significantly more than was originally targeted.

Innovative technology drives fishery projects

Since 2010, Investment Centre projects have focused on innovative technology, with a greater emphasis on environmental sustainability and a view to enhance resilience against climate change. Technologies now being introduced include pure line development of high yielding and resilient fish varieties such as genetically improved farmed tilapia and pangas, fish cage and pen culture in open waters and species-based fish feed development, using locally available ingredients.

To date, fisheries remain a smaller but essential component of community reservoir development programmes in India, designed with the full engagement of local institutional systems and state departmental services.
Chapter 3

The years of transformative change: 1990s

Global political and economic shifts
Number of projects & total investment per sector (1990-1999)

Total number of projects: 368
Amount of investment (US$ billion): 25.97

Top 5 sectors: (% of total projects approved)
- 42% Rural Development
- 16% Irrigation, Drainage & Water Management
- 8% Research, Extensions & Education
- 7% Forestry/Crop Production
- 5% Fisheries

Top 5 partners: (% of total investment mobilized)
- World Bank 82% 50%
- IFAD 9% 24%
- AfDB 5% 12%
- ADB 7% 27%
- EBRD 1% 2%

Professional staff: from 95 in 1990 → 68 in 1999
Number of projects & total investment per region (1990-1999)

Total number of projects
- Sub-Saharan Africa: 70 projects
- Asia & the Pacific: 374 projects
- Latin America & the Caribbean: 160 projects
- Europe & Central Asia: 36 projects
- Near East & North Africa: 36 projects
- Total: 574 projects

Amount of investment (US$ billion)
- Sub-Saharan Africa: $8.30 billion
- Asia & the Pacific: $26.42 billion
- Latin America & the Caribbean: $3.86 billion
- Europe & Central Asia: $1.59 billion
- Near East & North Africa: $4.07 billion
- Total: $37.23 billion

Top countries (1990-1999)

Total number of projects
- China: 135 projects
- Brazil: 8 projects
- India: 8 projects
- Ghana: 8 projects
- Morocco: 8 projects
- Mozambique: 8 projects
- Uganda: 8 projects
- Burkina Faso: 8 projects
- Egypt: 8 projects
- Malawi: 8 projects
- Mauritania: 8 projects
- Mexico: 8 projects
- Niger: 8 projects
- Total: 135 projects

Amount of investment (US$ billion)
- China: $4.11 billion
- Brazil: $1.57 billion
- India: $1.55 billion
- Ghana: $0.15 billion
- Morocco: $0.15 billion
- Mozambique: $0.35 billion
- Uganda: $0.21 billion
- Burkina Faso: $0.16 billion
- Egypt: $0.10 billion
- Malawi: $0.11 billion
- Mauritania: $0.11 billion
- Mexico: $0.11 billion
- Niger: $0.11 billion
- Total: $6.78 billion
The geopolitical landscape of the 1990s: social activism and capitalist boom

The dissolution of the Soviet Union led to a realignment and reconsolidation of political power across the world. New conflicts emerged in the Gulf, Caucasus, Africa and the Balkans, the latter two leading to the Rwandan and Bosnian genocides. Throughout the decade, ethnic violence erupted in what was then the former Yugoslav Republic of Macedonia.

It was an era of spreading capitalism as high-income countries experienced steady economic growth for much of the decade while newly independent states of the former Soviet Union saw Gross Domestic Product decreasing as their economies were restructuring and opening up to the private sector. Market reforms also made great changes to the economies of socialist countries like China and Vietnam.

Politically, the thawing of the decades-long Cold War brought about an easing in the west of the pressure to fund development in countries that were earlier considered important to support for political reasons. The end of the Cold War and the resulting disappearance of an alternative to capitalism also brought hostility and widespread anti-globalization activism. The widespread proliferation of new media such as the Internet, satellites and media channels began to revolutionize communications. As the 1990s drew to an end, mass mobilizations focused on environmental concerns, and wealth inequality became a prominent part of social and political action, signifying an increased connection to issues that had been troubling developing countries and a focus of Investment Centre efforts for some time.

FAO restructures and launches new initiatives

The Investment Centre started the decade facing pressures to cut costs. This was due to recommendations from an internal audit in 1988, at the request of the FAO Director-General Edouard Saouma. In 1996, FAO embarked on an extensive restructuring process aiming to improve the effectiveness of its programme delivery, partly through decentralization and administrative budget reductions. This involved the decentralization of headquarters officers, including a small number of Investment Centre officers being outposted to FAO’s Regional and Subregional Offices and to the Regional Unit for Technical Assistance in San José, Costa Rica. Outposted officers retained the same funding arrangements as their peers at headquarters, with about 40 percent of their time funded through the FAO Regular Programme and 60 percent billed to international financing institution (IFI) partners. While this first wave of decentralization was an opportunity to experiment with bringing some Investment Centre presence closer to selected regions, the Centre continued to operate – as it did before – through its critical mass of interdisciplinary staff at headquarters.

The years of transformative change: 1990s

Outposted officers retained the same funding arrangements as their peers at headquarters, with about 40 percent of their time funded through the FAO Regular Programme and 60 percent billed to IFI partners.

Global events that affected the Investment Centre during the decade

- **World Trade Organization, 1994**: Deals with the global rules of trade between nations.
- **The Conference on Women, Beijing, 1995**: Culminated in the Beijing Declaration and the Platform for Action, adopted by 189 countries, which set strategic objectives and actions for the advancement of women.
- **World Food Summit, Rome, 1996**: A multyear programme initiated by UN Secretary-General Kofi Annan.
- **UN Conference on Environment and Development, 1992**: Culminated in the signing of the Convention on Biological Diversity, giving greater emphasis to sustainable development and environmental protection.
- **The Poverty Reduction Strategy Initiative, 1999**: Helped coordinate efforts to reduce carbon emissions in the atmosphere. From 1995, UNFCCC held annual summits on climate change, leading to the adoption of the Kyoto Protocol in 1997.
- **Deals with the global rules of trade between nations.**
- **Multilateral negotiations.**

The 1990s was a time of challenge and transformation in the way the Investment Centre conducted its work. While it was a decade of financial growth for wealthy countries and the emergence of new donors such as the European Union, the share of global development assistance to agriculture fell sharply from US$ 9.48 billion in 1988 to US$ 4.6 billion in 2000. This led to changes in the scope of the work of the Investment Centre’s longstanding partners and, at the same time, a decrease in demand for Centre services.
During the same period, the Investment Centre recruitment processes became part of FAO procedures, thus subject to a series of standard FAO staff selection steps and geographic distribution requirements, which limited the capacity the Investment Centre had previously to quickly respond to emerging staffing demands through fast recruitment actions. Moreover, some positions were cut and others downgraded, while all DI non-managerial posts were lost, also leading to heavier reliance on consultants for the delivery of work. Investment Centre staffing levels fell from the highs of the 1980s to new lows, plunging from 95 Professional and 94 General Service (GS) staff in 1989 to 66 Professional and 55 GS staff in 1997.

Following the election of Jacques Diouf as Director-General in 1994, FAO developed a major new flagship programme, the Special Programme for Food Security (SPFS), to increase food availability for small-scale farmers, reduce malnutrition and generate rural employment and income in Low-Income Food-Security, supporting their policy and analytical work in the Programme’s expansion phase, supporting their policy and analytical work with the aim of leveraging investment.

Collaboration with partners evolves as new partners emerge

The end of this decade also saw a scaling-back of cooperation with the African and the Asian Development Banks (AfDB and ADB, respectively), some of the Investment Centre’s earliest regional partners. This was partly due to a decrease in their lending to the agriculture sector – and hence a reduced demand for Investment Centre services – and partly due to changes in their internal administrative and budgetary structure, posing some obstacles to partnering with UN organizations, such as FAO. In the case of ADB there were additional issues of incompatibility of corporate processes for competitive bidding for contracts. As a result of these constraints, the share of Investment Centre-supported projects funded by the two regional banks (compared with total Investment Centre-supported projects) fell from 22 percent in the 1980s to 14 percent in the 1990s.

Nevertheless, the mid-1990s saw some important activity with the ADB through a grant programme to support Investment Centre-led project preparation work in Southeast Asia. During this period, the Centre collaborated with the World Bank, ADB and the International Fund for Agricultural Development (IFAD) on major projects in Asia, most notably in China, where increased operations were witnessed during the period, and in Viet Nam. For more details on these, see box on p.83.

The Investment Centre worked with other FAO divisions on the Special Programme for Food Security, supporting their policy and analytical work with the aim of leveraging investment.
World Bank lending procedures changed in the 1990s from project-specific interventions towards a broader programmatic approach to investment, with greater focus on country assistance strategies and more dependence on its own teams of World Bank staff who had gained increased agriculture knowledge and expertise.

By the early 1990s, project identification work – where the Investment Centre had a major input in the past – had disappeared from the project design process. Also, with the World Bank’s new corporate safeguard requirements (social and environmental), project preparation had become more complex, needing practitioners who were fully familiar with the various quality standards embedded in the World Bank preparation and appraisal processes. Although the Investment Centre responded by recruiting suitably qualified practitioners, it was unable to meet the high demand for social and environmental assessments, which were increasingly outsourced elsewhere.

As a result of these trends, the CP went through a transformation: the Investment Centre’s work with the World Bank changed from a situation in which Investment Centre teams took the lead in managing the complete project preparation package and having strong influence on its content, to one in which individual staff members and consultants took part in World Bank-led missions, a situation that would continue for years to come.

Although some Investment Centre-led preparation work did continue, the increase in piecemeal contributions led to a less evident FAO Investment Centre quality stamp on substantial stand-alone contributions. The identifiable blue-cover Investment Centre project preparation reports were replaced by the various IFI partners’ formats to meet their individual reporting needs.

Quality control procedures also changed considerably, as report writing was increasingly carried out in the field, together with members of local project formulation teams.

With these changes, the Investment Centre was facing a large hurdle: how to continue to deliver the quantity and quality of work that had made it an integral part of agricultural development efforts for 30 years. As on previous occasions, the hurdles were overcome with flexibility, adaptability and the diversification and expansion of partnerships.

Cooperation with IFAD continues to grow
Cooperation with IFAD during the 1990s differed substantially from that of the other partner IFIs. Throughout the 1990s and in the early 2000s, IFAD continued to entrust the Investment Centre with important substantive tasks, from general identification missions through all steps of the design of projects.
The interdisciplinary missions continued to be led, composed and fielded mainly by Investment Centre staff members complemented by a few consultants. A quarter of all projects supported by the Investment Centre throughout the 1990s were funded by IFAD. With US$ 2.29 billion mobilized through 90 projects during the decade, IFAD had become the Investment Centre’s second most important partner after the World Bank.

Each international team worked closely with a local team and there was heavy emphasis on using the project design process to enhance the capacity of the local counterparts, and – in particular – of line agency officers who would be responsible for project implementation. The Socio-Economic and Production Systems Studies (SEPSS) approach was frequently and successfully employed in IFAD projects and served as a tool for mainstreaming bottom-up and participatory approaches in IFAD projects. To learn more about SEPSS, see box on p. 62.

As FAO Director-General Jacques Diouf said in 1997 at an occasion marking IFAD’s 20th anniversary: “Within the field of food and agriculture, the accumulated storehouse of knowledge, expertise and experience of FAO has been made available to the Fund. This support has principally been achieved through the joint work with IFAD and the FAO Investment Centre Division, with the full support of the major technical divisions of the Organization. During the last twenty years... 44 percent of IFAD-approved investments have been prepared through this productive arrangement”.

A new partner: the European Bank for Reconstruction and Development (EBRD)

In April 1991, a new institution appeared on the development scene, which was later to become a major partner of the Investment Centre: EBRD was created to help countries from the ex-Soviet bloc to transition towards democratic rule and market economies. Collaboration between the Investment Centre and EBRD started almost immediately after EBRD’s establishment and a first Memorandum of Understanding (MoU) was signed in March 1994, formalizing the partnership.

As with IFAD, EBRD investment portfolio in the agricultural sector rapidly evolved. In 1997, EBRD began to focus exclusively on private agribusiness financing, with a focus on developing the producer end of food chains through improved corporate governance and market transparency. The Investment Centre adapted to this evolution of the EBRD investment portfolio. With the new emphasis on private sector investment, FAO/EBRD cooperation broke new ground in the Investment Centre’s activities. To read more about the Centre’s work with EBRD, see section on p.113-115.

A partnership matures: the World Food Programme (WFP)

The Investment Centre’s technical collaboration with WFP had begun with an MoU in 1986, but intensified from 1994 when the Centre became the host of the FAO-WFP Liaison Unit. During more than a decade, the Investment Centre supported WFP in its formulation, appraisal and evaluation of development-focused initiatives, mostly country strategies and programmes for post-emergency rehabilitation and rural development. In the context of FAO’s SPFS implementation, the Investment Centre also assisted WFP in programming new initiatives to mitigate the impact of HIV/AIDS on food security and rural poverty and to introduce rural food banks.

The partnership with the Global Environment Facility (GEF) blooms as the Investment Centre sharpens its focus on environmental concerns

From the mid-1990s, falling productivity in many countries, especially among poor and marginal farming communities living in drylands and hilly areas, prompted the search for sustainable cultivation systems. IFIs and national governments stepped up efforts to better manage lands and watersheds and find solutions to the emerging problems. Environmental assessment was integrated in the project design stage, much of which could be attributed to the new partnership with the GEF.

The GEF had been established as a pilot programme in the World Bank in 1991. Its aim was to create partnerships to address global environmental issues and provide funds to support activities related to biodiversity, climate change, international waters, land degradation and chemicals and waste in the context of development projects and programmes. Shortly after its establishment, the GEF and FAO began collaborating, as GEF’s mission – to promote environmentally sustainable development and to protect the world’s environment – was also becoming a key component of FAO’s development work. To learn more about the Centre’s engagement with environmental concerns, see feature: Environmental management. p.124-125.

For years to come, the number of Investment Centre projects would increase substantially through FAO’s growing cooperation with EBRD and the GEF.
The GEF was to provide grants and concessional funding to cover the costs associated with transforming a national project into one with global environmental benefits. From 1992, the Investment Centre started assisting the World Bank in the development, implementation and management of GEF projects, including a series of projects in Brazil that addressed biodiversity protection, climate change and land degradation while strengthening local communities and relationships with agencies devoted to environmental protection. For more information on these types of projects in Brazil and elsewhere, see feature: "Innovative land management and soil fertility approaches," p.126-127.

Following the Rio Earth Summit in 1992, the GEF became a stand-alone institution. The complexity of the GEF programme and the project cycle support requirements demanded the focused efforts of a specialized unit within FAO. Two years after the Rio Earth Summit the Investment Centre became the host of the GEF Unit in FAO, capitalizing on its technical and country expertise, its project preparation skills and its access to complementary investment opportunities. By 2000 FAO had officially become one of the agencies responsible for developing GEF proposals and managing its projects.

**Changes in the Investment Centre portfolio**

In the 1990s, the Investment Centre contributed to the design of a smaller number of projects compared with the 1980s (374, down from 438) but mobilizing a larger total investment value (US$ 26.41 billion, up from US$ 23.1 billion), reflecting a trend of growing average project size. The share of rural development projects rose impressively from 24 percent of all Investment Centre-supported projects in the 1980s to 43 percent in the 1990s, translating into nearly the same level of investment value as the projects supported in the irrigation, drainage and water management sector (US$ 9.35 billion).

The shift from sector-specific projects towards integrated rural development approaches was also evident in the fact that projects in fisheries, crops and livestock fell by half compared with the 1980s. Work grew in the areas of research and extension, rural finance and micro-enterprises, and agro-industries. Sub-Saharan Africa had the highest number of Investment Centre-supported projects, although – as in previous decades – Asia and the Pacific region recorded the highest value of investment mobilized, followed closely by Latin America and the Caribbean.
with Brazil being the largest country client. About 14 percent of all Investment Centre projects in the 1990s supported investments in three major fast-growing economies: Brazil, China and India. Meanwhile, the portfolio in Eastern Europe and Central Asia almost doubled in response to the political developments.

The Investment Centre embraces and promotes new development approaches

The 1990s saw the Investment Centre embrace and disseminate a number of new development approaches. The thinking and action around agriculture and rural development had changed: integrated approaches had become standard while environmental sustainability issues were now an integral part of agriculture and rural development project design. In project formulation, the bottom-up and participatory approaches that had been steadily gaining ground during the 1980s became a necessary ingredient to making projects responsive to beneficiary needs. Social analysis, previously neglected in project formulation by most international development agencies, became standard practice, partly due to the Investment Centre’s pioneering methods and its role in their widespread incorporation across sectors and geographical regions. For more details, see feature: Bottom-up development and sustainable livelihoods approaches, p. 96-97.

Strengthening country investment formulation and implementation capacities remained at the forefront of the Investment Centre’s efforts. New guidance materials and supporting tools were produced while earlier guidelines were updated to respond to the emerging development agenda of the 1990s. A new edition of the Investment Centre publication Guidelines for the Design of Agricultural Investment Projects was released in April 1991 – as part of a series of 15 guidelines – and soon became the main tool used by Investment Centre staff and many partners on mission. To strengthen its capacity development efforts and to increase awareness of its activities, the Centre also launched a communication strategy in 1994 with newsletters, a Web site, brochures, technical papers and updated guidelines to be disseminated within the Centre, to the rest of FAO and among partners.

Community-driven development

Between 1994 and 2000, the Investment Centre became involved in preparing, appraising and supervising one of the first World Bank-funded community-driven development programmes, piloted through the CP in ten states of northeast Brazil, as an innovative approach for the Government of Brazil to reduce rural poverty through decentralized and participatory implementation mechanisms.

These programmes set out to respond to failures of earlier integrated rural development projects and proved worthy of wide-scale replication and upscaling in the years to come.

**Farmer Field Schools (FFS)**

In the 1990s, a new approach to disseminating good agricultural practices – the FFS – was developed by FAO, promoting a ground-breaking methodology for empowering farmers that was quite a shift from earlier top-down methodologies of broad-based extension advice delivered to farmers by government officials. In line with the evolving participatory development thinking of the time, the new approach prompted the notion that farmers could learn about improved agricultural practices through their own observations and experimentation, which could lead them to become “experts” themselves, for the benefit of training others in their communities.

Building on the successful experience of the FFS approaches to pest management on rice developed by FAO in Indonesia in the 1990s, the Investment Centre played an important role in spreading the approach, especially in Africa, by mobilizing local trainers who were experienced in the design of internationally funded projects and helping to build the in-country capacities for introducing the methodology. Very soon, IFAD became an excellent partner in this effort, while it took longer to convince other IFIs of the soundness of the approach. For more information, see feature: Upscaling Farmer Field Schools, p. 94-95.
Bridging emergencies with longer-term development

In the 1990s, FAO increased resources for emergency operations and thus strengthened its Emergency and Rehabilitation Division. Consequently, the Centre’s work began including evaluations, assessments and project preparation work in post-conflict and post-crisis situations. During the decade, the Centre led a number of extensive sector studies in countries emerging from conflict and other emergencies, including Angola, Eritrea and Haiti. The studies served as the basis for creating a pipeline of projects aimed at putting the agriculture sector of those countries back on its feet after periods of intense disruption.

After another drought in the Horn of Africa in the early 1990s, the Investment Centre led a team from across FAO technical divisions to conduct a needs assessment and propose investments to help reconstruct the agriculture sector. This paved the way for future Investment Centre involvement and a leadership role in the efforts to eliminate food insecurity in the Horn of Africa countries in the years to come. To read more about this future involvement, see p.119.

In Bosnia, after the Dayton Peace Agreement was signed in December 1995, an Investment Centre team was shipped out within a few weeks to help prepare an emergency forestry project to help reconstruction in the country and provide employment to demobilized soldiers. The Investment Centre became further engaged in emergency work through its support in Iraq.

Investment Centre’s contribution to rebuilding Iraq

Since the establishment of the Oil-for-Food Programme in 1995, FAO had a major involvement in Iraq, particularly in the northern part of the country. However, there was a strong feeling that the support did not lead to any medium- to long-term vision for the area. In response, FAO’s Emergency and Rehabilitation Division called upon the Investment Centre to prepare a three-year post-conflict plan for northern Iraq that would guide multidonor investments.

The work involved long and complex travel arrangements for the Investment Centre teams carrying out a needs assessment and formulating the components of the plan, which was completed just before the Second Gulf War broke out in 2003. In response to the second call for renewed support, the Centre found itself in a unique position to act quickly, building on its experience. In a very short time, a comprehensive programme was put together for the reconstruction and further development of Iraqi agriculture.

The work done by the Investment Centre was presented at the Madrid Conference on the Reconstruction of Iraq, held in October 2003, and was important for FAO’s continuing role in Iraq.

The Investment Centre enters the new millennium with core values intact

The 1990s was a challenging decade for the Investment Centre but its strengths and comparative advantage enabled it to thrive. It was responsive to client needs and continued to support countries in addressing all aspects of agricultural development and food security, whether through projects, programmes, policy advice or capacity development.

Despite reduced funding, the Centre maintained a critical mass of high-calibre staff. And despite a series of threats to its unique operating modalities, it managed to maintain relative independence, a crucial component of its success, and entered the new millennium with its core values intact.

Despite reduced funding, the Investment Centre maintained a critical mass of high-calibre staff and relative independence, a crucial component of its success. It entered the new millennium with its core values intact.

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Since then, FFS have spread throughout most countries in Africa and many countries in Latin America, involving millions of small-scale farmers, and often supported by Investment Centre-assisted projects.

In recent years, the FSS approach has become a critical part of environmental investment projects funded by the Global Environment Facility (GEF) and supported by the Centre’s GEF Unit. These include climate change adaptation projects that use the FSS approach to help smallholder farmers in Cambodia develop and apply adaptation strategies; an FAO-GEF project for sustainable cropland and forest management in priority agro-ecosystems in Myanmar (2013); and a regional GEF project in the Sahel to manage pesticide disposal and minimize exposure to hazardous pesticides by communities and the environment (2012). Additionally, FAO (under the GEF) recently started to introduce the Agropastoral Field Schools concept in West African countries (e.g. Burkina Faso, Niger) to integrate the needs of farmers and pastoralists in a holistic, ecosystem-wide manner.

Upscaling Farmer Field Schools

The Brown Plant Hopper, a leaf-sucking insect that can devastate rice crops, was behind FAO launching a revolutionary approach to farmer education, which the Investment Centre contributed to upscaling through projects financed by international financing institutions (IFIs). During the 1970s and 1980s, over-application of fertilizers and pesticides in Asia had devastated the Brown Plant Hopper’s natural predators. In the early 1980s, in part to combat this problem, FAO introduced the concept of Integrated Pest Management to small farmers, particularly rice farmers, in the Philippines.

However, project staff quickly realized that farmers took little heed of the top-down advice delivered by government officials through methodologies promoted at the time, such as extension and training and visits.

The farmers needed to become Integrated Pest Management “experts” themselves by learning about rice field ecology, the determinants of healthy crop growth and the effects of excessive spraying through their own observations and experimentation.

Farmers also needed to become trainers of other farmers to be able to spread good practices more effectively.

This led to the birth of Farmer Field Schools (FFS) in Indonesia in 1989. Groups of farmers would meet once a week in the field during the rice crop season to design and conduct small experiments, observe the health of the crop, compare notes and discuss pest management strategies. Under the FAO Inter-Country Programme for Integrated Pest Control in Rice in South and Southeast Asia, the Investment Centre began to assist the World Bank in developing a national-scale Integrated Pest Management project and to scale up current efforts in the field.

This collaborative work with the World Bank contributed to making Integrated Pest Management an integral part of many projects, as it is now a recognized mitigation strategy for environmental risk.

Building on the successful experience of the FFS-based approach to pest management on rice developed by FAO in the 1990s, FFS expanded to cover cotton, vegetables and maize. In the meantime, positive results in Asia prompted the idea of testing the same methodology on other continents. The Investment Centre introduced FFS in Kenya as part of its preparation for the country’s Special Programme for Food Security (SPFS) in 1996. It also worked with the International Fund for Agricultural Development (IFAD) in the early 1990s to obtain regional grants to help introduce FFS in Kenya, Tanzania and Uganda.

The IFAD pilot programme resulted in the building up of in-country capacities and the adoption by IFAD of the FFS methodology in projects, often with the support of the Investment Centre.

In the following years, the FFS approach was applied to a wide range of different issues affecting small-scale farmers (e.g. water management, soil conservation, animal health, agroforestry, food security, coping with HIV/AIDS).
Bottom-up development and sustainable livelihoods approaches

During its first 10 to 15 years, neither the Investment Centre nor most development institutions paid sufficient attention to the socio-economic and gender dimensions of the agricultural investment projects that they designed and supervised.

Project designers often assumed that farmers would automatically adopt agricultural innovations if the proposed investments promised an attractive financial return. It was only about a decade later, in 1983, that the first efforts were made to conduct in-depth consultations with intended beneficiaries, by engaging rural sociologists or anthropologists as consultants on Investment Centre missions to undertake surveys of farmers’ households.

Although this was a large step toward making project designs more responsive to beneficiary needs, sociological inputs came too late in the design process and the time available for surveys was too short (usually two weeks).

This was a cause of some frustration to sociologists who could, at best, only aspire to introduce marginal improvements into project design.

Beginning in the late 1980s, the Investment Centre decided to recruit a small number of rural sociologists as staff members, a move that helped the Centre become a pioneer in integrating socio-economic and gender considerations in the earlier stages of the project cycle. The new rural sociologists were successful in adding a participatory diagnostic phase to the project design process, allowing more time for field work and for team building with national actors. These new methods – although often described as “quick and dirty” – were designed to quickly produce sufficient results to form the basis for project design, rather than waiting months for results from household surveys. With these changes, sociological inputs became more timely, and began to make a significant contribution to projects, which better served women and poor smallholders.

As a further step in this development, during the period from 1988 to 2001, the Investment Centre promoted the integration of what came to be called the Socio-Economic and Production Systems Studies (SEPPSS) in the project cycle. The focus was not just on socio-economic or gender dimensions, but on their interface with crop and livestock production, natural resources management and non-farm activities. For more details on SEPPSS, see box on p. 62. The close collaboration between social scientists and technical specialists in agriculture contributed to technical designs that were better tailored to poorer smallholder farmers. The face-to-face dialogue with farmers during the participatory diagnostic work helped to build commitment among local implementing agencies to the objectives of the intended target group.

International financing institution (IFI) support for socio-economic studies began to taper off towards the late 1990s, as emphasis began to shift away from specific (blueprint-style) agricultural investment projects in favour of community-driven development agricultural sector investment programmes. This evolution brought the Centre to shift to promoting livelihoods diagnostic studies, in which fieldwork was undertaken jointly with the smallholder women and men that the project intended to target, as a basis for defining the menu of interventions and the farmer organizations that the project would promote.

The Investment Centre learned – through experience gathered during the 1990s – that it is more effective to target poverty and gender in agricultural investment projects when a bottom-up approach is used, the local government and agencies support it and information is shared among all stakeholders.

Starting from the late 1990s, the sustainable livelihoods approach started gaining ground in FAO. This approach forced the Centre to look more at opportunities and priorities and less at problems, acknowledging the multiple strategies poor people employ to improve their livelihoods in an environment with many actors and a context of vulnerability to risks/shocks.

Important for the Investment Centre was a growing recognition that smallholder households derive income from multiple sources (e.g. crops, livestock, forestry, fishing, off-farm labour, home industry remittances) in their struggle to withstand external shocks, and to increase their resilience. There was also a new emphasis on examining how the socio-political and physical environment affects the ability of people from different socio-economic strata to own or control essential assets (land, water) and services (education, health, microfinance). Intra-household aspects like gender relations and control of household income also became important in understanding how rural investments can translate into improved, equitable livelihood outcomes.

Investment Centre sociologists played a major role in preparing the background documents and synthesis report for the interagency conference on sustainable livelihoods approaches held in Pontignano, Italy, in March 2000. In the wake of this conference, FAO launched the Livelihood Support Project – financed by the UK Department for International Development (DFID) – which was implemented through FAO interdepartmental collaboration for about six years. The Centre led the subprogramme on mainstreaming livelihoods approaches in the FAO field programme, which also contributed to mainstreaming livelihoods approaches into FAO emergency interventions, promoting increased attention to sustainability issues, resilience and livelihood recovery. The Centre’s recent work on livelihoods resilience and adaptation to climate change is a natural outgrowth of this early Livelihood Support Project-funded work.

Since the mid-2000s, the field of applied rural sociology, including participatory rural appraisal approaches, livelihoods, participation and community-driven development, has been developing quickly. It soon became necessary to update the original Investment Centre Guidelines to Sociological Analysis in Agricultural Investment Project Design (1992), to keep up with fast changing trends.

In 2000, the Investment Centre published a series of three Guides on “Social analysis for agriculture and rural investment projects” to enable planners and practitioners to systematically put the human dimensions at the centre of development interventions. For more details on these Guides, see box on p.112.
Chapter 4

The years of adaptation and alignment: 2000 to present

Aid effectiveness and the Millennium Development Goals
The global context

The new millennium saw the launch of the UN Millennium Development Goals (MDGs), a result of the largest-ever gathering of world leaders in September 2000. They agreed to a set of time-bound and measurable goals for combating poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women, among others, to be achieved by 2015. FAO’s and the Investment Centre’s work during the first 15 years of the millennium has been guided by MDG 1: Eradicate extreme poverty and hunger.

The Investment Centre’s journey during the decade and a half has been linked to this goal and to four high-level forums concerned with improving aid and development effectiveness.

The first two high-level forums produced the Rome Declaration (2002) and the Paris Declaration (2005). The Rome Declaration outlined the principles of aid effectiveness, including time and country focus. The Paris Declaration identified fundamental principles for aid: ownership, alignment, harmonization, results and mutual accountability. The Declarations were followed by the Accra Agenda for Action (2008), which set the pace for accelerated advancement towards the Paris targets, adding inclusive partnerships and capacity development to the core principles. In 2011, the Busan Partnership for Effective Development Cooperation identified concrete “building blocks” for practical and action-oriented platforms for global dialogue, with a shift from aid to development effectiveness, which emphasizes country leadership.

Four high-level forums indicated a desire for real change in achieving development. These coincided with tangible commitments to ending poverty and food insecurity. This heightened determination to address rural poverty and increase investment in agriculture was much needed in a time that was marked by destabilizing natural disasters.

FAO’s strategic changes redirect the focus of the Investment Centre

Areas of greater focus for the Investment Centre

It was also during this period that an overarching process of reform for FAO began with a comprehensive Independent External Evaluation in 2007. The evaluation noted the high quality of Investment Centre professionals and their role in directly supporting developing countries’ investment needs. It also noted that most developing countries perceived the role of the Investment Centre as more neutral and focused on their national interests than that of the international financing institutions (IFIs). Since then, a process of restructuring and the development of a strategic framework have shaped the Organization’s work, by focusing on results, “working together as one FAO”.

In line with the evaluation’s recommendations and with FAO’s new strategic direction, the Investment Centre increased its efforts to engage FAO technical divisions more strategically in its work and to improve alignment between FAO and IFI donors on country-specific priorities.

The Centre continued its involvement in “upstream work” – particularly on sector and subsector studies and analytical work preceding the design and implementation of investment plans for food security, agriculture and rural development. Meanwhile, it stepped up its support to capacity development for investment, through on-the-job and formal training, the development of guidance and learning materials for improved agricultural investment planning and comprehensive capacity-strengthening support in selected countries. At the same time, the Centre continued its “downstream work” designing, supporting and evaluating projects and programmes.

The Investment Centre was noted for the high quality of its professionals and its role in directly supporting developing countries’ investment needs.
Upstream Work from 2010 to 2014

The Investment Centre has engaged in 312 upstream initiatives:

- **40%** were led by the Centre (sector studies, investment plans)
- **30%** were contributions by the Centre to IFIs, FAO and UN reports
- **30%** were other contributions by the Centre (presentations, videos, Web sites)

Implementation Support from 2000 to 2014

- The Centre has led or contributed to implementation support and project completion reports for 862 projects in over 80 countries.

### Factsheet

**Investment Centre results**

| Total number of projects approved | 880 |
| Top 5 sectors: (percentage of total projects approved) |  |
| Rural Development | 30% |
| Irrigation, Drainage & Water Management | 14% |
| Agricultural Sector Investment Programme | 13% |
| Environment & Natural Resources Management | 7% |
| Food Security | 7% |
| Total investment mobilized | US$ 48.65 billion |

**Top 5 partners:**

| % of total investment mobilized | % of all Centre-supported projects | Amount of investment mobilized |
| WorldBank | 76% | 45% | US$ 36.96 billion |
| IFAD | 13% | 17% | US$ 5.87 billion |
| AfDB | 2% | 4% | US$ 0.96 billion |
| EBRD | 2% | 3% | US$ 1.04 billion |
| GEF | 1% | 5% | US$ 0.56 billion |

**Staffing:**

- **Professionals in 2000:** 69
- **Professionals in 2014:** 91

Capacity Development

The Investment Centre has produced, updated and disseminated 50 guidance materials.
The Investment Centre focuses on emerging critical areas of work. During this decade and a half, it has been expanding its expertise to address emerging needs and trends in support of investment in rural areas. This work has largely benefited from long-term collaborative arrangements with FAO technical departments.

Sector-Wide Approaches (SWAps)

In the late 1990s and the decade of 2000-2010, the Investment Centre supported the implementation of SWAps in several African countries. This approach is in line with the Paris Declaration on Aid Effectiveness and was intended to replace projects with fewer broader programmes co-financed by the government and donors through budget support and basket-funding instruments. The Investment Centre contributed to upstream work (sector and subsector studies and strategic planning) and to the actual formulation of Sector-Wide Agricultural Programmes (SWAPs), while also providing support to their implementation. Salient examples include Mozambique’s national programme for agricultural development, the Plan for Modernization of Agriculture in Uganda, including its National Agricultural Advisory Services programme, and the Agriculture Sector Development Programme in the United Republic of Tanzania. The Centre, with the support of several FAO technical divisions, took a leadership role in the formulation of these SWAPs, and some of their major components.

At that time, the Centre became the FAO focal point for the implementation of the Accra Agenda for Action (2008) and the Busan Partnership for Effective Development Cooperation (2011), mostly because of its engagement in SWAps.

Environment and climate change

Climate change is having far-reaching adverse effects on natural resources, agricultural systems, food security and rural livelihoods. Recognizing this fact, the international community, national governments and civil society have been making efforts to address climate change issues in agricultural strategies and investment activities. The Investment Centre had contributed to promoting better land husbandry, sustainable land and water management and conservation agriculture (based on reduced/zero-tillage practices) long before these approaches were classified as “climate-smart agriculture” – defined by FAO as agriculture which sustainably increases productivity and resilience (adaptation), reduces/removes greenhouse gases (mitigation) and enhances the achievement of national food security and development goals.
The Investment Centre’s engagement in climate-smart agriculture increased through close collaboration with FAO’s Climate, Energy and Tenure Division and the World Bank, culminating in the joint development of guidelines on incorporating climate change considerations in agricultural investment, and a related e-learning course. FAO is also working with the World Bank–United Nations collaborative initiative on Reducing Emissions from Deforestation and Forest Degradation (REDD).

Additionally, the Centre worked with FAO technical divisions to develop the Ex-Ante Carbon-balance Tool (EX-ACT). EX-ACT is a land-based appraisal tool that provides ex-ante estimates of the impact of agriculture and forestry investment projects, programmes and policies on the carbon balance. The tool helps project designers to estimate and prioritize project activities that have high benefits in terms of economics and climate change mitigation.

Climate change considerations are critical when developing higher-level planning processes, such as National Agricultural Investment Plans (NAIPs). The Investment Centre has partnered with FAO’s Economic and Social Development Department to develop screening guidance on how to identify potential climate-smart investment opportunities in NAIPs.

Land tenure and administration

As part of the growing attention to land tenure issues, the Investment Centre and the World Bank have been collaborating with national governments in Africa, Central Asia, Eastern Europe and Latin America to support reforms in land administration systems. Although these regions have different political backgrounds and trends, they share a similar challenge when it comes to tenure administration: the need to develop a transparent, efficient and decentralized system that secures individual and collective land rights for men and women.

In early 2000 the Investment Centre entered into a longstanding collaboration with the FAO Land Tenure Team to provide specialized technical support to different national institutions and civil society organizations. Through the Cooperative Programme (CP), the Investment Centre has been funding two dedicated staff positions within the FAO Land Tenure Team, to provide expertise in response to country demand. For examples of the CP’s successful collaboration in land tenure work, see box on p. 107.

The collaboration also contributed to the development of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security, which represent an unprecedented global agreement on best practices in this area.

The Centre worked with FAO technical divisions to develop the Ex-Ante Carbon-balance Tool, a land-based appraisal tool that provides ex-ante estimates of the impact of agriculture and forestry investment projects on the carbon balance.

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Engagement with the private sector, microfinance and value chain development

As indicated in FAO’s *State of Food and Agriculture 2012: Investing in Agriculture*, farmers themselves are, by far, the largest investors in agriculture, totaling more than three times the foreign direct investment, Official Development Assistance and government investment in agriculture combined. Of the 570 million farms in the world, 500 million are family farms whose investment potential is limited by governance constraints, inappropriate legal frameworks, unpredictable markets and limited access to essential public goods, finance and other inputs.

The Investment Centre has been working to strengthen small family farmers’ investment potential for decades. In recent years it has made more concerted efforts to engage with its partners in promoting private investment, including through building a better enabling environment that includes conducive legal, policy and institutional frameworks as well as supportive infrastructure and services for small-scale farmers.

The Centre has also made efforts to promote increased corporate private sector investment in agribusiness, through targeted studies and involvement in the development of government policies that create a favourable private investment climate. The strengthened partnership with the European Bank for Reconstruction and Development (EBRD) and the nascent collaboration with the International Finance Corporation (IFC) contribute to achieving these aims. For more information, see section: *Expanding and evolving partnerships*, p. 113-116.

Rural finance is an important sector for boosting farmers’ investment potential. The early 2000s witnessed a rising demand for the design of microfinance projects. The Investment Centre began to incorporate new approaches and best practices, as project design began to emphasize both outreach and sustainability of institutions, with a concentration on rural areas and rural microfinance. Most microfinance focused on the services sector, with little attention to agriculture, which was considered too risky due to its low profit levels.

Since the mid-2000s, the Centre has engaged increasingly in the development of value chains as an emerging approach to generate economic growth and reduce poverty in rural areas, through linking small producers effectively to domestic and international markets. A large proportion of the Centre’s work with the International Fund for Agricultural Development (IFAD), the World Bank and EBRD in the past decade has been dedicated to including smallholders in value chains that offer them opportunities as producers, non-farm entrepreneurs and wage workers, supporting them to capture a larger share of the value added along the chain.

Nutrition

In recent years, the Investment Centre and FAO’s Nutrition Division have increasingly collaborated to meet the growing demand for agricultural investments to become more nutrition-sensitive. Global initiatives to reduce malnutrition, such as the Scaling Up Nutrition (SUN) movement (since 2010), have guided and coordinated these efforts at country level. The Centre has been active in developing tools to promote and design nutrition-sensitive investments under the SUN community of practice.

In 2012, FAO – in consultation with a wide variety of stakeholders – developed a set of ten “Key Recommendations for Improving Nutrition through Agriculture”. These are now used widely to define nutrition-sensitive agriculture. The Investment Centre and the Nutrition Division subsequently developed a guidance tool – *Enhancing the Nutritional Impact of Agriculture Investment Programmes: Checklist and Guidance for Programme Formulation* – which is widely applied in the context of the Comprehensive Africa Agriculture Development Programme (CAADP).

The tool includes key questions, tips and references that can assist programme design missions to:

- Identify the information required on nutrition-sensitive agriculture to be included in programme design
- Define relevant objectives, target groups, interventions and implementation modalities
- Review an already designed programme with a “nutrition lens”
Gender

A careful consideration of gender aspects has long been recognized by the Investment Centre as being essential in raising the quality of agriculture and rural development investments. The Centre intensified its efforts to mainstream gender considerations in all of its outputs, through a series of actions starting in 2008:
- Awareness raising and regular training to develop staff capacities to address gender dimensions in their work, with all partners and throughout the project cycle
- Support offered by dedicated focal points to peer-reviewing reports for gender inclusion
- Biannual reviews conducted to assess the extent/progress of gender inclusion in the Centre’s main outputs, compared with a baseline set in 2008

The biannual reviews provide ratings of gender inclusion, highlight constraints and opportunities and present best practices and recommendations for improving performance. The results of the reviews bear testimony to a steady improvement in gender mainstreaming in the work carried out by the Investment Centre.

Capacity development

Capacity development has always been part of the Investment Centre’s mandate. Solid agricultural investment planning, implementation and evaluation are central to any country’s ambition to achieve sustainable agricultural growth in pursuit of national development objectives. FAO’s commitment to capacity development for investment was made explicit in the 2010-19 Strategic Framework, targeting government staff with planning responsibilities, their advisors and national consultants, as well as national leaders of producer organizations, who are important partners in defining investment priorities. Investment Centre activities include training and mentoring of national counterparts in investment cycle management; promotion of peer learning; the development, application and dissemination of guidance and learning materials; and comprehensive capacity development support in selected countries to enhance quality and inclusiveness of investment planning. The Investment Centre has embraced innovative approaches, not least in its e-learning courses on the RuralInvest methodology and the Social Analysis Guides. To read more about these, see box on p.112.
Expanding and evolving partnerships

During this period, partnerships became stronger and more strategic with the Global Environment Facility (GEF), EBRD and IFAD, while a new partnership was established with the International Finance Corporation (IFC).

The Global Environment Facility (GEF)

The value of the FAO-GEF project portfolio witnessed a sharp increase, from one project of US$ 3 million in 2007 to over 100 projects, with a grant value of over US$ 400 million in 2014. This came after FAO obtained full access to GEF resources in all focal areas in December 2006. The Investment Centre’s role in linking FAO’s technical capacity to solid environmental investment design has been key to this growth. As a consequence the Centre’s partnership with GEF – as the FAO-GEF Liaison Unit – has grown dramatically in size and significance, keeping with the importance of environmental concerns in the Centre’s work.

The European Bank for Reconstruction and Development (EBRD)

The partnership with EBRD developed at a fast pace after the cooperative agreement was signed in 1997. The collaboration with EBRD now covers five main areas of work, which are fully articulated in FAO’s Strategic Objective to support more inclusive and efficient agrifood systems. It is now by far the most active window of interaction between FAO and private investors in agrifood systems, and is expected to grow further with the recent extension of the FAO-EBRD Framework Agreement and with EBRD having expanded its investment portfolio to additional countries in the southern and eastern Mediterranean.

By its mandate, the EBRD lends only to private players in the agriculture sector, which is reflected in the types of services and expertise that the Investment Centre provides:

- sector reviews and policy discussions on agricultural investment-related issues through the establishment of public-private policy platforms
- knowledge sharing between IFIs, private banks and agribusiness companies involved in agricultural investment in EBRD’s regions of operation
- assistance to the farming community in accessing working capital by establishing innovative financial instruments, such as grain warehouse and crop receipts
- value addition through the development of quality and origin-based labels, with an emphasis on improving producers’ incomes and meeting evolving consumer demands
- new approaches and technologies for improved resource efficiency along the food chain, in close collaboration with EBRD’s Energy Efficiency and Climate Change team

The collaboration with EBRD now covers five main areas of work, which are fully articulated in FAO’s Strategic Objective to support more inclusive and efficient agrifood systems. It is now by far the most active window of interaction between FAO and private investors in agrifood systems, and is expected to grow further.
Since 2002, the Investment Centre has worked with EBRD to create two public-private activity-oriented knowledge-sharing platforms. This collaboration grew from the recognition that, while IFIs often have complementary development agendas, the means for sharing lessons and replicable successful investment practices have been insufficient. The Centre supported the creation of the online knowledge-sharing networks EastAgri and MedAgri in 2002 and 2012, respectively. Managed by the Investment Centre, the platforms are used by institutions interested in agricultural and agribusiness investment (such as IFIs, development agencies, private banks) and operating in the regions served by EBRD.

International Fund for Agricultural Development (IFAD)
The Investment Centre continued its strong collaboration with IFAD in the formulation and implementation of projects – some based on highly innovative approaches – promoting poverty alleviation, youth employment, food security, rural development, land, water and natural resources management, microfinance, community-based development, capacity building of grassroots organizations, small-scale income-generating activities, women’s education and decentralization. The Centre also regularly contributed to the preparation of IFAD studies and quality enhancement reviews. Between 2000 and 2014, IFAD had approved 149 operations prepared with Investment Centre support, for a total value of more than US$ 5 billion. Most recently, in 2014, the Investment Centre established a closer collaboration with IFAD, focusing on supporting its “problem projects” in fragile states with significant mobilization of expertise from FAO technical divisions and decentralized offices.

UNLEASHING INVESTMENT THROUGH PUBLIC-PRIVATE POLICY DIALOGUE
In 2008, when Ukraine introduced grain export quotas, most private grain investors started to walk away from, or at least limit, their investment activities in the country. In response, FAO and the European Bank for Reconstruction and Development (EBRD) stepped in to encourage dialogue between the Government and private stakeholders to support the emergence of enabling agricultural policies. A very active and influential grain working group, established with FAO/EBRD assistance, was instrumental in improving transparency in the grain sector through enhanced information exchange. The work of the group resulted in the elimination of export bans, which generated additional grain sector investments in the magnitude of US$ 1 billion, including investments from EBRD valued at US$ 400 million in the form of working capital for farmers and support for the modernization of grain storage infrastructure and transportation. Another tangible outcome of this dialogue was Ukraine’s participation in the Agricultural Market Information System. FAO’s assistance was rated as very effective by EBRD’s independent evaluation team, and the know-how in facilitating policy-making is now being transferred to other countries and sectors, notably in the dairy and meat sectors in Serbia and the grain sector in Egypt.

Between 2000 and 2014, IFAD had approved 149 operations prepared with Investment Centre support, for a total value of more than US$ 5 billion.
In Mali, about 180,000 young rural people enter the labour market with extreme difficulties in identifying professional opportunities, while the agriculture sector, which could offer a potential source of employment, food security and economic growth, is still underdeveloped. To respond to this challenge, and in line with FAO’s commitments to promote rural youth employment, the Investment Centre recently (2012-2013) supported the International Fund for Agricultural Development (IFAD) with the design of the Vocational Training, Insertion and Rural Youth Entrepreneurship Project in Mali.

The US$ 52.1 million project aims to provide vocational training for 100,000 youth country wide and to create 15,000 rural enterprises over eight years through: (i) institutional capacity and vocational training support; and (ii) insertion of rural youth in economic initiatives. To guarantee ownership and sustainability, the implementation strategy is built on community-based institutions and facilities, involving locally elected officials, decentralized farmers’ organizations, rural youth entities and private sector stakeholders.

This initiative led to an interesting in-house partnership through collaboration with FAO’s Social Protection Division to address issues of rural employment and decent work.

International Finance Corporation (IFC)

In January 2013, FAO signed a Memorandum of Understanding (MoU) with IFC, the private sector arm of the World Bank Group, that provides loans and equity to private companies, mostly in the agroprocessing and retailing sectors as well as trade finance. The objective of this partnership is to contribute to promoting increased corporate private sector investment in agribusiness, through targeted initiatives that create a favourable private investment climate. The IFC is also managing the Private Sector Window of the Global Agriculture and Food Security Program (GAFSP).

To date, the Investment Centre has implemented a study with the IFC on the irrigation potential in four countries in Africa and is planning to undertake a study on the feasibility of introducing crop receipts in Africa.

Supporting Africa-led development

FAO, including the Investment Centre, has been supporting the design and implementation of the Comprehensive Africa Agriculture Development Programme (CAADP), the strategic agricultural framework of the African Union and the New Partnership for Africa’s Development (NEPAD). CAADP is an African-owned programme that strives to increase economic growth in Africa through agriculture-led development and agricultural reform.

The Investment Centre has contributed to the CAADP process during its methodological development, and by participating in the national and regional processes. In particular the Centre has been providing assistance with the preparation of the NAIPs; sharing knowledge through studies and reports; and facilitating donor coordination.

Over 30 countries have benefited from the Centre’s services, with support ranging from substantial inputs, to the formulation of NAIPs and related implementation projects or programmes, to timely formulation or quality enhancement support.

A key principle of the CAADP framework is its emphasis on African ownership, which calls for national capacity development. In addition to the support FAO provided to NAIP formulation across the region, the Investment Centre built capacities in five countries to achieve a CAADP process that was more inclusive of the variety of stakeholders and strengthened skills in results-based management, monitoring and evaluation and costing.

Emergencies and post-conflict work: supporting fragile states

Evaluations, assessments, programme strategy development and project preparation work in post-independence, post-conflict and post-crisis situations have been part of the Centre’s work since the early 1990s. The innovative feature of the Investment Centre’s collaboration with FAO’s Emergency and Rehabilitation Division and WFP in the 21st century has been the new focus on livelihood protection and recovery in emergency and post-crisis situations. It is critical that after major conflicts, disasters and transition, emergency relief is quickly followed by strategies and programmes for rebuilding local livelihoods and institutions and strengthening them to become more resilient in the face of future crises.

Post-conflict recovery

In the 21st century, the Investment Centre pursued its work to bridge emergency with recovery and development in several countries/regions emerging from armed conflict, such as in the Balkans, Afghanistan and the Sudan.

The Investment Centre has contributed to the CAADP process by participating in the national and regional processes, and by providing assistance with the preparation of the National Agriculture Investment Plans.

The years of adaptation and alignment: 2000 to present

Following its contributions with the World Bank to post-war recovery in Bosnia-Herzegovina and Croatia, the Investment Centre assisted in the reconstruction of the rural economy of Kosovo after the 1999 war. This was accomplished primarily through the development and supervision of a major rehabilitation programme financed by the World Bank and the European Union. The Centre helped to strengthen communities’ capacities to manage and sustain newly introduced assets, such as farm machinery and livestock.

After the political change in Afghanistan, an Investment Centre team participated in the first donor meeting that took place in Islamabad, Pakistan, in November 2001, where the Centre’s team presented proposals for key policy changes and strategic investments for Afghanistan. The Centre then went on to lead a multiagency needs assessment for Afghanistan in January 2002 and the preparation of a series of quick impact projects. Subsequently, a number of World Bank and Multidonor Trust Funds were given to FAO to implement projects and programmes.

The Centre’s work in the Sudan can be described as “pre-peace” efforts, as it began just after the turn of the 21st century, in anticipation of the comprehensive peace agreement that was signed in 2005, following 21 years of debilitating civil war. In partnership with the European Commission and the support of both the northern and southern authorities, major programmes (further implemented by FAO) were designed to restore basic productive capacities and information systems for food security.

Over 30 countries have benefited from the Centre’s services, with support ranging from substantial inputs, to the formulation of national investment plans and related implementation projects or programmes, to timely formulation or quality enhancement support.
Recovery from natural disasters

In the 21st century, the Investment Centre pursued its work to bridge emergency with recovery and development in countries/regions emerging from natural disasters, including in the Horn of Africa, Pakistan and Haiti.

Investment Centre staff also engaged in FAO emergency efforts in a number of other countries.

The drought crisis in the Horn of Africa began in the early 2000s and affected over 13 million people in five countries in the region: Djibouti, Ethiopia, Kenya, Somalia and Uganda. Recognizing that any solution must include massive investments in agriculture, FAO’s Director-General asked the Investment Centre to shoulder the responsibility for catalysing long-term and sustainable solutions to food insecurity in the region.

Over the following two years, the Centre took the lead in carrying out wide-ranging consultations with the governments of the region and managing the ten UN agencies involved. Teams led by the Centre visited each country, conducting a diagnosis of the problems and preparing a situation report covering issues, threats and investment opportunities. In 2002, the Centre also organized a conference, “Feeding the Cities in the Horn of Africa”, which brought together ministers, mayors and planners from the seven Horn of Africa countries.

In 2010 and 2011, a rapidly escalating famine caused by extreme drought and failure of harvests in the region prompted a renewed initiative. Between 2011 and 2013, the Centre, working with decentralized offices and technical divisions, provided substantial support to the Drought Disaster Resilience and Sustainability Initiative, developing regional and country resilience programming papers, and outlining the strategic direction and the operational framework for resilience-enhancing policies and investments. The Centre also supported the design of resilience-enhancing investment projects and programmes, which included the World Bank-financed Regional Pastoral Livelihood Resilience Project.

The Investment Centre continues to support activities to build resilience in Africa, such as the preparation of the Regional Sahel Pastoralism Support Project and Country Resilience Plans in support of the Sahel Resilience Initiative. The Centre also coordinated FAO’s contributions to the collaborative flagship report, Enhancing resilience in the Drylands of sub-Saharan Africa – Toward a shared development agenda, in partnership with the World Bank, the Consultative Group for International Agricultural Research and other agencies.

The Investment Centre was able to use its history of managing relationships with multiple financing institutions to quickly respond to these sudden disasters.

After the December 2004 tsunami in Asia, the Centre played an important role in assessing damage and needs, and developing a strategy for the fisheries and agriculture sectors in Indonesia and Sri Lanka. That year the Centre also became involved in addressing the avian influenza crisis, with a number of assignments in Asia. The work focused on bridging FAO’s emergency responses with World Bank projects. In 2005, after the major earthquake in northern Pakistan, an Investment Centre team led the damage and needs assessment, as it did after the 2009 and the 2010 floods. Following the 2010 earthquake in Haiti, the Centre coordinated the response of an FAO team, which led to the development of a medium- to long-term investment plan for recovery of the agriculture sector.
The global food crisis

From 2005 to 2008, the international prices of major food cereals surged upward, in many cases more than doubling in the space of a few years, and in some cases – such as with rice – more than doubling in the space of just a few months. A sharp escalation in the price of basic foods was of special concern to the world’s poor. Under-investment in food security, nutrition, agriculture and rural development in emerging economies over the past two decades was a significant contributing factor to the food price crisis. The crisis was a wake-up call for the international community, which realized that despite some progress made towards MDG 1, almost one billion people were still chronically food-insecure and two billion were suffering from some form of malnutrition.

In the spring of 2008, the United Nations Secretary-General established the High-Level Task Force on the Global Food Security Crisis (HLTF), with strong FAO support, which produced a Comprehensive Framework for Action. In the same year, FAO appealed for additional resources to provide farmers with inputs and seeds before the next cropping season. This contributed to the establishment of the € 1 billion European Union Food Facility, about a third of which was made available to development agencies on a competitive basis.

Initiatives born of the Investment Centre’s response to the global food crisis

In 2008, the Initiative on Soaring Food Prices (ISFP) was established with a Secretariat hosted by the Investment Centre to oversee and coordinate the implementation of the initiative by the FAO Emergency Division and partner agencies. The ISFP Secretariat team also coordinated the preparation of proposals for European Union Food Facility financing, designed to address high and volatile food prices by boosting smallholder food production in the transition period from emergency aid to longer-term development.

The initiative contributed to 58 country assessments to support response planning in the context of soaring food prices. By the end of 2008, the ISFP had put in place 135 projects in 81 countries, with a total value of US$ 147 million. It is estimated that at least 3 million households and 20 million people benefited from initiatives funded under the ISFP.

The Investment Centre also facilitated donor coordination through its role in the Global Donor Platform for Rural Development, for which it became one of the first co-chairs. Moreover, the Centre represented FAO in the HLTF. Following the 2009 L’Aquila Summit, which pledged US$ 22 billion for global food security, the ISFP worked closely with the partners of the HLTF in support of the L’Aquila Food Security Initiative Group (AFSI).

Through the Investment Centre, FAO joined forces with governments, the World Bank, IFAD, WFP, regional development banks and private foundations to integrate their new projects and programme interventions.

As part of AFSI, FAO supported the establishment of the GAFSP in 2010 as a financing arm. The Investment Centre represents FAO in the GAFSP Steering Committee and has been assisting countries in developing proposals needed to access this fund. So far, the Centre has assisted 14 countries in receiving over US$ 350 million in financing under the GAFSP.

In five of these countries, FAO was asked by the government to provide technical assistance. For instance, in Bangladesh, these funds are being used by FAO to strengthen national capacities for more effective and inclusive investment in agriculture, food security and nutrition. The Centre is the lead technical unit for this initiative, providing training, mentoring and coaching, on-the-job training, and exchange visits for government institutions and farmers’ organizations in the field of investment project cycle management.

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Fifteen years of renewal and intensified efforts

During this decade and a half, the Investment Centre has broadened its areas of expertise and partnerships, accumulating a wealth of experience working on post-disaster recovery and engaging with politically and socially fragile countries. It has achieved this in a climate of shrinking budgetary resources, fewer senior staff and a heavier reliance on consultants. With the leadership of investment preparation tasks shifting to countries, the Centre has also engaged less in identification and formulation work and more in tasks fitting the new development paradigm and the new FAO Strategic Framework: capacity development leading to enhanced country ownership and strengthened national leadership.

As investment work has become increasingly complex, the Centre has developed tools to better integrate the dimensions for investment – economic, social, environmental, gender and nutrition – that have become key to countries and their financing partners in recent years. Since 2009, the annual two-day knowledge-sharing event Investment Days has been held, allowing FAO colleagues and partners to reflect on the lessons learned over the past decades and assess future investment challenges and opportunities and FAO’s role in responding to Members’ needs.

While the Investment Centre did manage to sustain its cooperation with key partners such as the World Bank and IFAD, it has also deepened its work on the environment and private sector engagement, two areas that are becoming increasingly important in furthering the work of FAO.

With 50 years behind it, the Investment Centre must do a fair amount of reflection. The next decades’ chapters have yet to be written: many of the same challenges will persist, some will have been overcome and new ones will arise.

What does the future hold, and how will the Centre take greater strides in reducing rural poverty and in bringing food security to all? What is the future direction for FAO investment support through the Investment Centre?
Environmental management

In the 1990s, FAO’s growing recognition that reducing hunger is inextricably linked to the sustainable management of natural resources and ecosystems became an integral ideology driving the Investment Centre’s efforts. Consequently the Centre developed a new focus on the incorporation of environmental safeguards associated with its main work of identification and preparation of agricultural and rural development projects.

However, it was not until FAO became a Global Environment Facility (GEF) agency (with the creation of an Investment Centre-hosted GEF Unit in 1996) that the efforts to develop stand-alone proactive environmental projects became significant.

The Investment Centre’s engagement with the environment has grown along with the awareness of the critical link between the environment and development over the past 20 years:

- The creation and growth of the GEF Unit, which has resulted in greater partnership between the Centre and the technical departments and decentralized offices in developing a large portfolio of GEF projects
- Increased capacity of Investment Centre professionals to support mainstreaming of sustainable agricultural concepts and practices into the formulation of investment
- The development of publications, tools and training courses to support the incorporation of climate change considerations into agricultural and rural development investment

The Investment Centre has made efforts to build its capacities in environmental and natural resources management, not only through recruiting environmental experts, but also through training and raising awareness among staff. For a short while, the Centre had a publication series on environmental notes, as well as an environmental impact assessment series.

Interested staff members set up an informal environmental interest group that shares information and meets regularly. Most staff have benefited from training courses on incorporating climate change considerations into agricultural and rural development investments.

The Investment Centre has also played the leading role in building the partnership with the GEF, resulting in the GEF Council approving FAO’s direct access to GEF resources in 2000.

The Centre is still central to FAO’s 20-year partnership with the GEF, which to date has generated over 100 projects worth more than US$ 400 million.

For example, beginning in 2011 the Centre provided support to two associated GEF projects in São Paulo and Paraná, and one stand-alone project in Rio de Janeiro, to promote integrated ecosystem management, climate change mitigation and biodiversity conservation activities. These included the implementation of an ecological corridor in Paraná focused on biodiversity, and studies and farmer field trials in São Paulo to address constraints to possible payments for environmental services provided by smallholder farmers.

Nowadays, through ongoing loans, farmers in most of these states are being paid for the environmental services they provide.

The Rio de Janeiro World Bank/GEF project served as a pilot in that state to generate a series of innovative outcomes that contributed to the project’s national development and global environment objectives, including:

- adoption by farmers of improved agricultural practices in areas selected based on their proximity to globally significant ecosystems
- benchmarking of the carbon sequestration capacity of key agro-ecological systems
- adoption of economically and environmentally viable practices by over 2,250 small producers under the project

The GEF is now one of FAO’s largest financing partners. The GEF Unit provides the critical services across FAO to catalyse the development and implementation of investments in projects that focus on the critical nexus between agriculture and the environment.

Looking to the future, environmental investments are a growing and dynamic area of the work of the Investment Centre, which is now playing a critical role in enabling FAO to access new and possibly even larger environmental funding mechanisms.
Innovative land management and soil fertility approaches

Drawing on the vast experience and guidance developed by FAO since the 1970s, the Investment Centre became increasingly involved in numerous land management projects around the world, to improve soil fertility, prevent erosion and promote enhanced watershed management practices. Beginning in 1989, the Centre supported a series of innovative technical approaches for soil conservation and management in southern Brazil, drawing on low-tillage techniques piloted under the FAO/United Nations Development Programme (UNDP) projects.

Land management and soil fertility in Brazil, a long-term engagement since 1987

During the 1980s, the Brazilian southern states became increasingly concerned with declining soil productivity and increasing water pollution. These problems in rural areas were attributed to inadequate land management practices and policies. The rapid expansion of the cultivated areas during the previous decade led to severe soil erosion, rapid land degradation and increasing river silting.

In response, the Centre played an important role in upsaling land management practices in the country, building on the collaboration of UNDP/FAO technical assistance in the 1980s when groups of Brazilian technicians were taken on study tours to Australia, New Zealand and the United States to learn about soil conservation practices. Assistance also covered the initiation, in 1983, of research intended to adapt conservation agriculture methods to the needs of smaller-scale non-mechanized farmers in the state of Santa Catarina. Starting in 1989 with the Paraná Land Management I Project, the World Bank financed a series of pioneer state projects that were successful in expanding the adoption of improved agricultural practices and, in so doing, increased the productivity of staple crops and reduced soil loss. The Centre participated in the design and supervision of all these operations, helping smallholders define technical land management practices and linking them to farmer associations, Government, the private sector and the World Bank to arrive at workable project designs. This resulted in a number of successfully funded and implemented projects. One of the achievements of the Investment Centre was to persuade the Government counterparts that sharing the costs of system changes with farmers was not a “subsidy” but an environmental investment. Brazil’s decision to join Mercosur, coupled with macroeconomic adjustments, placed smallholders in open competition with large-scale farmers abroad, negatively affecting their profitability during the mid- to late 1990s. This led to the Centre’s further involvement – in the late 1990s and early 2000s – supporting a second generation of land management projects in Paraná, São Paulo, Rio Grande do Sul, Santa Catarina and Rio de Janeiro.

Based on the experiences gained, the third generation of projects/programmes was initiated in 2010 to support sustainable rural development by increasing the competitiveness of family agriculture while improving its environmental sustainability. Responsibility for implementation was entrusted to the lowest possible levels in order to maximize the commitments to success of individual and organizational stakeholders.

The State Government’s commitment to provide financing, human resources and a facilitating legal framework was also crucial to success.

Watershed management in India, a long-term engagement since 1987

In many parts of India, a steady decrease in the tree cover, and increased settlement, roads, farming and livestock activities resulted in an alarming increase in erosion, land degradation and waterway sedimentation, as well as considerable poverty for large numbers of marginal farmers.

The Investment Centre drew on extensive watershed development guidance provided by FAO technical divisions in the 1980s and 1990s. The Centre placed heavy emphasis on local institutional capacity development, for example, through the formation of watershed management groups and smaller watershed councils or committees. According to a World Bank study, both watershed projects led to growth in farm incomes during the implementation span – crop and milk yields increased, the irrigated area expanded and there was some adoption of higher-value crops. Drawing on this experience, the Investment Centre formed part of the core team in the design of the Second Karnataka Watershed Development Project, approved in 2012.

The sub-Saharan Africa Soil Fertility Initiative, 1996

The sub-Saharan Africa Soil Fertility Initiative was launched in 1996 in response to recognition by multiple stakeholders of the need for greatly improved land husbandry, including integrated soil fertility management, as an essential requirement to reduce rural poverty and achieve food security. The initiative was supported by the World Bank, FAO, the Consultative Group on International Agricultural Research (in particular the World Agroforestry Centre), the International Food Data Conference, Sasakawa Global 2000 and several bilateral donors. Its original goal was to accelerate the introduction of sustainable, integrated soil productivity management practices by smallholder farmers in sub-Saharan Africa.

The Investment Centre and FAO’s Land and Water Division prepared an overall soil fertility strategy and helped 15 African countries in developing national strategies and action plans. The initiative represented a unique opportunity for the Centre to work with FAO and other partners, helping to combine technical and investment expertise.

Although the initiative did not lead to leveraging major investments in restoring soil fertility across the entire region, it prompted interesting debates on short- and long-term priorities in the area and influenced decision-making on the need for soil fertility management and mainstreaming of research and development.

Conservation agriculture in Kazakhstan, 2000

Following 50 years of ploughing virgin lands and subsequent cultivation practices, northern Kazakhstan was suffering dramatic losses of soil health and fertility and extensive soil erosion, resulting in declining yields. In 2000 FAO introduced Kazakhstan to conservation agriculture, long promoted by FAO as a tool for reversing declining soil fertility. This project was prepared, supervised and eventually evaluated at completion – thus followed up throughout its lifetime – by the Investment Centre. The World Bank assesses that conservation agriculture is showing 30-40 percent yield increases, cutting cultivation costs and reducing soil erosion. It estimates that in 2012 the adoption of the technology resulted in 0.7 million tonnes of additional wheat grain, enough to feed some 5 million people for a year.

Catchment management in Malawi, 2012

More recently the Investment Centre used the lessons of this decade and played a key role in designing the catchment management component of a major World Bank-funded flagship project in Malawi in 2012.

The project objective is to increase sustainable social, economic and environmental benefits by collaboratively planning, developing and managing the Shire River Basin’s natural resources. Anticipated as a 12- to 15-year project, it entails support for complete bottom-up planning in both environmental/natural resources management and livelihood participatory planning, followed by implementation. Traditional leaders and community structures have total responsibility and accountability for catchment management. Drawing from its experience in similar models, the Centre is able to make this project a model for good practice in community-driven development and sustainable natural resources management planning in Africa.
Chapter 5

The future

Responding to the challenges to come
The big challenge for the future is to enable all members of the world’s expanding population to enjoy food security, consuming healthy food that has been produced in a truly sustainable manner.

By 2050, the world’s population will increase from 7 billion to over 9 billion. FAO estimates that if current trends continue, global food demand will have increased by at least 60 percent in 2050. By that time, people will, on average, be wealthier and older than today, with some 20 percent being under 15 years of age, and about 20 percent over 60. This will be compounded by a fast rate of urbanization, exacerbated by rural-urban migration, so that by 2050 over two-thirds of the population will be urban, as compared with 54 percent today. Food habits will have changed, shifting towards higher quantities and increased consumption of protein, in particular meat. There will also be wide variations between the regions.

Responding to these challenges is complex and demanding, and will require progress on multiple fronts. Apart from the obvious tasks of providing sufficient and nutritious food to feed a growing population (while tackling the problems of food waste and over-consumption), poverty will need to be reduced, especially in rural areas; the agriculture sector will need to find sustainable solutions to confront climate change; smallholders will need to be effectively integrated into value chains that become increasingly global; and countries will need to be more resilient by preventing and mitigating risks and crises. In a nutshell, the world must embark on major transformations in agricultural and food management.

This will require conducive policies and institutions, together with massive public and private investments to influence food production and consumption patterns and to meet food and quality demands in a sustainable manner. Sustainable solutions imply greatly enhanced efforts towards improving the management of natural resources at farm and landscape levels.

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FAO must continue to play its role in supporting public investments, while increasing its activities and capacity to support more and better private sector investments, with special emphasis on small-scale farmers.

Sustainable solutions imply greatly enhanced efforts towards improving the management of natural resources at farm and landscape levels.

Last but not least, farming needs to be attractive, offering good returns on investment and competitive incomes so as to offer attractive livelihoods in the rural areas and ensure the social sustainability of food production.

Over the last 50 years, agricultural investments focused largely on increasing production, primarily through higher productivity (e.g., provision and use of crop and livestock inputs, irrigation, storage) and also through expansion of the area farmed. FAO support to investment will need to contribute to addressing the challenge of significantly increasing food availability and ensuring good nutrition, while using a much lower quantity of inputs such as fertilizers, pesticides and fuel, thus reducing the carbon footprint of the sector. Support will also need to contribute to improving resilience to climate change and other sources of shocks and, at the same time, to improving rural livelihoods.

New development approaches and initiatives to be supported by the Investment Centre will continue to emerge. In supporting the design of investments to develop sustainable agricultural and food systems, the Investment Centre will also continue to capture gender and generational aspects, targeting women and fostering engagement of youth to take over from the aging farming population. It will continue to focus much of its work on small-scale farmers, who enjoy comparative advantages in taking up sustainable production systems.

Investment support in the areas of food, agriculture and natural resources will be needed to achieve the Sustainable Development Goals, which will succeed the Millennium Development Goals in 2016.

The aid architecture will change significantly, with international cooperation continuing to shift from aid to development effectiveness, and with the leadership being placed in the hands of beneficiary countries. The aid architecture will change significantly, with international cooperation continuing to shift from aid to development effectiveness, and with the leadership being placed in the hands of beneficiary countries. Financing will rely more on the countries themselves — including through increased tax revenue. Private sources will include remittances, of which about 40 percent will be invested in the rural areas. More equitable trade, including trade for development, will also be key to the future development agenda. It is clear that the relative importance of Official Development Assistance will decline. A new Partnership for International Development, to be agreed upon in September 2015 during the UN General Assembly, is expected to capture these new challenges.
As the 2012 FAO State of Food and Agriculture report indicates, most investment in agriculture comes from the farmers themselves, from small family farms to large enterprises. FAO must continue to play its role in supporting public investments, while increasing its activities and capacity to support more and better private sector investment, with special emphasis on small-scale farmers. An important component of this effort will be assisting countries to improve the enabling environment for private investments in agriculture and rural development.

In this context, FAO will help countries put in place the policy framework for private investment, including assistance to implement the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests to promote secure tenure rights and equitable access to resources, as well as the Principles for Responsible Investment in Agriculture and Food Systems, which were approved by the Committee on Food Security in October 2014.

The future challenges facing the Investment Centre will be quite different from those of its first 50 years of existence. The previous chapters have shown that ways of working are in a state of continual evolution. For example, increased capacity at country level, new development approaches and a revolution of information technologies and communication tools have induced swift changes in the design and implementation of investment operations. We have moved to formulation processes that are increasingly led by countries and with fuller beneficiary participation. Further changes are anticipated! Looking at the future, the Investment Centre will need to continuously adapt its way of doing business to remain relevant. It will need to cultivate synergies between policy development, strategic planning and investment. Demands will indeed vary between and within regions, and between countries; hence support will be country-specific. With countries advancing in their development, for example by moving from lower- to middle-income-level status, their needs for investment support are likely to evolve as well. While operating at a global scale, Investment Centre support will continue to focus on places where support is most needed, primarily in Africa and also in other parts of the world, especially in fragile states.

The desire by the countries’ government and stakeholders to be in the driver’s seat means that the Investment Centre must strengthen its role as a facilitator and a resource centre offering capacity development services. To successfully respond to demands for capacity development, the Investment Centre will need to put capacity development at the heart of its investment support. This will require building partnerships with regional and country institutions, as well as through South-South Cooperation, to promote learning and expand the web of investment experts. Demand for new services will also arise; hence the Centre will need to adapt in order to respond positively.

The experience from the past 50 years shows that the Investment Centre has been able to adapt to changing and challenging circumstances. Most importantly, it has been able to maintain relevance, provide countries with quality investment support, build on its strengths and remain a centre of excellence for agriculture and rural investment, thus contributing to further FAO’s mission. Going forward, the Investment Centre has a solid foundation on which to rise to the challenges of the future.
Over the years the Investment Centre has documented and shared its knowledge through unpublished and published reports, policy guidelines, training resources and other documents. Every mission supported or led by the Investment Centre generated a report for the partners involved, particularly the IFIs and national governments. Not all reports were expected to be published as many were intended for country-specific policy decision-making. Over 2,000 main reports were prepared resulting from identification, preparation and formulation missions carried out by the Centre. However, since the early days, Investment Centre staff believed that the wealth of lessons they accumulated through their work on improving the design and implementation of investment programmes deserved wider readership. Concerted efforts were made to capture new knowledge and practices in print through a series of publications such as: Technical Papers (1985-1998); Occasional Papers (1995-2001); Environmental Impact Guidelines (1998-1999); and FAO/World Bank Sector Studies (2004-2009), highlighting lessons from programmes and projects in Latin America.

Through the partnership with the European Bank for Reconstruction and Development (EBRD), which has an explicit component to produce and disseminate knowledge, a wealth of new knowledge has been generated in regions experiencing an acute shortage of information. In partnership with the EBRD, the World Bank and others, new series of publications were created that are still running today: Directions in Investment (2002-ongoing); Good Practices in Investment Design (2010-ongoing); Country Highlights (2009-ongoing); and the FAO/EBRD Report Series (2002-ongoing) and Agribusiness Handbooks (1999-2010), both focusing on Europe and Central Asia. Investment Centre staff and partners have also produced publications assessing investment activities across regions or sectors, as well as training and policy guidelines such as the RuralInvest training modules (2005-2007). Over 130 publications were produced in the last five decades and there is every sign that this commitment to share knowledge will continue.

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A word of appreciation for Investment Centre staff

Intensive field work is exciting, fascinating and a most rewarding experience. But it can also carry great hardship and risks. Investment Centre colleagues spend long periods of time away from their home, their family and their loved ones. They travel long distances under difficult conditions in their efforts to investigate local conditions and advise project developers in remote rural areas. A word of appreciation must be extended to them for their commitment, passion and courage.

Tribute to colleagues who lost their lives on mission

It was with great sadness that the Investment Centre lost two of its colleagues – François Dauphin and Raffaele Suppa – who were killed on 18 November 2006 in a tragic road accident in Egypt during a supervision mission of the World Bank-funded Third Pumping Stations Rehabilitation Project. François and Raffaele were invaluable members of the Centre team, and so appreciated for their professionalism, their dedication to quality work and their enormous sense of humanity.

Raffaele Suppa, from Italy, had joined the Investment Centre in 1967 as an economist. During his 36 years of service before retirement in 2003, he participated in more than 100 investment formulation, preparation or supervision missions in Africa, Asia, Latin America and the Middle East.

François Dauphin, from France, had joined the Investment Centre in 1987, where he took up increasing responsibility, first as senior agronomist and then, from 2003, as service chief of the Europe, Near East, North Africa & Central Asia Service.

They are sorely missed, but their work has left an indelible mark on the many poor rural citizens of the world to whom they were so highly devoted.
Timeline of FAO Investment Centre

50 years of development support