PREVIEW OF THE PROGRAMME OF WORK AND BUDGET OF IFAD FOR 2000
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1. Since 1995, a number of far-reaching restructuring and reengineering initiatives have been implemented at IFAD, and the Executive Board has been kept informed of these initiatives at various stages. Many of the initiatives have been fully implemented already, while others need critical support for their successful completion. The year 2000 is therefore seen as a year when the progress made thus far will be consolidated as a basis for enhancing efficiency gains and ascertaining that the processes are sustainable and responsive to the evolving needs of the institution. During the coming year it will also be necessary to begin the review of IFAD’s corporate strategy, since the current strategy expires in 2001.

2. As the organization stands at the threshold of a new millennium, the year 2000 is an especially propitious time for looking to the future in terms of the opportunities and challenges that lie ahead for the eradication of rural poverty. In this connection, the Fund has begun work on a series of studies and workshops to provide input for a rural poverty report that is to be published towards the end of 2000. This will assist IFAD in developing critical partnerships in its fight to eradicate rural poverty.

3. It is anticipated that the consultations for mobilizing IFAD’s core resources will be concluded during 2000 and that implementation of the recommendations of those consultations will be initiated.

4. The reengineering of IFAD will be consolidated within a zero-incremental-cost administrative budget. During the year it is expected that a capital budget approach will be implemented, enabling the Fund to embark on longer-term development of its various business processes, such as information management and other clearly identified multi-year development activities. As previously indicated to the Executive Board, the costs of activities included in the capital budget will be allocated in the annual administrative budget and amortized over time. The capital budget will be reported separately.

5. As in the preceding three years, IFAD’s Programme of Work and Budget for 2000 will be maintained at the same real level as in 1999.

II. THE CORPORATE STRATEGY: IMPLEMENTATION TO DATE AND AGENDA FOR 2000

6. The basic thrusts of IFAD’s corporate strategy for the year 2000 will remain the same as those articulated in 1997:

   - Support projects and programmes driven by beneficiary participation in both design and implementation;
   - Create an effective portfolio management system that ensures desired field-level results;
   - Ensure an effective IFAD presence and impact in the field level by: (a) maintaining a credible level of lending in real terms; and (b) expanding IFAD’s outreach;
   - Establish and use knowledge networks on rural poverty in order to create a recognized knowledge organization;
   - Develop human resource and management systems that support accountability, teamwork and decentralized decision-making and other goals.
7. The corporate strategy enables the Fund to define its priorities and adopt a multi-year approach to attaining its objectives. The strategy fosters this process by ensuring that the Fund’s objectives are clearly articulated and that its operations and instruments are geared to achieving objectives in a coordinated but flexible manner, while making for broader cooperation (with internal and external actors) and remaining responsive to constraints and developments as they arise.

8. Since the adoption of the corporate strategy in 1997, the Fund has placed special emphasis on the following:

   (a) Stressing ownership of project activities by intended beneficiaries in order to ensure a better framework for effective project implementation and distribution of benefits. The Fund has conducting project-design workshops with the involvement of all stakeholders, and it engages in dialogue with the governments to ensure that beneficiaries are represented in project decision-making bodies. One important element of this effort has been to ensure that projects have proper gender balance, which is done by systematically including the recently approved “Household Food Security and Gender Memory Checks” in the design of project and grant-support activities.

   (b) Enhancing project implementation. In this connection, the information collection and compilation system for tracking project status has been updated with the objective of identifying constraints on a real-time basis and taking appropriate corrective measures. Discussions have also been held with IFAD’s partners, cooperating institutions and Member States to ensure effective, coordinated fulfilment of physical and financial conditions for project implementation.

   (c) Seeking partnerships with its clients, sister agencies, Member States and civil society to address the global challenge of eradicating rural poverty.

   (d) Laying the foundations for developing IFAD as a knowledge organization.

   (e) Streamlining its business processes and organizational structure to increase efficiency and accountability.

9. **Opportunities in the future.** IFAD’s comparative advantage lies in its ability to identify the concerns, constraints and opportunities of the poor and to support programmes and projects for rural poverty eradication. While its corporate strategy has enabled it to prioritize its goals and galvanize its energies, the future effectiveness of the Fund will hinge on its ability to take advantage of its strengths and the experience gained over the past 20 years. To do this, IFAD is currently examining the challenges and opportunities presented by global rural poverty; it will synthesize its rich store of internal operational knowledge with outside knowledge to produce a report on rural poverty (slated for publication in September 2000). The report will provide a consolidated statement of IFAD’s position on rural poverty and the challenges that development actors face in their efforts to eradicate this phenomenon. In this regard, IFAD’s operational strategy needs to be viewed in the context of its evolving understanding of the challenge of rural poverty.

   III. IFAD’S OPERATIONAL STRATEGY

   A. The Year 2000 – Meeting Emerging Challenges

10. The key elements of IFAD’s operational strategies that will shape its lending and grant programmes for the year 2000 are:
**Participation of the poor.** In 2000 the Fund will continue its efforts to ensure that its ultimate clients—the poor—participate not only in project design and development but that they have a greater voice and role in project implementation (e.g., through participatory rural appraisals, joint participatory workshops, and comprehensive participatory planning and evaluation). Special emphasis will be placed on building local institutional capacity to guarantee equitable access by women to assets and other opportunities for sustainable rural poverty eradication. Greater gender awareness will also continue to be an important element in IFAD’s approach to rural poverty reduction.

(i) **Building local capacity.** Capacity-building of institutions that serve the poor will be a major priority of the Fund’s operational strategy in the year 2000. It will consist of three elements: (i) institutional strengthening; (ii) organizational development aimed at effectively supporting the poor; and (iii) human-resources development and training. IFAD’s grant resources will be channelled towards building local capacity to ensure that participatory processes are adopted and that non-governmental and civil-society organizations (particularly user associations) receive support to enable them to understand project objectives, participate in project activities and become active players in project implementation rather than passive recipients of assistance.

(ii) **Ensuring better project implementation and desired field impact.** The Fund will maintain its emphasis on improving project implementation and making sure that project benefits reach the desired targets. IFAD’s operational focus in 2000 will seek to ensure that: efforts are streamlined further in consultation with the cooperating institutions; local capacity is created to guarantee that project implementation observes agreed time schedules; and local initiatives are tapped along with undertakings by other bilateral and multilateral donors within a climate of enhanced partnership. At Headquarters, the gains resulting from training in the logframe approach will be consolidated further, and the training programme will be expanded to include all project managers at the field level. At the same time, significant emphasis will be placed on seeing that projects supervised directly by IFAD are implemented properly and that the experience gained through direct supervision is internalized and future project designs are improved.

(b) **Keeping the focus on the poorest of the poor in deprived areas and regions.** Africa will remain the primary focus of the Fund’s overall lending programme. The past dip in the lending programme for Africa is being recovered through increased lending in 1998 and 1999. The sub-Saharan region, however, is still one of the world’s most vulnerable. Small producers and the large masses of population displaced by human-induced and natural disasters will continue to receive priority. The Asia and Pacific region will maintain its priority status, given that the majority of the world’s poor are concentrated there and also that in many Asian countries the urban and rural poor have been severely hit by the financial crisis. Latin American countries, too, have felt the impact of financial crisis and severe weather phenomena, which have crippled the region’s economic growth and cast a shadow over short and medium-term development prospects. Assistance will be given to ensure proper linkages between rural poverty-alleviation initiatives and local rural-development processes. The Fund will place emphasis on helping those adversely affected to rebuild sustainable livelihoods and assisting poor farmers to develop enough resilience to shield them from such crises in future. The new Member States in the Asia and Near East regions will also bring fresh challenges in this area.

**Heavily-Indebted Poor Countries (HIPC) Debt Initiative.** Fund support for the HIPC debt initiative will continue in the year 2000. The World Bank and International Monetary Fund are currently preparing estimates of the cost implications of the Köln initiative for participating international financial institutions; the estimates will be ready
in time for decisions to be made at those agencies’ annual meeting later this year. The additional resources that IFAD will need in order to participate in this initiative are expected to be discussed during the Consultation meetings.

(c) **Partnership-building.** Strategic partnerships will be pursued as a means of:

(i) **Entering into cofinancing arrangements** with other financial agencies. In line with repeated requests from its Governing Bodies and management, IFAD will continue to emphasize this particular operational objective. The Fund’s operational strategy will seek to upscale at least one project in each of the five regions and to secure at least 30 per cent cofinancing, i.e., external financing of IFAD-initiated projects. However, the objective is not just to seek resources but to form closer partnerships with international agencies as a catalyst to ensure that innovative elements of IFAD-financed projects are replicated on a broader scale, while mobilizing resources in pursuit of the objectives of the global agenda for rural poverty eradication.

(ii) **Complementing and underpinning macroeconomic reform** to ensure that benefits reach small producers and the rural poor. IFAD’s interventions will continue to aim at building capacity at the grass-roots level by encouraging participation by the poor, examining and influencing the structure and orientation of extension services and financial organizations, and promoting the construction of infrastructure that responds to the needs of the rural population.

(iii) **Sharing institutional capacity.** IFAD will work with the World Bank in the formulation of a comprehensive development framework by taking part in pilot efforts in four countries. The Fund will use this framework to extend its present level of cooperation.

(iv) **Identifying contributions that the private sector can make in various areas.** In this regard, work in 2000 will focus on: (a) downstream value-chain linkages (processing, marketing, trading and transport); (b) high-potential industries, in such sectors as the life sciences, agro-processing, financial services, and energy; (c) pursuing partnership opportunities along thematic lines (research and development, advocacy) and at the corporate level (knowledge management, information systems access, consulting services); and (d) private-sector cofinancing opportunities (such as loan syndication) at the project level.

(v) **Focusing on the private sector and developing market linkages.** In many countries, especially in Africa, the dismantling of parastatal institutions has led to the virtual withdrawal of public services from rural areas. IFAD will seek to bridge this gap by promoting the provision of such services by grass-roots organizations, facilitating the entry of private-sector providers and small-scale traders, and strengthening market linkages with private enterprises. Linkages with the market will be the most critical of these three factors, given its longer-term implications for IFAD’s future operational strategy. Initially, investments will need to be made in the development of infrastructure and market intelligence, coupled with support for private-sector traders and service providers.

(vi) **Knowledge management.** The Rapid External Assessment called on IFAD to build up its institutional identity as a knowledge organization on rural poverty eradication. In response to this call, a number of initiatives were launched, including the creation of the Evaluation Knowledge System (EKSYST). Similarly, the project development cycle has been reengineered as a learning cycle. The Fund has also focused more strongly on building strategic partnerships through the sharing of knowledge.
Exchanging knowledge on policy and practices. IFAD will continue to work with selected international agencies and civil-society and non-governmental organizations (CSOs and NGOs) to establish networks for the analysis and exchange of experiences and practices on vital cross-cutting factors that have an impact on poverty. Two examples are: (a) the knowledge network on agrarian reform involving IFAD, the World Bank, the Food and Agriculture Organization of the United Nations (FAO) and a group of NGOs and CSOs; and (b) decentralization policies in the agricultural sector, involving the World Bank, FAO and other agencies.

The Fund will continue to gather and distil operational knowledge through its initiative to build up knowledge on specific thematic areas, which have so far remained somewhat scattered across functional units and business processes. By year-end 1999, four thematic groups will have been established and provided with limited resources. Based on the interim results (which are expected for 30 June 2000), the Fund may expand the scope of the thematic management of IFAD’s knowledge on rural poverty eradication.

For 2000, it is proposed that each of the four thematic groups (plus one new group) be allocated additional resources to allow them to: use the short-term services of a research assistant, an expert with relevant external thematic knowledge, etc.; produce a variety of knowledge objects (website, brochures, multimedia tools, a publication, etc.); and organize workshops and seminars to generate and disseminate knowledge products.

One output of IFAD’s knowledge-management activity will be the poverty study that is scheduled to be published in September 2000 as IFAD’s Rural Poverty Report, 2000. The study will provide a basis to forge broader coalitions with IFAD’s clients and development partners by sharing its own understanding of the dynamics of rural poverty and the potential for its eradication in the future.

B. Resource Strategy

Plan of Action to Ensure Adequate Resource Availability

11. As in the past, the overall objective of IFAD’s resource mobilization strategy will be to ensure the availability of adequate resources for a viable institution and a credible lending level. This objective is pursued through a multi-faceted approach based on three basic resource categories: financial, for the annual lending and grant programmes and IFAD’s institutional expenses; information and knowledge, to enhance the relevance and impact of the Fund’s interventions as discussed in section III. A, above; and goodwill, to maintain public support and political will for the global poverty-eradication agenda. In this context, resource adequacy is understood to mean an effective and interrelated balance of these three categories. Achieving such a balance is the challenge facing the corporate strategy for the year 2000 and beyond.

Regular Programme Resources

12. The combined lending and grant programme for the year 2000 is currently projected at USD 450 million in 1996 prices, subject to the indications emanating from the Consultation to Review the Adequacy of the Resources Available to IFAD for the 2000-2002 period and decisions by the Fund’s Governing Bodies in December 1999 and February 2000. The Fund’s resources for the Regular Programme are derived from Member Contributions, investment income and loan reflows. It is expected that the share of Member Contributions in the balance of these resources for the coming
years will be known by December 1999. During 2000 approximately USD 180 million is expected to accrue from loan reflows and another USD 165 million from investment earnings. The latter figure represents a rate of return of 7% in nominal terms on the investment portfolio as a whole. The Fund’s internally generated resources make up a significant share of the resources available for commitment, as illustrated in the following chart on the Fourth Replenishment period.

13. Accordingly, in the year 2000 the Fund’s resource strategy will concentrate on following up on the Consultation and mobilizing supplemental resources to enhance the impact of the Regular Programme. The planned resource-strategy activities related to replenishment follow-up include:

(a) Monitoring the Fund’s resource position and tracking actual resource flows against projections. Resource-tracking should encompass an analysis of loan and grant allocations, disbursements and reflows, the administrative budget and investment income.

(b) Monitoring adherence to recommendations emanating from the Consultation, the Ad Hoc Committee on Regional Allocations, and the policy priorities of other Governing Bodies vis-à-vis the programme of work over the 2000-2002 period.

(c) Monitoring the development of key donor policies and priorities.

(d) Monitoring the policies and programme orientations of the major international financial institutions.

**Mobilization of Supplemental Financial Resources**

14. Supplemental resources are funds received by IFAD to support operational programmes and activities that are not part of Member Contributions to the core resources of the Fund (“Article 4 Resources”). These resources complement and enhance IFAD’s strategy and come in various
formats, including the following three: project and programme cofinancing; funds held in trust by IFAD, including possible tapping of private capital markets; and resources (financial and other) from the private sector.

15. With respect to the mobilization of cofinancing resources, as stated earlier the objective for the year 2000 is to raise resources to cover 30% of total project and programme costs through cofinancing from bilateral and multilateral sources. In this endeavour, interdepartmental efforts to track cofinancing policies, priorities and opportunities will be strengthened.

16. The resources held in trust by IFAD for specific purposes are normally referred to as “supplementary funds”. These resources are allocated to priority areas defined on a thematic basis, such as for natural-resource conservation, gender and development issues, and innovative pilot operations. Supplementary funds may also be used for consultancies to support policy studies and the design, implementation and evaluation of IFAD’s projects and programmes. Resources currently available from supplementary donors total approximately USD 8.7 million. In the year 2000, IFAD will further integrate supplementary funds into the project cycle and increase the utilization rate of the distinct funds.

17. A third area where IFAD is actively exploring potential for enhancing Regular Programme operations is through the development of market-based financial mechanisms. Several options are under review, including asset-backed financing, as part of a broader strategy to develop partnerships with the private sector.

Mobilization of Public Support for the Fund and its Objectives

18. IFAD will continue to promote partnerships with two major constituencies in order to improve aid coordination and promote effective development policy in favour of the rural poor: these groups are United Nations agencies and other international financial institutions (IFIs) on the one hand, and non-governmental and civil-society organizations (NGOs and CSOs) on the other. The key activities planned for the year 2000 with the first group are:

(a) Monitoring and fostering development of the principal coordination and partnership frameworks, including the United Nations Development Assistance Framework and Common Country Assessments (UNDAF/CCA), and the Comprehensive Development Framework (CDF) and the World Bank;

(b) Monitoring IFAD’s follow-up to global conferences, including the World Food Summit and its partnership with FAO and the World Food Programme;

(c) Monitoring policy and resource developments of the major IFIs and sharing knowledge in-house;

(d) Advocating rural poverty eradication at appropriate inter-agency fora.

19. With respect to the community of NGOs and CSOs, IFAD’s objective is to improve the effectiveness of the Fund’s poverty-eradication efforts through enhanced policy dialogue and operational collaboration with these organizations. The key activities envisaged for 2000 towards this objective include:

(a) Organization of a global IFAD/NGO consultative meeting on the topic of “Tripartite Partnerships for Poverty Alleviation and Food Security through Projects and Programmes”;

(b) Selective strategic participation in United Nations millennium events involving NGOs and CSOs;
(c) Finalization of an NGO database and website to reflect practical experience of cooperation with NGOs at the field level as part of a corporate information and knowledge system.

20. In the coming year, the Fund will continue working to enhance its image and build support for poverty-eradication efforts. This work will be pursued through a communications strategy aimed at producing the following results:

   (a) Position IFAD with respect to other IFIs by highlighting its strengths and its complementarity;
   (b) Engage the Fund’s major constituencies (governments, international organizations, the general public, NGOs/CSOs and the private sector);
   (c) Increase support among donor countries for IFAD’s activities;
   (d) Develop and support information-dissemination programmes at the country level;
   (e) Encourage coverage of IFAD’s work in poverty alleviation through various media;
   (f) Provide an information link between IFAD staff and the outcome and lessons of IFAD operations and how they relate to broader developments in the international development scene.

C. Human Resources Management Strategy

21. A significant aspect of IFAD’s operational strategy for the year 2000 is the importance it gives to its new Human Resources Management Strategy. While the organization will continue to monitor the completed elements of the strategy, it will focus on the new key policies and procedures described below.

22. Employment conditions. In order to achieve its strategic goals, the Fund will need to provide enhanced employment conditions that offer career opportunities to its staff while responding to the Fund’s needs. The following areas of work have been identified for the coming year:

   (a) Management succession planning. The Fund is examining procedures to govern this new policy, which will allow the Fund to groom, train and select future managers from a pool of staff on the basis of established criteria.
   (b) Rotation and reassignment. This new policy, which is being considered in conjunction with management succession planning, would offer staff opportunities to grow and develop.
   (c) Contracts for time-bound activities. While the Fund will continue to employ short-term staff, it will also explore the possibility of a new type of contractual agreement for longer-term temporary employees. This policy will provide flexibility to both managers and service providers in obtaining and providing the required skills mix.
   (d) Recognition and rewards. In conjunction with its performance evaluation system, which provides for periodic step increments, the Fund will explore other means of recognizing outstanding service. Besides individual recognition, the system will also consider team awards with an eye to encouraging excellence and fostering teamwork within the organization.
   (e) Quality-of-work initiatives. The Fund will continue to look into new staff-management initiatives that enhance the quality of the work environment and help to retain qualified staff, such as flexible working hours, part-time employment, assistance with spouse employment, and the recruitment of a staff counsellor.
23. Another important area in 2000 will be staff training and development. As a result of the development requirements built into the new Individual Performance System, and in addition to greater emphasis being placed on managerial responsibility to achieve the organization’s strategic goals, IFAD has significantly increased its focus on training. A major feature in this regard is the team-building programme, which is useful for strengthening group cohesion in the working environment.

D. Information Management Strategy

24. **Information management.** IFAD’s operational strategy for 2000 places special emphasis on improving information-management capabilities through up-front investment in reviewing business processes, developing appropriate software to support identified processes, and installing the necessary hardware. Plans include submitting a capital expenditure budget to fulfil these requirements. The request will provide a qualified cost estimate for a two-to-three year Information Systems Development Programme, with flexible project-specific estimates to be reallocated within the programme, as well as a cost/benefit calculation and a budget amortization schedule.

25. So that the request can be submitted to the December session of the Executive Board and the results incorporated into the 2000 Programme of Work, a feasibility study is to be undertaken and completed by year-end. The study will cover project operations, human resource management, payroll, travel, resource mobilization and contributions management, as well as the loans and grants and treasury systems, examining their degree of integration with the rest of the financial and other corporate systems.

26. While looking at these and other areas, attention will be paid to the cross-cutting nature of knowledge management, both in terms of internal access to knowledge as well as external dissemination of IFAD’s knowledge. Details on the feasibility study and the Information Systems Development Programme are provided in document EB 99/67/R.

IV. 2000 PROGRAMME OF WORK PREVIEW

A. Projected Level

27. IFAD’s Programme of Work is planned in terms of United States dollars (USD), but approved by the Executive Board in terms of Special Drawing Rights (SDR). The Programme of Work for 2000 will maintain the same real level in USD terms as in 1999. The following table shows no increase in USD terms, although it is 5.6% higher in SDR terms owing to the devaluation of the SDR against the USD.
TABLE 1
2000 PROPOSED PROGRAMME OF WORK

<table>
<thead>
<tr>
<th></th>
<th>1999 Allocation in SDR million</th>
<th>1999 Allocation in USD million</th>
<th>2000 (b) Proposed Allocation in SDR million (c)</th>
<th>2000 (b) Proposed Allocation in USD million</th>
<th>REAL INCREASE (DECREASE) SDR million</th>
<th>REAL INCREASE (DECREASE) USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Programme</td>
<td>310.1</td>
<td>437.3</td>
<td>327.4</td>
<td>437.3</td>
<td>17.3</td>
<td>-</td>
</tr>
<tr>
<td>Technical Assistance Grant Programme</td>
<td>25.1</td>
<td>35.5</td>
<td>26.5</td>
<td>35.5</td>
<td>1.4</td>
<td>-</td>
</tr>
<tr>
<td>Total Programme of Work</td>
<td>335.2</td>
<td>472.8</td>
<td>353.9</td>
<td>472.8</td>
<td>18.7</td>
<td>-</td>
</tr>
<tr>
<td>Grant Programme as a Percentage of the Overall Programme of Work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7.50</td>
<td></td>
</tr>
</tbody>
</table>

(a) Using the rate of exchange at Executive Board approval, SDR 1 = USD 1.41031.
(b) Excluding price-inflation factor.
(c) Using the rate of exchange of 30 June 1999, SDR 1 = USD 1.33587.

B. Proposed 2000 Lending Programme

28. The lending level for the year 2000 is currently projected at about USD 437 million, in real terms, for approximately 30 projects (compared with 34 projects in 1999). Details of the regional lending strategies are provided in the annex, and regional allocations are expected to be in line with the recommendations made at the recent Third Session of the Consultation to Review the Adequacy of the Resources Available to IFAD.

C. Issues Affecting the 2000 Grant Programme

29. At its Sixty-Third Session in April 1998, the Board considered a report entitled “IFAD’s Policy and Strategy on Grant Financing” and indicated that it needed additional time to prepare a more informed reply. In September 1998, an informal seminar was organized to discuss the report, and Board members provided valuable guidance for further study. In the meantime, a number of processes (including a comprehensive audit of the Extended Cooperation Programme and the Special Operations Facility, and a system review of the technical assistance grant programme) have gone forward that have provided input for the Fund’s proposed paper. The final version reflecting these inputs, as well as comments from the Board, is scheduled for presentation at the Sixty-Eighth Session of the Executive Board in December 1999.

30. Pursuant to current grant-programme policy and the Board’s views on the new draft policy, the following main principles will guide the grant programme in the year 2000:
• The technical assistance grant (TAG) programme as a percentage of the Programme of Work will be kept within the mandatory 7.5% limit. Taking into account the provisional overall Programme of Work of USD 472.8 million (excluding projected inflation), the TAG Programme for 2000 will be approximately USD 35.5 million in real terms, i.e., the same real level as in 1999.

• The Fund expects to continue emphasizing agricultural research through CGIAR and non-CGIAR centres, subject to approval of the grant strategy that will be included in the final report mentioned above.

• The TAG strategy would provide the maximum support possible to IFAD’s Member States to enable them to implement IFAD-supported programmes and develop capacity at the country level to increase the effectiveness of their own rural poverty-alleviation strategies. Support will also be provided to build local capacity to measure the achievements of development activities.

• The IFAD/NGO Extended Cooperation Programme (ECP) will continue to figure prominently in IFAD’s future emphasis on building partnerships with civil society. Not only will this window receive a higher budget allocation, it will be supported by a number of other independent grants, such as the TAG to support the Community Empowerment Facility of the Popular Coalition to Eradicate Hunger and Poverty in 1999, as well as Bread for the World.

• Cross-country regional programmes to develop local management skills in support of project implementation will be given priority in the coming year’s grant allocations. Three programmes are expected to be submitted to the Executive Board in 2000: one to support the second phase of the Poverty Alleviation Training Programme for Asia and the Pacific (PATAP), one to improve local capacity in Central America, and one for western and southern Africa.

• In line with IFAD’s operational strategy to develop as a knowledge organization by facilitating knowledge networks and gathering and sharing information on core IFAD issues, the organization proposes to launch a pilot initiative in western Africa. This undertaking will complement the thematic work on knowledge management initiated at IFAD this year, which is contributing to the formulation of a corporate strategy on knowledge management and fine-tuning of the themes and an agreed work programme for developing networks and collecting and sharing information on rural poverty.

• Gathering information to enhance the Fund’s operational strategy with critical knowledge about poverty, its future trends and constraints. This will be part of the awareness-building campaign that will receive support from IFAD’s clients and Member States.
### TABLE 2
PROPOSED TECHNICAL ASSISTANCE GRANT PROGRAMME FOR 2000

<table>
<thead>
<tr>
<th>Categories</th>
<th>1999 Budget Allocation (USD ‘000)</th>
<th>%</th>
<th>Proposed Allocation for 2000(a) (USD ‘000)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Agricultural Research and Training</td>
<td>8 510</td>
<td>24.0</td>
<td>8 510</td>
<td>24.0</td>
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<tr>
<td>B. Project Development Fund</td>
<td>8 770</td>
<td>24.8</td>
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<td>C. ECP</td>
<td>2 350</td>
<td>6.6</td>
<td>2 550</td>
<td>7.2</td>
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<tr>
<td>D. Environmental Assessment</td>
<td>400</td>
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<td>400</td>
<td>1.1</td>
</tr>
<tr>
<td>E. Special Operations Facility</td>
<td>1 750</td>
<td>4.9</td>
<td>1 715</td>
<td>4.8</td>
</tr>
<tr>
<td>F. Other Research, Training and Other</td>
<td>13 670</td>
<td>38.6</td>
<td>13 229</td>
<td>37.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35 450</strong></td>
<td><strong>100</strong></td>
<td><strong>35 450</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(a) Excluding inflation-factor increase.

V. MAJOR ISSUES AFFECTING THE 2000 BUDGET

A. Projected Level

31. As indicated above, it is expected that there will be zero real growth in the 2000 administrative budget, which has been calculated at USD 54.73 million using the ITL/USD rate of 1 734. (This figure includes contingencies and up-front costs relating to reengineering, but excludes the extraordinary price increase relating to World Bank supervision costs, as well as the costs for funding the consultations on IFAD’s funding requirements.) The necessary adjustments for identified price/inflation increases will be included in the submission to the Sixty-Eighth Session of the Executive Board, which will forward its budget-approval recommendations to the Twenty-Third Session of the Governing Council. Specific adjustments between budget categories will be necessary in order to implement prioritized strategies. The major issues currently being considered by senior management for the year 2000 are presented below.

B. Reengineering of Support Processes

32. Following the Rapid External Assessment of IFAD, management has been promoting the reengineering of various core activities of the Fund since 1994. This initiative is now being extended to the support-service divisions, i.e., the Division of Personnel, Administrative and Protocol Services, the Office of the Secretary, the Treasury and the Office of the Controller. The aim is to review processes that are currently being performed separately or on an interdivisional basis, and assess whether certain requirements are no longer necessary or need to be reinforced. Interdivisional working groups have been set up and a number of processes are already being studied. The results of this work, which is expected to be completed by the end of 2000, will affect the 2001 budget. The recommendations will be shared with the Executive Board upon completion of the exercise. Any significant costs connected with the review will be shown in the 2000 budget under up-front costs relating to reengineering.

C. Capital Expenditure Budget

33. At its Sixty-Fourth Session, the Executive Board approved the Fund’s adoption of capital expenditure budgeting. This management tool is normally applied to expenditures for new goods and related services whose economic lifespan is finite but expected to extend over a period of more than one year. It may also be applied to expenditures that extend the economic lifespan of existing assets, such as improving the efficiency of existing services and facilities, one-time establishment of facilities...
(e.g., outfitting new office space) and capabilities (e.g., major computer system upgrades). Another important element of capital expenditure budgeting is the notion of depreciation/amortization, whereby the costs of such capital expenditures are allocated in the annual administrative budget and reflected as expenses in the financial statements. The amounts to be amortized are calculated on the basis of cost/benefit analyses that look at the cumulative period of implementation.

34. The Information Management Committee, which was set up to review and identify the Fund’s priority information-technology (IT) needs, is presently examining the need for an organization-wide IT feasibility study. The outcome of this study should lead to the introduction of a capital expenditure budget for funding medium-term IT requirements. A cost-benefit analysis of all identified needs will be conducted to ensure feasibility over a multi-year period. It is likely that this review will result in a recommendation to introduce a capital budget, which would be presented separately and would show amortization expenditure plans for the various years. The annual amortized costs, however, would form part of the administrative budget.

D. Consultation to Review the Adequacy of the Resources Available to IFAD

35. At the Third Session of the Consultation, it was recommended that two further Consultation meetings be held during 1999 in order to reach a consensus on the funding of IFAD’s resource requirements for the period 2000-2002. A reallocation will be made in 1999 from the contingency fund to cover the relevant costs.

E. Supervision Costs

36. According to preliminary projections, the size of IFAD’s portfolio in 2000 will be approximately 204.6 FPEs (full-project equivalents), as compared to 204.18 FPEs in 1999. Based upon these preliminary projections, the size of the portfolio is likely to remain unchanged. The Board was informed in December 1998 (see document EB 98/65/INF.3) that the World Bank had adopted a full cost-recovery policy, involving an average actual cost level of approximately USD 120 000 per project per annum. In view of this extraordinary price increase, IFAD undertook negotiations with the Bank to identify projects that could be transferred — without hindering project implementation — to other cooperating institutions that charge a substantially lower rate. During these negotiations, it was agreed that approximately nine projects would be kept with the Bank based on agreed criteria, the proximity of the closing dates (to avoid disruptions in project implementation), and technical and policy considerations. The transfer status of a project in India was pending the satisfactory negotiation of supervision charges. It is assumed that the 1999 negotiated level of supervision charges will remain unchanged in 2000.

Direct Supervision

37. The Governing Council approved a resolution at its Twentieth Session (February 1997) allowing IFAD to directly supervise a limited number of projects (15 in total). The first project under direct supervision was approved in April 1997, and since that time an additional 13 have been approved. It is anticipated that the final project for direct supervision will be approved by the December 1999 Executive Board. These projects have made significant progress in implementation or in the completion of pre-implementation preparatory work. Four of the 15 projects have become effective (one in 1997, one in 1998 and two thus far in 1999); loans have been signed for all but three of the approved projects. All 15 projects are expected to be effective during 2000 and, accordingly, would require supervision resources at FPE. An increased allocation for direct supervision is therefore proposed in order to reflect the expected status of these projects. These funds are intended to provide IFAD with the resources necessary to effectively supervise and follow up on these projects. It is anticipated that IFAD’s role in directly supervising these projects will translate into better implementation and more effective results on the ground.
REGIONAL LENDING STRATEGIES

Western and Central Africa (Africa I)

1. **Socio-economic trends.** Historically, progress in western and central Africa with regard to per-capita income growth, agricultural performance and rural poverty alleviation has been poor. Since the early 1990s, however, there has been notable recovery in many countries, due largely to improvements in macroeconomic frameworks and sectoral incentives. Structural adjustment and market liberalization have opened up new opportunities. Increasingly, governments are moving towards more decentralized decision-making on resource mobilization and expenditure. Still, the resulting benefits are not always evenly distributed, and the rural poor risk being left behind in the absence of well-targeted rural-development investments. Several countries are still experiencing severe economic, social and political dislocation; special efforts on the part of international donors will be required once these countries are able to resume their development activities.

2. **Opportunities for IFAD.** IFAD will continue to prioritize the following areas: (i) developing rural financial services that target unserved, isolated populations and that are well integrated into national financial-sector frameworks; (ii) capacity-building in support of decentralized decision-making for participatory rural development; and (iii) natural-resource management and environment, with emphasis on supporting anti-desertification initiatives. To achieve these objectives, IFAD will continue to: stress the importance of target-group participation in deciding on objectives and activities; maximize the use of local knowledge and experience; and pursue a strategic orientation to its investments through strengthened collaboration with governments, civil society and other donors.

3. **Operating strategic directions**

- **Ensure effective IFAD presence in the field level through maintenance of lending levels and outreach.** One of the major challenges will be to maintain portfolio development and lending at the actual 1998 and projected 1999 levels, in order to fully compensate for the lending shortfall experienced in 1997. So far in 1999, IFAD is on track towards meeting its objective of submitting to the Board a total of eight projects; for 2000, the lending target is currently projected to reach nine projects. Regarding arrears, IFAD will continue to pursue bilateral arrangements such as those worked out in past years for Cameroon, Congo, Guinea-Bissau, Niger, as well as this year for Gabon and Sierra Leone, and it will closely monitor compliance with existing agreements. As a result of such agreements, programmes were reactivated in Cameroon in 1998 and in Niger this year. Finally, in pursuit of the organization’s cofinancing targets, two new projects are expected to be cofinanced with the World Bank in Burkina Faso, Guinea, and Mali.

- **Support projects and programmes driven by beneficiary participation.** In December 1998, the first IFAD Flexible Lending Mechanism (FLM) loan was approved for Mali, and it is foreseen that an additional three will be submitted for Board approval in 1999 (Cape Verde, Guinea and Senegal). In 2000, the Fund will seek to operationalize the approach and start identifying implementation lessons.

- **Establish and use knowledge networks on rural poverty.** The Fund will expand its work related to the Convention to Combat Desertification, closely linking its activities with the Global Environment Facility. Support for the development and implementation of national action plans will continue in several Sahelian countries. Following on its agricultural-research strategy articulated in early 1999, IFAD will actively participate in TAG design and
implementation in support of research on commodities of importance to the rural poor, such as yams, rice, cowpeas, millet and sorghum. In addition, the FIDAfrica TAG will facilitate information exchange through the Internet and cross-country linkages among project participants, and support will be lent to key regional organizations, such as the Permanent Interstate Committee for Drought Control in the Sahel (CILSS) and the West African Economic and Monetary Union (WAEMU).

- **Create effective portfolio management systems.** The Fund will maintain the project portfolio management system initiated in 1997, and will continue to collaborate in the fine-tuning of the portfolio monitoring system.

- **Develop human resource and management systems.** The proposed activities for 2000 include training in project administration (procurement, disbursement and recruitment procedures), negotiating skills, and technical training in areas such as participatory project design and implementation, rural finance and the environment.

**Eastern and Southern Africa (Africa II)**

4. **Socio-economic trends.** In 1999 the rural and agricultural situation in the region was relatively stable. The continuation of the peace process and the resumption of normal economic and social life in much of the Great Lakes Region considerably reduced the profile of emergency assistance, coupled with the fact that climatic conditions were normal. Operational planning for the region, therefore, will focus on economic and social fundamentals, while closely following developments in the situation in the Horn of Africa.

5. **Opportunities for IFAD.** IFAD’s prime role in the region is to assist its target group in gaining access to organizational and material means to secure sustainable improvement in their livelihoods. This effort pivots on action at the local level to empower poor farmers and farmer groups to better manage and use their own resources and develop more effective and sustainable relations with service suppliers, including their ability to attract and collaborate with new partners (e.g., the formal private sector). The first comprehensive efforts by IFAD to address market linkages will be launched in Mozambique, Uganda and Zambia in 2000, possibly followed by a related programme in Swaziland. In the United Republic of Tanzania and Uganda, new programmes will focus on other critical service issues: rural financial system development and technology supply, both of which involve linkages between the private sector and organized smallholder demand.

6. In addition to “external” linkages, a major element in the economies of smallholders is access to, and management of, land. This issue will be taken up as a central theme of new projects and programmes under development in 2000, e.g., projects/programmes for rangeland management in Eritrea and Rwanda, marginal-area land husbandry and crop production in Ethiopia and Lesotho, and soil-fertility management and improvement in Malawi. Drawing upon supplementary funds, IFAD will join with other donors in Zimbabwe to explore options for community-based land reform in order to gain operational experience; this could lead to a possible larger-scale engagement of the donor community with the Government of Zimbabwe in addressing issues of smallholder access to quality land. This is especially significant in this region, which possesses areas that are characterized by profound rural dualism.

7. **Operating strategic directions**

- **Partnerships.** The most critical determinant for the sustainability of IFAD’s programmes is their relevance to smallholders and governments as effective means of addressing their problems. This requires a strategy ensuring that farmers and other civil-society/private stakeholders are deeply involved in the identification of problems and solutions, which means emphasizing the consultative process in programme development and management.
It also entails building confidence with governments through the development of firm expectations that IFAD will mobilize substantial support for the policy and institutional innovations it advocates as they relate to local-level capacity development in both the private and public sectors.

The replication and sustainability of IFAD-promoted approaches to smallholder economic and social empowerment will depend to a great extent upon mobilization of support from other international financiers, both bilateral and multilateral, through strategic partnerships to lay the foundations for local and national sustainability. In the financial sphere, considerable emphasis will be placed on increasing cofinancing levels. This will be pursued through joint work on programme development, ranging from sectoral-policy issues to implementation details. In Uganda, IFAD will work with the World Bank and major bilateral partners from the very beginning of project inception; a similar process will be involved in an IFAD-led effort with bilateral partners in the Tanzanian rural finance sector. IFAD and the African Development Bank have also agreed to initiate a process of joint programme development with mutually agreed targets for cofinancing commitments. In addition, IFAD will be deepening its dialogue on development objectives and modalities with multilaterals and bilaterals through such formats as the comprehensive agreement reached with the World Bank. It is expected that collaboration at the policy-development stage up through implementation will take a very concrete form in IFAD’s participation in the multi-donor Rural Development Hub to be established in Harare (Zimbabwe).

• **Implementation.** IFAD has committed itself to increasing its direct support for implementation of the programmes and projects it finances. Project status reports indicate that this is bearing clear and positive results in terms of project implementation and impact. In 2000, the focus will be on identifying critical issues affecting project impact and mobilizing resources around these key issues. This will mean stepping up project support in the areas of impact monitoring and beneficiary participation in the diagnosis and solution of problems.

Several projects are scheduled to close in 2000. Adherence to the closure schedule – coupled with an approach to new commitments that is guided by the dictum “fewer but better” – should produce a slightly smaller portfolio in terms of the number of projects, but one that is more focused on confronting critical issues in emerging development processes, and one that allows even higher quality of IFAD support in addressing impact and development issues during implementation.

**Asia and the Pacific**

8. **Socio-economic trends.** The Asian crisis has highlighted the vulnerability of this region’s poor populations. The adverse effects of the economic downturn have been transmitted to them through a drop in employment, price rises and public-spending cuts. The consequent social, economic and political instability has given rise in many instances to ethnic violence or criminality, thereby adding to the wretchedness of the disadvantaged groups who are its victims. These various impacts have prompted IFAD to re-examine its development-support strategy, priorities and practices in the marginal, upland areas of the region and formulate a programme for enhancing the resilience of very poor rural households in these areas to external economic shocks. Their remoteness and diversity places a premium on decentralized, participatory and iterative approaches to programme development and execution in order to ensure sensitivity to local conditions. Particular emphasis needs to be placed on developing local institution-building. Women-in-development issues will be of special importance because women constitute the majority of the absolute poor and play a pivotal role in food production and preparation, informal microenterprises and health.
9. **Opportunities for IFAD.** Based on lessons learned from the assessment of the impact of the Asian crisis and a review of past experience, greater attention will be paid to:

- Regenerative farming and forestry systems;
- Rural finance, with emphasis on savings and institution-building geared at on and off-farm activity financing as well as building resilience;
- Rural infrastructure;
- Local institutions and capacity-building.

10. Through successful implementation of innovative ideas and projects at the grass-roots level, IFAD will seek to influence the views of policy-makers. Partnership-building with like-minded donors, governments, NGOs and other stakeholders will be an important part of the strategy.

11. **Operating strategic directions.** Blended together with the overall organizational priority and lessons learned from past and ongoing projects, the operational strategy in the region for 2000 will be:

- **Ensure beneficiary and other stakeholders’ participation and implementation of projects** by promoting and vitalizing the In-Country Resource Groups (ICRGs) and holding preformulation workshops with active beneficiary and other stakeholder participation.
- **Ensure effective portfolio management** by promoting new mechanisms that will enable supervision-cost sharing with donors and other organizations, where feasible. A series of workshops with beneficiaries, interested organizations, government officials and donor representatives will be held to create a base for resource mobilization. Grants from the Special Operations Fund will be used to build local capacity and conduct strategic action research during implementation.
- **Establish and use knowledge networks** by electronically linking IFAD-funded projects with their counterparts in other countries in order to share ideas and experiences. This activity would be part of the ongoing grant to the International Development Research Centre to set up Electronic Networking for Rural Asia/Pacific Projects (ENRAP). This regional network will allow for more effective communication between IFAD, cooperating institutions and projects, as well as a continuous flow of information from projects that will facilitate close monitoring of quality.
- **Extend IFAD’s outreach in Asia and the Pacific** by forging strategic alliances with key opinion-makers and organizations in the region in order to scale up and replicate successful projects.

**Latin America and the Caribbean**

12. **Socio-economic trends.** In 1999, Latin America and the Caribbean will post its worst overall economic performance of the decade, after the Mexican financial crisis of 1994. Regional GDP growth is expected to fall to close to zero. When combined with an annual population growth rate of 1.7% per capita, this implies that both urban and rural poverty will inevitably increase. The 1998 and 1999 crisis – coupled with climatic disasters in the region (El Niño and hurricane Mitch) – provided clear evidence of the fragility of economies in Latin America. Structural and transitional poverty, traditionally associated with indigenous groups, rural women, landless farmers and other minorities, arises from very low educational levels, lack of productive skills and resources, and lack of access to production-support and financial services. Households affected by transitional poverty include small, landless farmers whose on and off-farm income is affected by cyclic national economic crises. Governments in the region will enter 2000 facing the particular challenge of reducing poverty to pre-1998 levels, with the added constraint of limited financial resources.
13. **Opportunities for IFAD.** The crucial challenge in the 2000 programme is to relink rural poverty-alleviation initiatives to rural development processes and to the challenges and opportunities of regional and global markets. In the 2000 lending and TAG programme, IFAD has given high priority to new strategic areas associated with the current situation, while maintaining some medium-term strategic goals:

- Enhance partnerships between IFAD and the countries of Latin America and the Caribbean (LAC) regarding new and innovative strategies for rural development and poverty-alleviation policies, strategies and programme/project design;
- Design lending and cofinancing schemes based on the financial and budgetary capacity of LAC countries;
- Improve institutional sustainability of projects;
- Promote and reinforce non-agricultural income-generation;
- Strengthen grass-roots organizational capacity to deliver development services to the rural poor throughout the region;
- Continue in-depth gender analysis and training.

14. **Operating strategic directions.** The following strategic goals and objectives will be highlighted during 2000: (i) increasing the commitment to rural poverty reduction through better linkages between poverty-reduction initiatives and rural development programmes; (ii) fostering partnerships by building alliances with governments and IFIs; (iii) increasing the commitment to rural development through better implementation and performance of IFAD’s portfolio in LAC countries; and (iv) strengthening the quality of non-lending services and encouraging experimental and innovative TAG projects.

15. **Opportunities for IFAD collaboration in the region.** While in large countries, such as Brazil and Mexico, the economic crisis appears to have bottomed out and recovery is slowly and gradually under way, mid-size economies such as Chile, Colombia and Peru are still struggling to level out their economic output. Countries with smaller economic bases face a long and complex road to recovery. In this context, the renewed interest of the region’s governments in collaboration from IFAD stems essentially from opportunities to test new, innovative and cost-effective approaches to rural poverty alleviation. The crucial challenge in the programme for the year 2000 is to relink rural poverty-alleviation initiatives to local rural-development processes and to the challenges and opportunities of regional and global markets.

16. In the 2000 lending and TAG programme, IFAD has assigned high priority to new strategic areas associated with the current situation, while maintaining some medium-term strategic goals:

- Improve partnerships between IFAD and the LAC countries regarding new and innovative strategies for rural development and poverty alleviation policies, strategies and programme/project design;
- Design lending and cofinancing schemes based on LAC countries’ real financial and budgetary capacities, linked to joint financing with major IFIs, wherever feasible;
- Improve institutional sustainability of projects by ensuring beneficiary participation in project design and implementation, increasing work with grass-roots organizations and linking rural poverty-alleviation initiatives to decentralization efforts;
- Promote and reinforce non-agricultural income-generating activities in areas with a predominance of “structural” poor who lack minimum resource bases or are located in ecologically fragile environments;
• Strengthen grass-roots organizational capacity to deliver development services to the rural poor throughout the region;
• Continue in-depth gender analysis and training, to ensure better-focused implementation of gender dimensions in all phases of the project cycle and in technical assistance programmes.

17. **Strategic objectives for 2000.** The following strategic goals and objectives will be highlighted during 2000: (i) encouraging innovative projects and programmes; (ii) fostering partnerships by building alliances with governments and IFIs; (iii) increasing the commitment to rural development through better implementation and performance of IFAD’s portfolio in LAC countries; and (iv) strengthening the quality of non-lending services and encouraging experimental and innovative TAG projects.

**Near East and North Africa**

18. **Socio-economic trends.** In the countries traditionally covered by the Near East and North Africa (NENA) Division, economic growth rates overall have been good. However, drought brought marked declines in growth for both Morocco and Algeria, while instability with respect to the peace process had a negative impact on the economy of Gaza and the West Bank. Increasing interregional trade among the Arab states and within the greater Mediterranean area has become an important path of economic opportunity. Signs of political liberalization in some countries offer promising prospects for social development and economic integration.

19. In Eastern Europe and the former Soviet Union, poor rural families continue to suffer from the effects of weak institutions and very low-level services, both for production and for covering basic social needs. In areas adjacent to the former Republic of Yugoslavia, the recent conflict has rendered the practical problems of survival more acute and has heightened pressure on governments to respond. While aid flows to those countries are expected to increase substantially in 2000, assistance to rural households as agricultural producers or seekers of rural employment is not prominent in donor programmes. Moreover, resources and attention given to the dramatic situation in the Balkans have tended to detract from the persistent hardship of the rural poor in other parts of the region.

20. **Opportunities for IFAD.** The 2000 strategy for this region will be to continue to seek opportunities to overcome natural-resource constraints. Key project themes will be: (i) access to land, water, capital and information; and (ii) decentralization of responsibility for natural-resource management. As in the past, projects will focus on soil and water issues in rainfed areas, with emphasis on community-level management of common property resources. In recognition of the diverse survival and coping strategies of poor households, investments will be designed for improving agricultural production and fostering microenterprises and other off-farm employment. Project loans are planned for Algeria and Morocco.

21. In Eastern Europe and the former Soviet Union, the Fund’s strategy in 2000 will shift its general emphasis to mountainous areas where poverty is most severe and households have the greatest difficulty weathering the ongoing process of economic transition. The organization will continue its previous engagement in the area of rural financial services by means of interventions designed to improve financial-service delivery and raise the aggregate level of capital available for on-lending in rural areas through savings mobilization. Loans to Azerbaijan, Georgia and The Former Yugoslav Republic of Macedonia are planned in 2000.

22. **Operating strategic directions.** Strategic directions for operations in 2000 will continue to follow IFAD’s corporate strategy closely, with special emphasis on: building partnerships and long-term strategic alliances; increased cofinancing, project upscaling and replication; knowledge management; and local capacity-building.

23. **Support to programmes driven by beneficiaries.** Targets have been set to ensure extensive beneficiary consultation in all projects designed in 2000 and to design all projects in such a way as to make sure that beneficiaries, particularly women, are part of the decision-making bodies that are central...
to project implementation. Participatory approaches to management and decision-making in project implementation — and the training to put such approaches into practice — will be given increased and more systematic attention in project design. Participatory monitoring and evaluation systems will be introduced in projects directly supervised by the Near East and North Africa Division.

24. **Effective portfolio management.** Close to half of the 13 projects that experienced major problems in 1999 are expected to show notable improvements. Given the continued emphasis on closer follow-up of project implementation and portfolio performance, IFAD expects to substantially improve another four projects in 2000. Logframes will continue to be part of the design of all projects in this region as they have been in 1998 and 1999.

25. **Ensure effective IFAD presence and expand outreach.** Efforts will be made to maximize the impact of available resources by combining them with funds from beneficiaries, governments and other local sources, United Nations agencies, and bilateral and multilateral donors. Strong ties will be maintained with the Arab Fund for Economic and Social Development, Islamic Development Bank, International Development Association, and the Organization of the Petroleum Exporting Countries Fund – IFAD’s principal partners for the Near East and North Africa. At the same time, new alliances will be sought with European bilateral partners, especially for work in Eastern Europe. In addition to the programmed loans to Algeria, Azerbaijan, Georgia, Morocco and The Former Yugoslav Republic of Macedonia, reserve projects will be prepared in the pipeline for Armenia, The Sudan, West Bank and Gaza, and Yemen.

26. **Establish and use knowledge networks.** IFAD will concentrate on raising its profile as a knowledge centre with respect to rural finance. It will seek to strengthen the role it plays vis-à-vis the financial institutions with which it works in both the NENA and the Eastern European sub-regions. Rural finance will be a centrepiece for dialogue and action at the levels of policy, projects and IFAD technical assistance grants. The policy framework paper to be prepared by IFAD on the topic of rural finance will serve as the foundation upon which these efforts will be based.