



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
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**PROGRAMME OF WORK AND BUDGET OF IFAD FOR 2001**

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## I. INTRODUCTION AND HIGHLIGHTS

1. At its Seventieth Session in September 2000, the Executive Board reviewed the Preview of the Programme of Work and Budget of IFAD for 2001 (document EB 2000/70/R.6), which provided information on the Fund's strategic directions for the medium and long term and its objectives for 2001.

### A. Major Features of the Programme of Work and Budget for 2001

2. One of the main elements of IFAD's Programme of Work for 2001 will be the implementation of the IFAD V: Plan of Action (2000-2002) (Plan of Action) drawn up by the Consultation to Review the Adequacy of the Resources Available to IFAD (the Consultation), which will require both further intensification and the inclusion of incremental activities in the work of the Fund. The implementation of the Plan of Action is to be spread over three years, but the greater part of the activities will be undertaken in 2001. This will require increased support and reallocation of resources for priority activities to be implemented under the Plan of Action. In the Fund's overall programme of work, it is proposed to implement the Consultation's recommendations on a zero incremental cost basis. However, in cases where the implementation will require the setting up of additional capacities at IFAD, it is proposed to meet the costs involved from part of the resources allocated for the Process Re-Engineering Programme (PRP) and savings generated through the re-engineering of processes (at least for knowledge management).

3. During 2000, work was undertaken on the detailed design of the Process and Information Technology Support Programme funded by the Capital Expenditure Budget. As a result, it is recommended that certain processes should be re-engineered as of 2001, details of which will be provided to the current session of the Executive Board in document EB 2000/71/R.9.

4. In the interests of rationalizing project expenditures and of greater flexibility in the use of resources, it is proposed that costs relating to project development, supervision and implementation should appear under one heading – the Programme Development Financing Facility (PDFF). To that end, resources would be reallocated to the PDFF from both the administrative budget and the technical assistance (TA) grant programme on a zero incremental cost basis, i.e. both the overall administrative budget and the grants would be reduced by the amount of the resources diverted to PDFF. The Programme of Work and Budget for 2001 is presented in the 'traditional' manner, whereas Section VIII contains a revised format to accommodate the proposals regarding the PDFF and the conversion of long-term temporary (LTT) staff to fixed-term positions.

5. The Seventieth Session of the Executive Board reviewed the resources available for commitment under the annual lending programme, the level of the Fifth Replenishment and the impact of the Fund's participation in the enhanced Heavily-Indebted Poor Countries Debt Initiative (HIPC DI). In view of the discussions on these issues, the delay in the Fifth Replenishment becoming effective and the reduced level of investment income during 2000, IFAD management proposes to reduce temporarily the lending programme from 30 projects to 26 in 2001. This would enable the Fund to allocate approximately USD 15 million to the enhanced HIPC DI and to redirect some staff capacity during 2001 to cover the incremental work involved in implementing the Plan of Action.

### B. Emerging Challenges in Poverty Reduction

6. The challenges facing IFAD in terms of eliminating hunger and alleviating rural poverty remain as valid today as they were at the time of the Fund's creation in 1978. Global poverty fell at an unprecedented rate in the two decades following the 1974 World Food Conference. Since then, however, the rate of improvement has slowed down in large parts of the developing world and has



even worsened in most of Africa. By the end of the 1990s, the development community had set itself a number of important targets for the next 15 years. For IFAD, the most important aim is to contribute towards the global poverty reduction targets of bringing about a 50% reduction in the percentage of poor and food-insecure people in the developing world by 2015. Significant changes in the global development scene, coupled with the spread of the market economy, globalisation and the emergence of the private sector and the community of civil-society organizations, are the new forces which must be marshalled to meet the challenge of poverty alleviation in the coming years.

7. To meet these emerging challenges, in 1999, IFAD embarked on the preparation of the Rural Poverty Report 2001, as approved by the Sixty-Sixth Session of the Executive Board (document EB 99/66/R.29). The report, which is now in the final stages of preparation and expected to be published at the end of January 2001, will provide the basis for the Fund to engage in dialogue with its stakeholders to devise ways of increasing the effectiveness of rural poverty reduction efforts. A series of activities will be initiated with the launching of the report by the Secretary-General of the United Nations on 5 February 2001.

8. While IFAD has increased its efforts to place rural poverty eradication at the centre of its target to help reduce global poverty, it has been preparing itself to meet the challenges with greater effectiveness. In 1995, the Fund embarked on a far-reaching re-engineering exercise that led to the streamlining of the project development cycle and systematic introduction of participatory design and implementation methodologies. These reforms, together with rationalized budgets, led to a net reduction in administrative expenditure in the first year of the re-engineering exercise and, in the following years to a sustained zero growth in the administrative budget.

9. The aforementioned achievements have been accompanied by a net increase in operational activities, resulting in a lower unit cost for project delivery. In addition to these efficiency gains, there was an upward trend both in disbursements and in the number of loans approved. IFAD is increasingly diversifying its operations to respond to the needs of the rural poor, calling for a careful balance between rural infrastructure, grass-roots capacity building, local institution strengthening and ensuring that the poor have access to financial resources, including microfinance.

10. **Future opportunities.** The challenges and opportunities facing IFAD in the coming years relate to its ability to make a sustainable contribution to reducing poverty and its capacity to innovate through its projects and programmes. The Fund must work to ensure that there is broad consensus on the centrality of rural poverty in overall poverty-alleviation efforts; that the poor have a role as protagonists in the formulation and implementation of poverty-reduction programmes; and the forging of a broad-based coalition for that purpose among all sectors of society. The Rural Poverty Report 2001 will provide a platform for public debate and serve as a stimulus for the Fund to further sharpen and refine its regional and country strategies.

## **II. THE CORPORATE STRATEGY FOR 2001 AND ITS OPERATIONAL IMPLICATIONS**

### **A. Reshaping IFAD to Meet Stakeholder Expectations**

11. IFAD's corporate strategy, which was first formulated in 1997, is articulated along five strategic thrusts: enhancing beneficiary participation in project design and implementation; creating an effective portfolio management system that ensures desired field-level results; ensuring an effective IFAD presence and impact at the field level; developing knowledge networks on rural poverty; and increasing the efficiency and commitment of its staff.

12. As in 2000, IFAD's priority objectives in 2001 will be defined in terms of four basic perspectives: (a) its clients; (b) political and financial considerations; (c) internal business; and (d) innovation and learning. These objectives, set out in the form of a score card, provide a way of



balancing priorities by major perspective. The score card mentioned in the document on the Programme of Work and Budget of IFAD for 2000 (document EB 99/68/R.7) serves as a tool to manage the implementation of the Fund's corporate strategy and is still largely valid today. Some of the most critical and challenging elements of IFAD's corporate strategy are derived from the Plan of Action:

- promotion of effective policy dialogue with Member States and donor agencies to support pro-poor policies and institutions;
- enhancement of IFAD's impact through improved impact assessment capacity;
- more effective management of knowledge and lessons emerging from operations; and
- strengthening partnership management to ensure that synergies are developed with the Fund's stakeholders and the flow of funds for rural poverty alleviation is increased.

### **B. Meeting the Challenges of the Plan of Action: The Corporate Strategy and the Score Card for 2001**

13. The year 2001 will be of crucial importance in the shaping of the Fund's future because it coincides both with the implementation of the PRP and with the first full year of the period covered by the Fifth Replenishment. The PRP was designed to respond to stakeholder expectations and further strengthen the Fund's capacity to implement core elements of the Plan of Action. It also helps sharpen the Fund's profile and emphasize its role as an innovator, a knowledge institution and a catalyst for promoting effective, sustainable poverty-alleviation strategies.

14. The Fund's corporate score card for 2001 highlights some of the most important areas for future investment. The corporate, departmental and divisional scorecards for 2001 will capture and reflect the core features of PRP and the objectives of the Plan of Action.

15. In 2001, the corporate score card will consist of some 17 objectives, with indicators for measuring achievement. The key elements of IFAD's operational strategies that will shape the lending and grant programmes for 2001 are as follows:

- ensuring effective impact on poverty and bringing about a sustainable improvement in the livelihoods of beneficiaries;
- enhancing the Fund's capacity for policy dialogue and influencing rural development policies and institutions;
- increasing beneficiary and stakeholder participation;
- assessing performance to influence future lending programmes;
- promoting IFAD as a catalyst for innovation through its research grants and as a knowledge organization;
- identifying constraints to income generation and household food security among the rural poor; assisting in the development of cost-effective solutions adoptable by IFAD's target group; and contributing to the dissemination of such solutions among development practitioners and policy-makers, including civil-society institutions, government personnel and the development community;
- leveraging resources in middle-income countries;
- boosting the level of non-donor financing and cofinancing to 30% of the lending programme; and
- improving technical and financial cooperation with other donors.



16. Among these important objectives, in 2001 the Fund will focus particularly on the main strategic directions described hereunder.

### **C. Implementing the Corporate Strategy: Operational Implications**

17. **Policy analysis and dialogue.** With its limited resources, IFAD will be able to have a major impact on rural poverty only if it ‘leverages’ the resources of other stakeholders operating in rural areas of the developing world. The policy dialogue process is an important means to that end. IFAD’s effective engagement in such dialogue involves relating its development vision in the rural areas to broader sectoral and macro-issues. This will necessitate resumption of the sectoral and broad poverty-process analysis, carving out – on a country basis – areas of policy specialization and true policy value-added, and selective learning from other institutions.

18. The Plan of Action calls on IFAD to scale up its profile in policy and institutional analysis and dialogue. It implicitly recognizes that, throughout the project cycle, the Fund performs such tasks when undertaking country strategy formulation; project design; supervision and implementation support (ensuring compliance with the supplementary assurances included in the loan agreements); and project evaluation and portfolio review work. Such policy and institutional development work generally focuses on what is needed to ensure project success and impact. In addition, unlike other international financial institutions, IFAD has rarely adopted an *ex ante* conditionality approach to policy/institutional reform. Wherever it has been successful in policy/institutional development, the Fund has usually worked at the local level with ‘conditionality-at-exit’: policy and institutional change as a result of the programme involved and as an outcome of dialogue. This approach will remain the cornerstone of IFAD’s work on policy and institutional development.

19. In order to ensure the sustainability of local-level policy and institutional change promoted by the Fund’s operations, however, a favourable national policy environment must support such change. To that end, IFAD will need to enhance its partnerships with others in appropriate multi-stakeholder coordination, as achievements at the local level may indeed influence the broader policy and institutional framework. The benefits of any such effort could lead to replicating local achievements at the national level and to influencing the policy and institutional development agenda of projects supported by other donors.

20. Although the benefits of policy dialogue are directed to the rural poor, IFAD will not benefit tangibly in terms of reduced project development costs or increased cofinancing. It must carry additional costs to support the quantitative and qualitative enhancement of its policy and institutional development role.

21. **Enhancing IFAD’s impact.** In 2001, work in this area will involve further normative work on the Fund’s approach to the logical framework methodology and impact analysis and focus on working with cooperating institutions and borrowers to raise the quality of impact monitoring and reporting in the implementation of the projects and programmes it supports. The Fund intends to develop an improved methodological framework for impact assessment and to make consistent use of that instrument in evaluating its projects.

22. Impact enhancement refers to the entire process of ensuring that IFAD-assisted projects achieve their stated development objectives by applying corrective action and capturing and systematically reporting on project outcome. The process is very pro-active in that it provides a major input to the circulation and re-use of knowledge. In support of relevant sections of the Plan of Action, an internal working group has been established to elaborate the analytical tools required to design, implement and report on project impact. This has necessitated taking a fresh look at the project cycle in terms of possible further streamlining, partly with a view to releasing resources to cover the extra work foreseen under the Plan of Action.

23. The logical framework methodology will provide the backbone of the new approach to the project cycle, clearly linking design with project implementation. This will facilitate communications both within IFAD and among IFAD and borrowing countries during the project cycle.



24. The Fund's new orientation – application of the logical framework method, management by objectives and allied participatory approaches (participatory rural appraisal and monitoring and evaluation (M&E) and the like) – will of necessity engage those actually involved in implementing IFAD-assisted projects. IFAD's two-pronged strategy aims to ensure application of the logical framework methodology both to new projects and to the ongoing project portfolio. In the case of new projects, it is planned to hold expanded start-up workshops to discuss the design of projects and associated logical frameworks with concerned stakeholders. Key performance and project impact indicators will be discussed in a consultative manner so that those implementing the projects can claim ownership of the whole process. Similarly, such workshops will discuss the M&E function – in the context of a wider management information system – and IFAD's reporting requirements on project implementation performance and expected impact, as defined in the hierarchy of objectives in the logical framework.

25. The preparation of project completion reports (PCRs) based on a set of newly developed guidelines that provide for the 'ex post fitting' of a logical framework constitutes another means of capturing and reporting on project impact. In the past, PCRs mainly consisted in extended supervision reports on the physical and financial achievements of projects. The new format, which has been tested in 2000, includes a number of non-quantitative indicators of development such as capacity building, decentralization, gender mainstreaming, civil-society participation in project activities, replication and replicability of all or part of project activities, forging of partnerships during project implementation, environmental aspects, impact on sectoral and sub-sectoral policies and procedures, and an assessment of project sustainability. The preparation of PCRs will involve the inclusion of additional inputs for several years to come, until such time as borrowing countries become familiar with the new approach. In 2001, the new format will be used to prepare PCRs on about 75% of the projects scheduled to close during the course of the year.

26. **Knowledge management.** One of the pre-conditions for effective engagement in 'up-stream' project development and policy dialogue is better management of what IFAD and others have learned about critical determinants of rural poverty – and what works to promote real improvement. This must be pursued further within a framework of drawing in relevant knowledge from other sources and supported by an explicit and targeted communications strategy to ensure that knowledge is directed to those who can use it effectively.

27. The 1994 Rapid External Assessment of IFAD called on the organization to build up its institutional identity as a knowledge organization on rural poverty alleviation. Recognizing the importance of this call, the Fund launched a number of initiatives, one of which was the creation of the Evaluation Knowledge System (EKSYST). IFAD's evaluations have increasingly focused on lessons learned. Such lessons are stored in an electronic knowledge network, where the information can be managed and shared both in-house and with other development agencies and partners.

28. In 1999-2000, IFAD launched an initiative aimed at building up and managing its operational knowledge on a thematic basis so as to ensure that knowledge management crosses the boundaries of functional units. Pilot thematic working groups were established in the areas of (a) rural finance; (b) community-based natural resources management (rangelands); (c) diagnostic tools; (d) promotion of microenterprises in rural areas; and (e) small-scale, farmer-managed irrigated agriculture. The aim is to produce a variety of knowledge outputs (web page content, brochures, multimedia tools, publications, etc.) and to organize workshops and seminars for the generation and dissemination of knowledge products. Work is currently under way in these areas, but there is evidence that time constraints limit the involvement of IFAD's country portfolio managers in the work of the thematic groups. In addition to developing the thematic group approach further, IFAD will need to establish other instruments, such as 'communities of practice' for knowledge generation.

29. IFAD is also taking steps to capture knowledge within geographical areas. Examples of regional knowledge management initiatives, built on the exploitation of information and communication technologies, are given below:





- **Western and Central Africa (Africa I).** An important means of knowledge dissemination will be the Regional Network in West and Central Africa (FIDAFRIQUE) initiative.
- **Eastern and Southern Africa (Africa II).** IFAD has undertaken a limited number of regional knowledge management activities in areas of concern to smallholders (gender analysis, review of irrigation water management and of credit, and a regional poverty assessment).
- **Asia and the Pacific.** Through the Electronic Networking for Rural Asia/Pacific Projects (ENRAP) system, IFAD is stepping up its activities in the generation and management of knowledge, with special emphasis on the electronic networking of IFAD projects for knowledge and information sharing; the documentation and sharing of innovative participatory processes in project design, implementation and evaluation among IFAD projects and non-governmental organizations (NGOs); and scouting for and disseminating indigenous knowledge in regenerative agriculture, forestry and agro-forestry in upland and mountainous areas of the region.
- **Latin America and the Caribbean.** Through participating projects, the Internet-Based System of Information Exchange for IFAD Programmes throughout Latin America (FIDAMERICA) has proved to be a valuable instrument for disseminating information on procedures, methodologies, benefits, etc., in areas such as financing systems; rural economically-viable organizations; women-led rural activities; desertification and poverty; and TA provided by private firms.
- **Near East and North Africa.** IFAD is intensifying activities in the establishment and use of knowledge networks in strategic areas, focusing on dryland and marginal rainfed zones; rural finance and microenterprise development; participatory irrigation management; and gender mainstreaming.

30. In addition, building on formal discussions with several key research and development partners on ways of moving technologies resulting from grant support more rapidly on to 'farmers' fields', the Fund is planning to further develop a series of Technical Advisory Notes into Knowledge Notes designed to help introduce new pro-poor technologies to a wider development community, in the form of 'best practices' advice matched to specific socio-economic or resource settings. The Knowledge Notes are intended to provide development planners and development project formulation missions with technical options that have been validated and verified through community participatory research, and may provide replicable solutions to problems under similar socio-economic, cultural and bio-physical conditions elsewhere.

31. **Better management of partnerships.** Strategic partnerships are more than just a means of pursuing project and programme cofinancing. They involve working closely with the rural poor and civil-society organizations to identify major challenges facing the poor and find viable responses thereto; with governments to bring about broad-based long-term change based on mutual commitment; with like-minded donors to promote pro-poor policy, technology and institutional change (and investing in bringing about such change); and with other knowledge centres to identify and solve crucial policy, institutional and operational issues. Such partnerships also involve exchanges of knowledge, technical skills and institutional capacity, and matching the comparative advantages of IFAD with those of its current and potential partners. This includes participating in the Comprehensive Development Framework (CDF) and the United Nations Development Assistance Framework (UNDAF) and in Poverty Reduction Strategy Processes (PRSPs) in selected countries.

32. The forging of partnerships is as important for the ongoing project portfolio as it is for new projects because of the need to strengthen government institutional capacity for project implementation and to accelerate that process by encouraging more participatory modes of operation. There are also situations where the withdrawal of government services and pursuit of decentralization policies call for more active involvement on the part of civil-society farmer organizations and local



communities. In such cases, supervision and follow-up missions act as catalysts for facilitating greater participation on the part of local stakeholders. The challenge for IFAD is to develop and maintain partnerships in a more systematic manner, and to strengthen them at the country level despite the absence of direct in-country representation and the episodic nature of work on new programme development.

#### **D. Mobilization of Resources**

33. As mentioned in document EB 2000/70/R.6 submitted to the Seventieth session of the Executive Board, allocations of IFAD's resources over the coming years will be influenced by the actual size and payment date of the Fifth Replenishment in terms of core resources, and by requirements for the enhanced HIPC DI and availability of additional resources for that purpose:

- The upper and lower targets for the Fifth Replenishment were set at USD 569 million and USD 460 million, respectively. Both the final amount achieved and clarification as to whether any contributions are complementary (i.e. earmarked for specific purposes) as opposed to core resources (can be used for regular operations unconditionally) are important issues for resource planning; and
- IFAD's participation in the enhanced HIPC DI was approved by the Twenty-Third Session of the Governing Council in February 2000. Estimates of the amounts involved are still tentative and subject to constant revision. However, the latest estimates suggest that IFAD's share of debt relief will amount to approximately USD 336 million in nominal terms (or USD 260 million at 2000 prices). The Fund committed about USD 25 million under the original HIPC DI and the additional USD 311 million will need to be committed over the four-year period 2000-2003. Resource requirements are expected to increase annually to USD 20-30 million over the next few years as more and more country programmes are approved by the Executive Board.

34. Prudence demands that IFAD assume the most conservative scenario in the case that (a) it should finance enhanced HIPC DI participation from existing funds; and (b) core resources under the Fifth Replenishment should fail to exceed USD 460 million. Future commitments may have to be reduced from the current annual level of USD 450 million in 1996 prices (equivalent to approximately USD 490 million in 2001 prices) to enable IFAD to meet its obligations while maintaining relatively prudent and sound financial management.

35. In summary, to finance its participation in the enhanced HIPC DI, the Fund's options – applied singly or in combination – are to:

- lower the current commitment level (lending and/or grants); or
- raise additional donor contributions for HIPC DI; or
- revise the drawdown policy and earmark the incremental income thus generated for the IFAD/HIPC Trust Fund.

36. As adopted by IFAD, the Advance Commitment Authority (ACA) is only a stopgap solution used to maintain commitments constant during a temporary resource gap, provided resources become available in due course to regularize the situation.



### III. OPERATIONAL STRATEGY

#### A. Implementation of the Plan of Action to Ensure the Availability of Adequate Resources

37. The objective of the PRP is to enhance IFAD's ability to attain the objectives set out in the Plan of Action. The former will be implemented over a period of three years, involving both a gradual reallocation of resources to 'front line' Plan of Action processes and improved efficiency of all processes. In 2001, however, the first full year of Plan of Action implementation, IFAD will also need to rely on resources available from sources other than PRP implementation. In order to avoid increases in the Programme of Work and Budget for 2001, these resources will be essentially TA grants and supplementary funds coupled with a reassignment of priorities within operational divisions.

38. The four pillars of the Plan of Action are: knowledge management, impact management; partnerships; and policy and institutional analysis and dialogue.

39. **Knowledge management** is one of the main processes involved in the PRP, and new processes and resources will be introduced gradually in 2001. The key steps to be taken in 2001 are: a review of existing and feasible knowledge assets; analysis of strategic rural poverty-alleviation bottleneck areas; assessment of critical knowledge 'gaps' in these areas; determination of what knowledge can (and will be able to) bring in association with other stakeholders; and definition of a plan of action for knowledge development and sharing, both within IFAD and with its partners. The guiding principle of knowledge management – as, indeed, of programme development/implementation and partnership/policy dialogue – will be to focus on strategic areas and concentrate sufficient resources to make a tangible impact.

40. With regard to **impact management**, in 2001 IFAD will draw on resources already allocated (partly TA grant-based) to complete activities for the development of logical framework and impact analysis methodology work, regional training of project stakeholders and the upgrading of project reporting, including project completion reporting. IFAD is participating in the work on impact indicators of the Development Assistance Committee of the Organisation for Economic Co-operation and Development, and these indicators are already factored into the methodology development process.

41. Under **partnerships** – an important element relating to participation in the CDF, UNDAF and PRSPs – the Plan of Action's challenge for 2001 is mixed. The announced roll-out schedule for Common Country Assessments/UNDAs and CDFs is consistent with planned resource and supplementary fund availability. Meeting the PRSP challenge is more demanding, partly because of the regional concentration involved (particularly in sub-Saharan Africa). Until new capacity is brought on line, in 2001 IFAD will focus on countries about which it has the greatest knowledge and where it has policy development assets, thereby leveraging the value of existing knowledge and programme development – a process already under way in a number of countries. The ground rules will focus on country PRSPs where IFAD has significant policy and partnership involvement and a realignment of country work on major policy and institutional issues.

42. For **policy and institutional analysis and dialogue**, there will be a sharper institutional focus on policy and institutional issues through the restructuring of Country Strategic Opportunities Papers (COSOPs). At least for the time being, the development of institutional and policy dialogue will be carried forward through the design and implementation of IFAD-supported programmes oriented to key sectoral and institutional issues and undertaken jointly with governments and international partners. Global policy and institutional analysis work will be largely structured around the presentation and discussion of the Rural Poverty Report 2001.



## B. Human Resources Management Strategy

43. The human resources strategy for 2001 and for the next several years will focus on positioning IFAD's Personnel Division (MP) to become a more strategic, value-added division. Specifically, this will include improving the quality of the services provided, reducing the cost of such services and eliminating the steps/time spent on human resources (HR) processes. This strategy is in line with the recommendations of the PRP 'Business Case – Human Resources Process'. In 2001, IFAD will focus on further streamlining; decentralization of activities to divisions; clarification of roles and responsibilities of parties involved in key human resources processes; assisting managers to identify, recruit and retain the best available staff; designing an integrated information technology system for HR; and creating a climate where staff develop and share skills to meet increasingly broader expectations.

44. In 2000, HR achievements in this field have included: publication of the Human Resources Handbook; an orientation programme; development of an automated leave management system; the design and implementation of a more streamlined vacancy management process; the move towards delegating authority to managers to promote within a given pay band; introduction of a one-year pilot policy to allow staff more flexibility to organize their work/personal lives; and the possibility of distance-working.

45. Within HR's strategic perspective, efforts will be made to identify new ways of working to improve the effectiveness of the Fund and to support the expansion of flexible family-friendly working arrangements.

46. **Long-term temporary staff (LTTs).** In December 1997, IFAD management notified the Sixty-Second Session of the Executive Board (document EB 97/62/R.5) of an unusual situation involving approximately 35 long-term temporary General Service staff. That group of staff had been maintained on temporary contracts and employment conditions for several years, despite the fact that they were fulfilling continuing functions. To improve the contractual circumstances of such staff, the Executive Board recommended, and the Governing Council approved management's proposal, that such staff be employed on fixed-term conditions as of 1998. At the same time, IFAD put in place a number of measures to safeguard against the creation of further LTT situations.

47. By the end of 2000 some LTT staff will have been appointed to regular positions, leaving approximately 23 to be absorbed. Despite this considerable progress in reducing the number of staff in the LTT category, given the low turnover rate among IFAD's General Service staff further absorption may well prove difficult. Based on confirmation by managers of the need for such staff to carry out continuing functions, as confirmed by the Human Resources Management Study completed in 1998, it is proposed as a final solution that the Executive Board recommend that the remaining LTTs be offered regular fixed-term positions in 2001. Given that LTT staff have been remunerated on the same basis as fixed-term staff since 1998, such regularization is not expected to have an impact on the budget for 2001. Regularization of the remaining LTT staff would simply involve shifting allocations from the different budget categories, and from the Project Development Fund (PDF) line, to the Fund's staff costs budget category.

48. **Non-staff professionals (NSPs).** The Fund has employed this category of staff for the purpose of supplementing regular staff resources since 1988. Currently, 13 NSPs are working with IFAD. During the course of the years, however, their conditions of employment have proved to be unsatisfactory. Although bound by the same obligations as staff members, NSPs do not enjoy the same benefits, i.e., participation in the United Nations Joint Staff Pension Fund, education grant, home leave, etc. Inasmuch as their services will be further required in 2001, IFAD management recognizes that employment conditions similar to those of fixed-term Professional staff should be extended to NSPs. This would provide equity of conditions among staff performing similar functions and result in increased staff satisfaction. The costs incurred by such an arrangement would need to be absorbed within existing budgetary resources.

#### IV. REVIEW OF RESOURCES AND COMMITMENTS

49. **Commitment levels 1995-2001.** The amounts of the loans and grants approved by the Executive Board for the period 1995-2000 and a proposal for the Programme of Work for 2001 are presented below.

**TABLE 1: LOANS AND GRANTS APPROVED (EXCLUDING CANCELLATIONS)  
1995-2000 AND PROPOSAL FOR 2001**

	1995	1996	1997	1998	1999	2000 Approved	2000 Projected	2001 Proposed
Number of loans	33	32	29	30	34 <sup>1</sup>	30	30	26
<b>(SDR million, rounded)</b>								
Total value of loans	261	275	288	304	310	319	319	277.7
Total value of grants <sup>2</sup>	15	19	23	24	25	26	26	22.5
<b>Total value of loans and grants</b>	<b>276</b>	<b>294</b>	<b>311</b>	<b>328</b>	<b>335<sup>1</sup></b>	<b>345</b>	<b>345</b>	<b>300.2</b>

50. Tables 2 and 2A provide projections of resources to the end of 2003 in United States dollars and Special Drawing Rights (SDR), respectively.

51. To support the proposed Programme of Work and Budget for 2001, a detailed analysis has been made of the projected repayments of loan principal and interest up to 2003. For the sake of prudence, assumptions include the actual pattern of principal repayment trends of borrowers in the past. As may be noted from Table 2, the proposed Programme of Work has had to be reduced temporarily due to the timing of effectiveness of the Fifth Replenishment, now anticipated to occur during 2001 rather than 2000, and owing to a further decrease in net expected investment income for 2000 in view of adverse market conditions. A provision of USD 15 million for IFAD's participation in the enhanced HIPC DI has been included, although the full amount may not be required in the event donor contributions to the initiative are forthcoming.

52. During the course of the year, IFAD will continue to review the incoming resource situation to ensure that no further reductions will be necessary in the proposed Programme of Work for 2001 should the assumptions in Table 2 with regard to investment income and the timing of the Fifth Replenishment no longer be applicable. In this manner, the Fund will reduce the use of the ACA to the extent possible.

53. On 21 February 1997, the Governing Council adopted Resolution 100/XX, which established the ACA authorizing the Executive Board to compensate, session-by-session, for fluctuations in the resources available for commitment. This authority was renewed by the Governing Council on 31 July 2000 when it adopted Resolution 119/XXIV on the Fifth Replenishment of IFAD's Resources. The main purpose of the ACA is to fill shortfalls in the amount of committable resources available for loans and grants that may arise due to delays in the receipt of contribution payments under the Replenishment and/or volatility in the rate of return on investment income and/or delays in the receipt of payments and repayments under loans provided by the Fund and/or exchange rate fluctuations. Tables 2 and 2A show an estimate of the amount of authority that may be required in a given year under the ACA to meet a shortfall in resources available for commitment. However, the ACA will only be requested and used at each session of the Executive Board on the basis of the **actual** resources available and required at that time for the loans and grants proposed to the Executive Board for approval at that session of the Board. It is not anticipated that the ACA will be required for the loans and grants that are being submitted to the Seventy-First Session of the Executive Board in December 2000.

<sup>1</sup> This excludes SDR 9 million postponed from 1998 for the Forest Resource Management Project in Zambia.

<sup>2</sup> From 1995 on, grants include the PDF.

**TABLE 2: PROJECTED RESOURCES FOR COMMITMENTS, 1999-2003  
(USD million)**

	<b>Actual 1999</b>	<b>Forecast 2000</b>	<b>Forecast 2001</b>	<b>Forecast 2002</b>	<b>Forecast 2003</b>	
Resources at the beginning of the year	371	272	156 <sup>3</sup>	150	234	
Exchange rate movement adjustments	(24)	(84)	-	-	-	
Provisions on existing contributions	(17)	10	-	-	-	
Loan cancellations	8	75	50	50	50	
<b>Resources Adjusted</b>	<b>338</b>	<b>273</b>	<b>206</b>	<b>200</b>	<b>284</b>	
Internally generated resources	Loan reflows	177	171	172	175	173
	Investment income	197	-	150	150	150
Operating expenses <sup>4</sup>	(52)	(51)	(53)	(55)	(57)	
Process Re-Engineering Programme <sup>5</sup>	-	(1)	(8)	(8)	(8)	
Provision for After Service Medical Scheme	(3)	(4)	(4)	(4)	(5)	
Provision for HIPC DI Fund	(4)	(7)	(4)	-	-	
<b>Subtotal</b>	<b>653</b>	<b>381</b>	<b>459</b>	<b>458</b>	<b>537</b>	
Provision for enhanced HIPC	-	-	(15)	(20)	(25)	
Commitments for loans and grants	(451)	(439)	(385)	(440)	(440)	
Members' contributions						
Third Replenishment	1	-	-	-	-	
Fourth Replenishment	69	61	14	6	3	
Advance Commitment Authority	-	153	(153)	-	-	
Fifth Replenishment <sup>6</sup>	-	-	230	230	-	
Sixth Replenishment	-	-	-	-	153	
<b>Resources at end of the year</b>	<b>272</b>	<b>156<sup>3</sup></b>	<b>150</b>	<b>234</b>	<b>228</b>	

<sup>3</sup> 'Resources' are inclusive of ACA pending receipt of payments for the Fifth Replenishment.

<sup>4</sup> For operating expenses and Programme of Work allocations, close to full utilization is assumed for 2000.

<sup>5</sup> For PRP, USD 1.3 million is included for the detailed design of the PRP allocated under the Capital Expenditure Budget. For 2001 up to 2003, annual tranches are estimated at USD 8.1 million.

<sup>6</sup> Considering that the Fifth Replenishment period is 2000 to 2002 and that ACA is utilized until complete payment is received by end 2002.

**TABLE 2A: PROJECTED RESOURCES FOR COMMITMENTS, 1999-2003  
(SDR million)**

	<b>Actual 1999</b>	<b>Forecast 2000</b>	<b>Forecast 2001</b>	<b>Forecast 2002</b>	<b>Forecast 2003</b>	
Resources at the beginning of the year	263	198	121 <sup>3</sup>	117	183	
Exchange rate movement adjustments	(7)	(43)	-	-	-	
Provisions on existing contributions	(12)	8	-	-	-	
Loan cancellations	6	56	39	39	39	
<b>Resources Adjusted</b>	<b>250</b>	<b>219</b>	<b>160</b>	<b>156</b>	<b>222</b>	
Internally generated resources	Loan reflows	130	129	134	136	135
	Investment income	144	-	117	117	117
Operating expenses <sup>4</sup>	(38)	(38)	(41)	(43)	(44)	
Process Re-Engineering Programme <sup>5</sup>	-	(1)	(6)	(6)	(6)	
Provision for After Service Medical Scheme	(2)	(3)	(3)	(3)	(4)	
Provision for HIPC DI Fund	(3)	(5)	(3)	-	-	
<b>Subtotal</b>	<b>481</b>	<b>301</b>	<b>358</b>	<b>357</b>	<b>420</b>	
Provision for enhanced HIPC	-	-	(12)	(15)	(19)	
Commitments for loans and grants	(335)	(345)	(300)	(343)	(343)	
Members' contributions						
Third Replenishment	1	-	-	-	-	
Fourth Replenishment	51	46	11	5	2	
Advance Commitment Authority	-	119	(119)	-	-	
Fifth Replenishment <sup>6</sup>	-	-	179	179	-	
Sixth Replenishment	-	-	-	-	119	
<b>Resources at end of the year</b>	<b>198</b>	<b>121<sup>3</sup></b>	<b>117</b>	<b>183</b>	<b>179</b>	

**Note:** Please refer to footnotes on previous page under Table 2.

## V. PROGRAMME OF WORK FOR 2001

54. As mentioned earlier, it has been decided to reduce the Programme of Work for 2001 to ensure that overall planned commitments, inclusive of foreseen yearly projections for the proposed enhanced HIPC DI, do not exceed USD 400 million. As the amount required in 2001 for participation in the enhanced HIPC DI is currently envisaged at approximately USD 15 million, the resulting overall total programme of work amounts to USD 385.0 million, or SDR 300.2 million, as indicated in Table 3. It will be recalled that while the Programme of Work is approved by the Executive Board in SDRs, it is traditionally planned in United States dollars. The comparison between years is expressed on that basis in Table 3.

**TABLE 3: 2000 APPROVED AND 2001 PROPOSED PROGRAMME OF WORK**

	<b>2000 (SDR million, at 1.39647 SDR/USD)</b>	<b>2000 (USD million)</b>	<b>Real (Decrease) (USD million)</b>	<b>2001 Proposed (USD million)</b>	<b>2001 Proposed (SDR million, at 1.28231 SDR/USD)</b>
Loan programme	319.4	446.0	(89.9)	356.1	277.7
TA grant programme <sup>7</sup>	25.9	36.2	(7.3)	28.9	22.5
<b>TOTAL</b>	<b>345.3</b>	<b>482.2</b>	<b>(97.2)</b>	<b>385.0</b>	<b>300.2</b>

### A. Loan Programme

55. **Projected lending programme for 2000.** The 2000 lending programme included 30 projects for a total of SDR 319.4 million (USD 446.0 million) and an average loan size of SDR 10.6 million (USD 14.8 million). Based on the latest projections and subject to successful loan negotiations, 28 projects will have been submitted for approval to the Executive Board during the course of 2000 for a total of approximately SDR 318.7 million (USD 408 million). Even though this results in close to full utilization of the approved SDR lending programme, the number of projects had to be reduced as a result of the strengthening of the United States dollar against the SDR. As will be noted above, the SDR/USD rate has moved from SDR 1 = USD 1.39647 at 15 October 1999 rates to SDR 1 = USD 1.28231 at 20 October 2000 rates. Despite these adverse factors, it has been possible to redress to a large extent the 1997 shortfall in the share of lending to Africa (Africa I and Africa II) by means of temporary adjustments in the lending shares of the other regions. The 2000 lending programme for Africa is expected to reach approximately USD 163.0 million for 13 projects.

56. **The 2001 lending programme.** Twenty-six projects are expected to be submitted for approval in 2001, for a total of SDR 277.7 million (USD 356.1 million) and an average loan size of SDR 10.7 million (USD 13.7 million). This represents a reduction of approximately 20% in United States dollar terms over the 2000 lending programme mainly, as mentioned earlier, due to resource availability. The recommended regional allocations are: 36.77% for Africa; 31.01% for Asia and the Pacific; 17.03% for Latin America and the Caribbean; and 15.19% for Near East and North Africa (see Annex II). These regional allocations are in line with the Report of the Chairman of the Ad Hoc Committee on Regional Allocations (document CRR I/3/R.5) and as noted by the Executive Board at its Sixty-Seventh Session in September 1999 (document EB 99/67/R.10). As in the past, consultations

<sup>7</sup> The percentage of the TA grant programme to the overall Programme of Work has been maintained at the traditional 7.5% as in 2000.



with other partners will continue with a view to identifying opportunities for collaboration through project cofinancing, both for IFAD-initiated projects and projects initiated by cooperating institutions.

57. **Regional lending strategies.** Details of socio-economic trends, strategic operating directions and opportunities for IFAD in each of the five regions were provided in the Preview of the Programme of Work and Budget of IFAD for 2001 (document EB 2000/70/R.6) and have been updated as per Annex V of the present document.

### B. Technical Assistance Grant Programme

58. The TA grant programme for 2001 will be kept within the ceiling of 7.5% of the overall programme of work. Grant activities are selected on the basis of their providing maximum support to the realization of the Fund's corporate and regional operating strategies. The 2001 TA grant programme is proposed at a level of SDR 22.5 million, or USD 28.9 million, and a breakdown of this amount among various categories is shown in Table 3A.

59. As in 2000, the traditional TA grant programme for 2001 will include grants in support of: (a) agricultural research; (b) other research, training and other activities to support IFAD's clients and create better awareness about rural poverty reduction opportunities, including accelerated project performance and other project implementation support; (c) programme inception and development (through PDF); (d) extended cooperation programmes in support of NGOs; (e) environmental assessment; and (f) the Special Operations Facility (SOF).

60. As mentioned in the Preview of the Programme of Work and Budget of IFAD for 2001, it is proposed to introduce the PDFF. Together with programme development resources under the administrative budget, some of the above-mentioned items will be grouped together under this Facility. For ease of comparison, the Programme of Work and Budget for 2001 follows the format used in 2000 for the main body of the document and is restated using the PDFF format, showing reallocation to this new category on a zero incremental basis, under Section VIII.

61. IFAD is currently reviewing its TA grant strategy. At its Sixty-Third Session, the Board considered a preliminary paper on IFAD Policy and Strategy for Grant Financing (document EB 98/63/R.11). In September 1998, an informal seminar organized to discuss the paper provided valuable guidance for further study by Board Members. The final strategy is expected to be submitted to the Executive Board during the course of 2001.

**TABLE 3A: APPROVED 2000 AND PROPOSED 2001 TA GRANT PROGRAMME  
(USD million)**

	2000		2001	
	Approved (USD million)	% of Overall TA Grant Programme	Proposed (USD million)	% of Overall TA Grant Programme
Agricultural research	8.51	23.51	5.44	18.82
Other research, training and other	12.34	34.09	9.04	31.27
Accelerated project performance and other project implementation support <sup>8</sup> *	1.50	4.14	1.50	5.19
Project Development Fund *	9.15	25.28	9.15	31.65
IFAD/NGO Extended Cooperation Programme	2.55	7.04	1.63	5.64
Environmental assessment *	0.40	1.10	0.40	1.38
Special Operations Facility *	1.75	4.84	1.75	6.05
<b>TOTAL</b>	<b>36.20</b>	<b>100.00</b>	<b>28.91</b>	<b>100.00</b>

\* These amounts will be included separately under the PDFF using the format proposed in Section VIII.

<sup>8</sup> Previously included under 'Other Research, Training and Other'.



62. **Agricultural research and training grants.** The Fund's policy and strategic directions with regard to research and training grants continue to evolve through an iterative process involving formal and informal interaction with the Executive Board. Over the last two years, the Board has reviewed this aspect of the Fund's grant programme on three separate occasions. In April 1998, after reviewing the report 'IFAD's Policy and Strategy for Grant Financing' (document EB 98/63/R.11, Annexes I, II and III), the Board expressed strong support for IFAD's investments in agricultural research. That support was further reaffirmed at the informal seminar held with Board Members in September 1998.

63. The Fund's overall policy for grant financing of research and training has been restated along the lines endorsed in April and September 1998 and further discussed in subsequent sessions of the Board. The overall policy mainly focuses on: (a) securing greater attention to food crops, livestock and commodities produced by the rural poor; (b) developing a better understanding of smallholder farming systems (social, economic, institutional and bio-physical circumstances) in order to improve the development, adaptability and adoptability of sustainable agricultural technologies; (c) making greater and more targeted efforts to develop technologies for fragile eco-systems, including dry zones; and (d) identifying environmentally sustainable and cost-effective means of addressing major pests and diseases affecting smallholder farming systems.

64. Pursuant to these broad policy directions and the Board's endorsement of an IFAD strategy to increasingly develop a grant programme that is directly responsive to its loan portfolio, greater attention is being given to agricultural research programmes that seek to establish close links with IFAD's investment projects, particularly those located in marginal areas and in environments for which sustainable agricultural technologies are not easily available. Such links are sought through a two-pronged approach: (a) supporting the future loan portfolio through the development of appropriate technologies, mainly in the context of 'tailoring' available prototypes to suit the circumstances of potential IFAD-typical beneficiaries of loan projects; and (b) financing adaptive research that addresses identified technology constraints directly affecting the production systems of beneficiaries of ongoing IFAD projects.

65. In line with the reduced lending programme targets, the overall grant programme will also decline so as to remain within the ceiling of 7.5% of the overall programme of work. The agricultural research grants portfolio for 2001 is, however expected to drop sharply (to below half the ceiling of 3.5% of the programme of work approved by the Board) so as to maintain the PDF levels. This lower percentage allocation to research grants for 2001, as well as to the 'Other Research, Training and Other' category, is proposed only as a temporary measure. The contribution (albeit partially) of such grants to the objectives of the Plan of Action is fully recognized.

66. **Other research, training and other category.** IFAD will continue to provide support to the rural poor and their institutions in the form of capacity building and empowerment of local communities. Training grants will include, for example, participatory training and policy dialogue support in Asia and participatory irrigation management in Eastern Europe. Other grants under this category will assist in developing rural financial technology in the Latin America and the Caribbean region; support the strengthening of knowledge networks in East and Southern Africa; and assist in the development of vegetables in West Africa. The grants will also be used for testing innovative approaches to communicating evaluation results.

67. Grant resources will be used to support Member Countries to further sharpen their focus on rural poverty eradication. The launching and post-launching activities of the Rural Poverty Report 2001 will provide the Fund with a unique opportunity for supporting regional consultations on rural poverty issues. In line with IFAD's commitment at the time of creating the Global Mechanism, provision has been made to provide a grant of up to a maximum of USD 2.5 million to the Convention to Combat Desertification Support Facility of the Global Mechanism in order to match voluntary contributions from other sources.

68. **Accelerated project performance and other project implementation support.** These grants were shown in 2000 under the 'other grants' category. Emphasis has been placed on supporting



accelerated project and portfolio performance to ensure that timely benefits reach the poor. An allocation of USD 1.5 million has been maintained for this purpose.

69. **Project Development Fund.** The 2000 allocation of USD 9.15 million is maintained for project development work for approximately 30 full project equivalents (FPEs) in order to build up the current level of pipeline projects. IFAD will continue to review the adequacy of resources allocated for project and programme development, in terms of amount and scope, and the mechanisms involved. This may lead to adjustments in the approach to financing project development costs. As in the past, a portion of the PDF resources will be used to undertake country portfolio reviews in order to incorporate lessons learned into project design and to cover work related to strategy development and TA grant design.

70. **IFAD/NGO Extended Cooperation Programme.** Partnerships with NGOs are receiving increasing support from IFAD's TA programme through a number of mechanisms, such as the Popular Coalition to Eradicate Hunger and Poverty, the Global Mechanism and, most importantly, the IFAD/NGO Extended Cooperation Programme (ECP). The major objectives of such partnerships are in line with IFAD's corporate strategic directions and the Plan of Action, and concentrate on: maximizing the impact of IFAD's operations; innovation; policy and institutional analysis and dialogue; generation and validation of knowledge; and advocacy. The ECP will continue to play a prominent role in IFAD's overall collaboration and partnerships with NGOs and other civil-society organizations. Special attention will be given to maximizing the ECP's potential and role in supporting activities at the frontiers of grass-roots development and in testing innovative ideas and techniques that may prove especially useful to the conceptual and practical development of IFAD's approaches, strategies and methodologies. Similarly, concerted efforts will be made to maximize the ECP's strategic learning potential in a number of areas of interest to IFAD – ranging from participatory approaches, institutional development, grass-roots capacity building and gender issues, to technology adaptation and transfer, credit and savings and market linkages. The effectiveness of the ECP will be further enhanced through the streamlining and simplification of procedures and operational guidelines, the establishment of clear eligibility criteria for NGOs and the mapping out of transparent processes for supervision, and for reporting, capturing and disseminating experiences and lessons learned. The latter will contribute to IFAD's role as a knowledge institution on poverty.

71. **Environmental assessment.** The amount of USD 400 000 has been maintained in 2001 for environmental assessments, in line with IFAD's policy in this regard. It is to be noted that specific environmental assessment is an integral part of the issues considered during the course of project development.

72. **Special Operations Facility.** The 2001 proposal for SOF grants has been kept at the same level as 2000, i.e. USD 1.75 million. Such grants are used to facilitate project start-up and early implementation of support activities, and are provided to countries eligible for loans on highly concessional terms.

### C. Programme Development Financing Facility

73. Several years of zero real growth budgeting have greatly enhanced IFAD's cost-efficiency. Further efficiency gains will be possible by improved planning and use of budgetary resource allocations. The basic principle recommended for consideration by the Executive Board (following up on discussions at the Seventieth Session) consists in the creation of a 'financing facility' to support the entire programme development process. This will require a highly decentralized system of resource planning and use, well-defined accountability and an accurate control and assessment system. The main benefits of such an approach consist in clear accountability of the manager involved with regard to the use of resources and a shift in focus towards the value created with the resources used – the end result.

74. Pending the possible application of the cost-centre approach to the entire range of IFAD activities as a result of the re-engineering exercise, it is recommended that the same principle be



applied to the project development cycle, with the condition that an effective and efficient information technology system and adequate rules and procedures are put in place. The implications of, and conditions for, switching to a financing facility with a cost-centre approach to fund the entire multi-year project cycle are as follows:

- all separately identifiable programme development-related costs under the administrative budget and TA grant programme would be brought together under one heading for programme development on a zero-sum operation basis (i.e., the administrative budget and the grants would be reduced by the same amount);
- a third category of resource use would be created over and above the reduced administrative budget and programme of work (loans and grants) – the PDFF;
- a new set of financial and administrative regulations, rules, procedures and guidelines would be developed for the PDFF; and
- IFAD would develop the prerequisite decentralized planning and accountability system, and implement an accurate assessment system for control purposes.

75. Depending on the Board's reaction to the proposed policy change, IFAD management proposes to table a draft Resolution for consideration by the Board at its Seventy-First Session in December 2000 and for approval by the Governing Council at its Twenty-Fourth Session in February 2001. The main objective is to ensure that, once the above conditions are met, programme development is financed along the lines of this approach, in the expectation that this will be completed as from 2002. Section VIII provides the revised programme of work and budget format to include this proposal for future comparisons.

## VI. MAJOR POLICY ISSUES AFFECTING THE 2001 BUDGET

76. One of the major issues affecting the 2001 Budget, as outlined in document EB 2000/70/R.6 submitted to the Seventieth Session of the Executive Board in September 2000, is the implementation of the Plan of Action and the planned development of the PRP. With respect to the latter, details regarding the implementation and processes to be re-engineered as of 2001 are provided in a separate document (EB 2000/71/R.9). In view of this, 'Up-front Costs Relating to Re-engineering' are no longer indicated for 2001 under Table 4. However, the one-time costs previewed to the Seventieth Session of the Executive Board remain, as well as the reduced extraordinary price increase relating to World Bank supervision fees.

### A. One-Time Costs

77. An allocation of USD 1.1 million is proposed for 2001 to cover the following:

- (a) **Costs relating to the new IFAD premises.** The new premises, adjacent to the present headquarters building, are presently being refurbished to meet IFAD's requirements and are expected to be ready for occupancy in 2001. As a result of the move, IFAD will require further resources, not reimbursable by the Host Government, to make the premises fully operational. It is estimated that USD 790 000 will be needed to set up the new building, including security equipment/services, landscaping, cleaning, labour, small hardware/electrical supplies and fittings, and to upgrade the local area network switches, patch cords for data and telephone networks, switches for cabling closets and cordless systems.
- (b) **Separation and placement issues.** In view of the Fund's changing human resources priorities it is inevitable that, occasionally, staff redeployment and separation will become necessary. For this reason, USD 318 000 has been provided to cover staff

separation (USD 225 000) and placement (USD 93 000) costs, in line with the amount allocated in 2000.

### **B. World Bank Supervision Charges**

78. The additional amount of USD 389 000 budgeted to absorb the extraordinary increase in the World Bank's supervision charges for 2000, as reported to the Executive Board in document EB 98/65/INF.3, has been reduced to USD 287 000 for 2001.

### **C. Process Re-Engineering Programme**

79. At its Twenty-Third Session in February 2000, the Governing Council approved a Capital Expenditure Budget to finance a programme of process re-engineering of all IFAD's operations. The overall objective of the PRP is to further enhance IFAD's impact as a knowledge organization and in cost-effectively addressing rural poverty. The PRP, which will help develop operational structures in IFAD that reflect major efficiency gains in its work processes, is expected to be completed within the five-year time frame envisaged.

80. A separate document is being presented to the current session of the Executive Board outlining the overall business 'architecture' and timetable to be followed, together with a list of activities for initiation during 2001. If, for any unforeseen reason, these proposals are not approved, the Executive Board will be requested to consider making adequate financial provision to cover unavoidable, large interventions that cannot be accommodated within the rigid limits of the present zero growth budget proposal.

## **VII. THE BUDGET FOR 2001**

81. It is proposed to maintain the Budget for 2001 at the 2000 level. This involves a zero real increase but includes projected price/inflation increases. Over the eight years since 1993, the administrative budget has been maintained or decreased in real terms as illustrated in Boxes 1 and 2 below.

82. As will be noted, the management of the Fund continues to maintain its commitment to limit administrative expenditures to the extent possible. While Executive Board Members were sympathetic to a possible temporary increase in allocations to meet the requirements of the Plan of Action, management is proposing the 2001 budget on a zero real growth basis in view of: (a) the current status of resources available; and (b) the capacity within the organization to focus on other areas in view of a temporarily reduced lending programme for 2001.

**BOX 1 - ADMINISTRATIVE BUDGET<sup>9</sup>**  
**Real Increase (Decrease) over Previous Year (%)**

1993	(2.16)
1994	(13.00)
1995	(3.60)
1996	(8.08)
1997 <sup>10</sup>	0
1998	(0.26)
1999 <sup>11</sup>	(0.04)
2000	0
2001	0

<sup>9</sup> As published in each year's budget document.

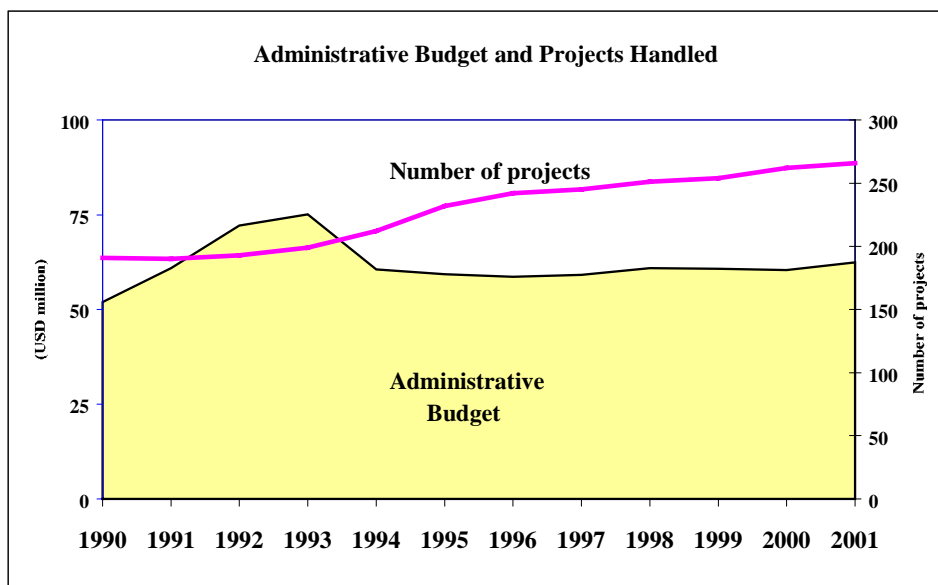
<sup>10</sup> Excluding the early retirement programme.

<sup>11</sup> Excluding the Consultation.



83. The Budget for 2000 approved by the Twenty-Second Session of the Governing Council (at the then prevailing rate of ITL 1 977.60/USD 1.00) amounted to USD 52 728 000. This included a contingency of USD 400 000, but not the separate amount of USD 131 400 to fund meetings of the Consultation. These amounts have been restated for the purpose of comparison using the latest projected average rate of ITL 2 084/USD 1.00. The 2001 Budget, including contingency items of USD 250 000, is proposed at USD 53 266 000 compared to USD 51 282 000 for 2000, using the latest average rate of ITL 2 084/USD 1.00. As for past years, the figures will be restated using the latest available average ITL/USD and Euro/USD exchange rates when the budget is presented to the Twenty-Fourth Session of the Governing Council for approval.

**BOX 2**



The administrative budget is in nominal prices. The growth since 1996 reflects price increases only.  
Number of projects includes all approved projects less those closed.  
Figures are actual up to 1999, forecast for 2000 and proposed/estimated for 2001,

84. **Use of the 2000 budget.** Table 4 provides projected 2000 administrative expenditure costs against approved budget category allocations. As indicated above, costs have been restated for the purpose of comparison using the latest projected average ITL/USD exchange rate for 2000 (ITL 2 084/USD 1.00). Projections indicate full use of all 2000 budget categories.

**TABLE 4: COMPARISON OF 1999 ACTUAL, 2000 AND 2001 BUDGETS  
(USD '000)**

	1999	2000				2001		
	Actual (at 1 810.59 ITL/USD)	Original Executive Board Recommended (at 1 805 ITL/USD)	Projected Expenditure (at 2 084 ITL/USD)	Governing Council Approved Budget (at 1 977.60 ITL/USD)	Restated (at 2 084 ITL/USD)	Real Increase (Decrease)	Price Increase	Proposed Budget (at 2 084 ITL/USD)
1. Governing body and other official meetings	1 783	1 804	1 627	1 688	1 627	90	82	1 799
2. Staff costs	26 794	28 150	25 145	26 290	25 145	(107)	1 553	26 591
3. Payments for appraisal, supervision and evaluation	13 559	15 018	14 745	14 840	14 745	(29)	350	15 066
4. Office and general expenses	5 789	5 932	5 360	5 559	5 360	175	153	5 688
5. Other operational expenses, including corporate strategy, policy and resource mobilization	2 026	2 564	2 382	2 445	2 382	21	74	2 477
6. Contingency items								
(a) Expenses for the new headquarters building		150	50	150	150	(150)	-	-
(b) Unforeseen expenses		250	119	250	250	-	-	250
<b>Subtotal</b>	<b>49 951</b>	<b>53 868</b>	<b>49 428</b>	<b>51 222</b>	<b>49 659</b>	<b>-</b>	<b>2 212</b>	<b>51 871</b>
Up-front costs relating to re-engineering <i>now replaced by one-time costs</i>	964	1 135	1 108	1 117	1 108	(1 108)	-	1 108
<b>Total</b>	<b>50 915</b>	<b>55 003</b>	<b>50 536</b>	<b>52 339</b>	<b>50 767</b>	<b>-</b>	<b>2 212</b>	<b>52 979</b>
Extraordinary price increase	560	389	389	389	389	(102)	-	287
Consultation to Review the Adequacy of the Resources Available to IFAD	513	141	* 257	131	126	(126)	-	-
<b>GRAND TOTAL</b>	<b>51 988</b>	<b>55 533</b>	<b>51 182</b>	<b>52 859</b>	<b>51 282</b>	<b>(228)</b>	<b>2 212</b>	<b>53 266</b>

*See Table 5*

*See Table 6*

*See Table 7*

*See Table 8*

*See Table 9*

*Paragraph 77*

*Paragraph 78*

\* Reallocation of USD 131 000 from Contingency during 2000.

<b>2001 Budget vis-à-vis 2000 Budget</b>	
Real increase (decrease) overall	0.0%
Nominal overall price increase	4.3%



85. **Proposed expenditures in 2001.** As in earlier years, the estimated costs for different types of expenditures take account of current trends and past experience. These include movements in indices, announced increases in the supervision and loan administration charges of cooperating institutions, suppliers and utilities, negotiated contracts and other factors that may influence costs, both within and outside headquarters. The main elements are as follows:

- (a) unless otherwise specified, a general inflation rate of 2.8% has been applied to all Rome-based expenses based on the average projected Italian inflation rate for 2001;
- (b) the salary increases for Professional and General Service staff have been estimated using the factors outlined below. All are based on the United Nations Common System and have been calculated in close collaboration with the lead agency in Rome, the Food and Agriculture Organization of the United Nations (FAO), taking account of any pending recommendations of the International Civil Service Commission (ICSC). These rates may vary from year to year and thus represent the best estimates, at the time of preparing the current document, of what is to be formally introduced in the United Nations Common System during 2001:
  - (i) an increase of approximately 2.5% on salaries and post adjustments to cover annual/biennial within-grade step increases and expected movements in grades;
  - (ii) a 2.5% cost-of-living increase for the General Service staff, effective 1 November 2001, and an increased provision for the expected salary survey results effective 1 October 2000 (5% as opposed to 3% originally estimated for 2000);
  - (iii) provision has been made for an anticipated 2% increase in the post-adjustment scale for Professional staff, effective May 2001, as well as a 3% average on net base salaries of Professional staff to cover the possible results of the ICSC place-to-place survey;
  - (iv) a 3% increase in pensionable remuneration for Professional staff as of November 2001;
  - (v) an expected 7% increase in medical plan contributions and after-service medical costs as of January 2001;
  - (vi) in line with United Nations Common System practice, repatriation and separation payments are updated to the latest salary level for staff in service. As in past years, this benefit is calculated at 6.5% of net base salaries for Professional staff and 12% for General Service staff, and is proportionate to the increases provided for salary rates;
  - (vii) a weighted increase of approximately 3% for airfares and for daily subsistence allowances (DSA) applicable to Rome and other capitals worldwide; and
  - (viii) projected cooperating institution charges for supervision and loan administration of IFAD projects reflect the levels communicated to the Fund.

86. The following pages provide details on individual categories of the administrative budget, including explanations of any significant variances. Annex IV provides estimates of the Budget for 2001, broken down by organizational unit.

#### **A. Governing Body and Other Official Meetings**

87. The costs of the Twenty-Fifth Session of the Governing Council, three sessions of the Executive Board, five meetings of the Evaluation Committee and four meetings of the Audit Committee planned for 2001 are detailed in Table 5. Savings will continue to be sought mainly in the area of the Executive Board meetings, primarily through reduced hiring of non-local translation staff



and increased use of remote translation. This budget line also covers additional informal Board seminars and workshops, plus interpretation/translation needs for the Evaluation and Audit Committees. The overall proposed 2001 allocation includes a provision of USD 82 000 to cover possible changes in the remuneration rates of conference staff, Rome DSA and travel costs. The real increase of USD 90 000 represents costs of translating and editing the COSOP documents to be presented to the Executive Board during 2001, as requested by donor countries.

**TABLE 5: GOVERNING BODY AND OTHER OFFICIAL MEETINGS  
(USD '000)**

	1999	2000		2001		
	Actual (at 1 810.59 ITL/USD)	Budget (at 1 977.60 ITL/USD)	Restated (at 2 084 ITL/USD)	Real Increase (Decrease)	Price Increase	Proposed Budget (at 2 084 ITL/USD)
<b>(a) GOVERNING COUNCIL</b>						
Professional staff (salaries/allowances/subsistence), interpreters, translators and other	212	154	150	-	3	153
Temporary support staff (salaries/allowances/subsistence)	173	160	152	-	16	168
Travel expenses	37	31	30	-	1	31
Communications, security and other services	91	61	58	-	2	60
Supplies, printing and miscellaneous	110	115	109	-	4	113
<b>Subtotal</b>	<b>623</b>	<b>521</b>	<b>499</b>	<b>-</b>	<b>26</b>	<b>525</b>
<b>(b) EXECUTIVE BOARD AND SUBCOMMITTEES</b>						
Professional staff (salaries/allowances/subsistence), interpreters, translators and other	698	669	654	65	19	738
Temporary support staff (salaries/allowances/subsistence)	298	313	297	25	31	353
Travel expenses	69	77	74	-	2	76
Executive Directors (travel and subsistence)	62	66	63	-	2	65
Communications, security and other services	13	19	18	-	1	19
Supplies, printing and miscellaneous	20	23	22	-	1	23
<b>Subtotal</b>	<b>1 160</b>	<b>1 167</b>	<b>1 128</b>	<b>90</b>	<b>56</b>	<b>1 274</b>
<b>TOTAL</b>	<b>1 783</b>	<b>1 688</b>	<b>1 627</b>	<b>90</b>	<b>82</b>	<b>1 799</b>

### B. Staff Costs

88. Table 6 sets out the total projected costs for 2001 of USD 26 591 000, of which USD 24 579 000 relates to approved posts within the organization. Total price increases of USD 1 553 000, as mentioned in paragraph 90, and an overall real decrease of USD 107 000 are further elaborated upon below. The latter has been possible thanks to a partial freeze on a number of positions that will be reviewed once the PRP design and implementation results are more apparent.

89. Table 6A reflects the current grading and departmental allocation of the Fund's approved staff posts that are to be maintained, excluding LTTs. Table 6B shows the gender composition within staffing levels. As previously reported to the Board, LTTs are funded elsewhere. Details of the numbers involved and the area of funding are provided under Table 6C. Management has been seeking various solutions to absorb LTT staff into regular positions, but as future turnover trends do not foresee this possibility, it is now proposed to regularize the LTTs with two-year fixed-term contracts. This would be achieved without an increase in allocations, as the costs of the LTTs already working with the Fund include entitlements/benefits similar to those of regular positions. Accordingly, with Executive Board approval of this proposal, the Fund would have an additional 23 fixed-term posts, as shown in Table 6C.

**TABLE 6: STAFF COSTS  
(USD '000)**

	1999	2000		2001			<i>Professional</i>	<i>General Service</i>	<i>Other</i>
	Actual (at 1 810.59 ITL/USD)	Budget (at 1 977.60 ITL/USD)	Restated (at 2 084 ITL/USD)	Real Increase (Decrease)	Price Increase	Proposed Budget (at 2 084 ITL/USD)			
(a) Salaries and post adjustment	16 195	15 514	14 679	(292)	968	15 355	9 549	5 774	32
(b) Education grants and other allowances	1 725	1 696	1 585	(59)	133	1 659	1 506	153	-
(c) Pension and medical plan contributions <sup>a</sup>	5 017	5 345	5 254	(63)	274	5 465	3 230	1 584	651
(d) Home leave	303	287	275	(9)	8	274	274	-	-
(e) Repatriation and separation payments	1 411	1 431	1 400	(17)	52	1 435	799	636	-
(f) Relocation and recruitment	417	343	334	51	6	391	-	-	391
<b>Regular Staff <sup>b</sup></b>	<b>25 068</b>	<b>24 616</b>	<b>23 527</b>	<b>(389)</b>	<b>1 441</b>	<b>24 579</b>	<b>15 358</b>	<b>8 147</b>	<b>1 074</b>
(g) Short-term temporary staff	1 076	1 052	1 016	271	85	1 372	581	791	-
(h) Overtime	241	202	192	11	18	221	-	221	-
(i) Training	409	420	410	-	9	419	-	-	419
<b>TOTAL</b>	<b>26 794</b>	<b>26 290</b>	<b>25 145</b>	<b>(107)</b>	<b>1 553</b>	<b>26 591</b>	<b>15 939</b>	<b>9 159</b>	<b>1 493</b>

- a For comparison purposes, since 2000 this has been revised to include FAO medical costs previously shown under the 'Office and General Expenses' heading.
- b A separate proposal for fixed-term staff to cover the additional human resource needs covered by the LTTs, totalling USD 899 000, is shown under Table 6C. Amounts therein will be added to this line and decreased in the other budget categories and netted off under PDF upon approval, and shifted here (see paragraph 92).

**TABLE 6A: REGULAR STAFF LEVELS AS AT 9 OCTOBER 2000** <sup>12</sup>

	Professional and Higher Grade Staff							General Service Staff
	AP	D-2	D-1	P-5	P-4	P-2/3	Total	Total
<b>Office of the President (OP)</b>								
Office of the President		1					1	3
Office of Internal Audit				1	1	1	3	1
Office of Evaluation and Studies			1	3	3		7	6
Office of the General Counsel			1	2	2		5	4
<b>TOTAL OP</b>	<b>-</b>	<b>1</b>	<b>2</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>16</b>	<b>14</b>
<b>Office of the Vice President (VP)</b>								
Office of the Vice President								1
Controller's Office		1		4	2	1	8	25.5
Treasury			1	1	1	2	5	7
<b>TOTAL VP</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>13</b>	<b>33.5</b>
<b>Programme Management Department (PD)</b>								
Office of the Assistant President	1			2	2	1	6	3
Africa I Division		1		6	3		10	7
Africa II Division			1	7	1	1	10	6
Asia and the Pacific Division			1	8			9	6
Latin America and the Caribbean Division		1		6	1		8	5
Near East and North Africa Division			1	6		1	8	4
Technical Advisory Division			1	7			8	4
<b>TOTAL PD</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>42</b>	<b>7</b>	<b>3</b>	<b>59</b>	<b>35</b>
<b>Economic Policy and Resource Strategy Department (ED)</b>								
Office of the Assistant President	1	1	1	4	5		12	10
<b>TOTAL ED</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>5</b>		<b>12</b>	<b>10</b>
<b>Management and Personnel Services Department (MD)</b>								
Office of the Assistant President	1						1	1
Administrative and Protocol Services				1	1	2	4	23.5
Management Information Systems			1	1	4	3	9	7.5
Office of the Secretary			1	2	5	5	13	25.5
Personnel Division			1	2	1	1	5	8
<b>TOTAL MD</b>	<b>1</b>	<b>-</b>	<b>3</b>	<b>6</b>	<b>11</b>	<b>11</b>	<b>32</b>	<b>65.5</b>
<b>GRAND TOTAL</b>	<b>3</b>	<b>5</b>	<b>11</b>	<b>63</b>	<b>32</b>	<b>18</b>	<b>132</b>	<b>158</b>

90. Key items for regular staff in 2001 are as follows:

- (a) **Salaries and post adjustment.** For Professional staff, USD 531 000 has been allocated for within-grade step increases and possible increases in the net-base and post-adjustment scales. For General Service staff, the provision for salary-scale increases and a portion of the biennial within-grade step increase is USD 437 000. These adjustments total USD 968 000, equivalent to an increase of approximately 6%. The real decrease of

<sup>12</sup> The President and Vice President are not included in the staffing figures.



USD 292 000 relates to the temporary freezing of a number of posts, as mentioned in paragraph 88, which also result in real decreases for sections (b) to (e) below.

- (b) **Education grants and other allowances.** The proposed increase of USD 133 000 mainly reflects the projected increases for education grant allowances. Apart from the estimated inflation factors applicable to education grants, the proposed increase for 2001 also takes account of the increase recommended by ICSC in the maximum admissible ceilings for specific currency areas.
- (c) **Pension and medical plan contributions.** The increase of USD 274 000 is due to an increase in the medical plan and after-service medical coverage and higher scales of pensionable remuneration expected to be effective as of November 2001 for the Professional staff and General Service categories in view of the overall scale increase.
- (d) and (e) **Home leave, repatriation and separation payments.** The level reflects a price increase of USD 8 000 in airfares for home leave; and the price increase for repatriation and separation of Professional and General Service staff totals USD 52 000.
- (f) **Relocation and recruitment.** The relocation and recruitment costs for 2000 were reduced in view of existing vacancy and separation trends. This has now been returned to its original level, and the increase of USD 6 000 reflects the inflation increase for appointment and interview travel and appointment costs of Professional staff. This includes a provision for resignations and/or transfers during 2001.
- (g) **Short-term temporary staff.** There is a real increase of USD 271 000 which, with price increases of USD 85 000, brings the total allocation under this heading to USD 1 372 000.
- (h) **Overtime.** The 2000 allocation has been slightly increased by USD 11 000. With a price increase of USD 18 000, this budget heading now amounts to USD 221 000 for 2001.
- (i) **Training.** IFAD has long recognized the need for staff to continually develop their work performance and acquire requisite skills and knowledge, both to perform other tasks and support new organizational directions (as determined by stakeholder needs). With the refinements in the corporate score card in 2000, introduction of the Plan of Action and identification by the PRP of new competencies required by staff, IFAD will continue to give high priority to training and development.

91. Every effort has been made to maximize available training funds by organizing in-house training workshops, except where it is clear that requirements are best satisfied through external training. Use of external experts, consultants and institutional training will continue. Costs include travel expenses, didactic material, equipment and supplies, conference facilities, accommodation and transportation for participants.



**TABLE 6B: GENDER COMPOSITION OF IFAD STAFF MEMBERS FUNDED UNDER THE REGULAR PROGRAMME (AS AT 31 OCTOBER 2000)**

Professional and Higher Grade Staff		% of Professional Staff	General Service Staff	% of General Service Staff
Female	40	32.5	123	80.4
Male	83	67.5	30	19.6
<b>Total</b>	<b>123</b>	<b>100.0</b>	<b>153</b>	<b>100.0</b>

Professional and Higher Grade Staff P-5 and above (62.6%)		% of P-5 and above (77 staff)	% of total Professional staff (123 staff)
Female	13	16.9	10.6
Male	64	83.1	52.0
<b>Total</b>	<b>77</b>	<b>100.0</b>	

92. With respect to the proposal regarding LTTs, as outlined in paragraph 89 and Table 6C, it is to be noted that if approved by the Executive Board, the Programme of Work and Budget for 2001 will be amended to reflect an additional line item totalling USD 899 000 within the Staff Costs Category for fixed-term staff positions, as a result of which reductions will be made under the following:

- **Administrative Budget** for: (a) Short-term temporary staff costs – USD 234 000  
(b) Office and general expenses – USD 267 000  
(c) Governing bodies and official meetings – USD 77 000
- **Programme of Work** for: Project Development Fund – USD 321 000.

**TABLE 6C: LONG-TERM TEMPORARY STAFF (LTT) TO BE REGULARIZED INTO FIXED-TERM POSITIONS**

Division	Budget Category Funding	Function Description	Current Grade	2001 (USD '000s)
MM	Staff costs	TCO/Computer network	G-3	35
MM	Staff costs	TCO/Acc. and administrative	G-3	35
MM	Staff costs	Telecommunications	G-3	35
OE	Staff costs	Clerical/Secretarial evaluation	G-4	38
VC	Staff costs	Personnel payments/Accounting	G-5	43
MM	Office and general expenses	Computer training assistance	G-5	39
MM	Office and general expenses	Hotline	G-4	39
MM	Office and general expenses	Admin. in computer network	G-4	38
MM	Office and general expenses	Hotline	G-4	40
MM	Office and general expenses	Telecommunications	G-4	38
MM	Office and general expenses	Hotline	G-4	39
MM	Office and general expenses	Computer hardware/User support	G-4	35
MS	Governing body and official meetings	Administration assistance	G-5	40
MS	Governing body and official meetings	Member relations	G-4	37
PA	Short-term temporary staff and PDF	Programme assistance	G-6	47
PF	Short-term temporary staff and PDF	English/French secretarial	G-4	40
PI	Short-term temporary staff and PDF	Secretarial/Clerical	G-4	38
PL	Short-term temporary staff and PDF	Secretarial	G-4	36
PN	Short-term temporary staff and PDF	Programme assistance	G-5	40
PN	Short-term temporary staff and PDF	Secretarial/Missions	G-4	40
PT	Short-term temporary staff and PDF	Research assistance	G-6	49
PT	Short-term temporary staff and PDF	Research assistance	G-5	42
PL	Short-term temporary staff and PDF	Secretarial	G-4	36
<b>TOTAL 23 LTTs</b>				<b>899</b>

### C. Payments for Appraisal, Supervision and Evaluation

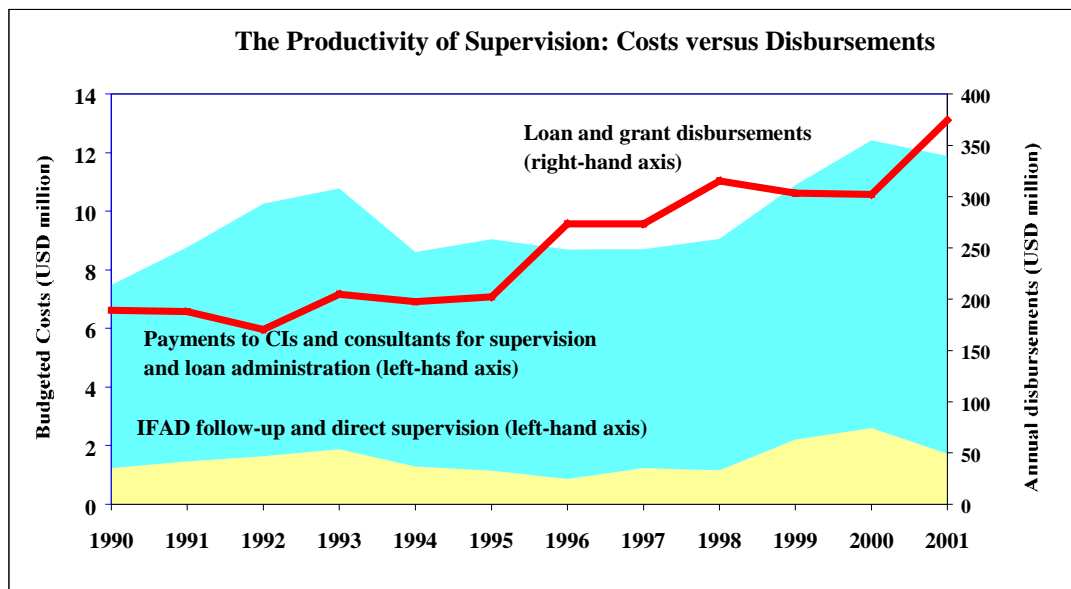
93. Table 7 details the overall projected costs of USD 15 066 000 for 2001. Data in this budget category will change in accordance with the proposed PDFF format provided in Section VIII.

#### Appraisal and Related Costs

94. In view of the reduced 2001 lending programme, it is proposed to undertake 30 full appraisal equivalents for a total of USD 1 733 000 compared to 33 totalling USD 1 972 000 in 2000. This is the minimum level required, given the need to: (a) appraise projects for consideration by the Board during 2001 while ensuring that appraisal work starts on projects scheduled for submission to the Seventy-Fifth Session of the Executive Board in April 2002; (b) ensure a better spread of projects in the coming years; and (c) build up the current pipeline and advance project development work to prepare a small reserve to allow for slippage. The proposed allocation of USD 1 733 000 includes price increases of USD 33 000 to reflect projected changes in rates for consultants and travel/DSA worldwide.

#### Supervision and Related Costs

95. **Direct supervision by IFAD.** At its Twentieth Session in February 1997, the Governing Council adopted a resolution that allowed IFAD to directly supervise a limited number of projects (15 in total). The first such project was approved in April 1997 and, since then, a further 14 have been approved. These projects have made significant progress either in implementation or in pre-implementation preparatory work. Budgetary resources are now requested for a total of 14.7 FPEs (a portion of one of these projects is cofinanced by the Belgian Survival Fund), compared to 10.5 FPEs in 2000. These resources will allow IFAD to supervise and follow up the projects in an effective manner. Direct IFAD supervision of projects is expected to translate into better implementation and more effective results on the ground.



Costs include direct payments to CIs and consultants for supervision and loan administration and incremental costs of IFAD staff for follow-up. Disbursements include loan and grants but exclude project preparation grants and PDF. 2000 and 2001 cost figures are forecast and proposed respectively. Disbursement figures for both years are estimates.

Note: the amounts for IFAD direct supervision are too small to show as a separate area.

**TABLE 7: PAYMENTS FOR APPRAISAL, SUPERVISION AND EVALUATION  
(USD '000)**

	1999	2000		2001		
	Actual (at 1 810.59 ITL/USD)	Budget (at 1 977.60 ITL/USD)	Restated (at 2 084 ITL/USD)	Real Increase (Decrease)	Price Increase	Proposed Budget (at 2 084 ITL/USD)
<b>(a) Appraisal and Related Costs</b>	<b>2 075</b>	<b>2 039</b>	<b>2 015</b>	<b>(249)</b>	<b>34</b>	<b>1 800</b>
(i) Strategy development	47	67	66	-	1	67
(ii) Appraisals *	2 028	1 972	1 949	(249)	33	1 733
<b>(b) Supervision and Related Costs</b>	<b>8 688</b>	<b>9 836</b>	<b>9 817</b>	<b>122</b>	<b>222</b>	<b>10 161</b>
(i) Cooperating institutions <sup>13</sup> *	7 355	8 068	8 068	(37)	188	8 219
(ii) Direct supervision *	153	424	421	172	9	602
(iii) IFAD follow-up *	1 052	1 117	1 104	(6)	21	1 119
(iv) Supervision of TA grants	107	192	189	4	3	196
(v) Audits of loans and grants initiated by IFAD	21	35	35	(11)	1	25
<b>(c) Knowledge Management</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98</b>	<b>2</b>	<b>100</b>
<b>(d) Staff Travel</b>	<b>998</b>	<b>1 103</b>	<b>1 076</b>	<b>4</b>	<b>32</b>	<b>1 112</b>
(i) Appraisal and IFAD follow-up *	941	1 013	988	(18)	29	999
(ii) Direct supervision *	57	90	88	22	3	113
<b>(e) Evaluation and Studies</b>	<b>1 798</b>	<b>1 862</b>	<b>1 837</b>	<b>(4)</b>	<b>60</b>	<b>1 893</b>
<b>TOTAL</b>	<b>13 559</b>	<b>14 840</b>	<b>14 745</b>	<b>(29)</b>	<b>350</b>	<b>15 066</b>

\* For inclusion under PDFF – See Section VIII of this document.

<sup>13</sup> 1999 actual costs are net of prior year accrual adjustments. Excludes the 2001 extraordinary price increase (USD 287 000) levied by the World Bank. This is shown separately in Table 4 and assumes that 12.4 projects remain entrusted to the World Bank.



96. **Audits of loans and grants initiated by IFAD.** The proposed reduced allocation of USD 25 000 will continue to be used by the Office of Internal Audit to fund its 2001 programme of grant audits, focusing on grants not audited by external auditors, and to cover the costs of special audits of loans initiated by IFAD.

### Staff Travel

97. The proposed 2001 allocation for appraisal and follow-up shows a slight increase from the 2000 level, due to increased requirements for the number of effective projects under direct supervision as netted off by the lower number of appraisals to be undertaken during 2001.

### Evaluation and Studies

98. The allocation under this budget heading is to be used for promoting learning at the heart of the evaluation process. For this purpose, much importance is accorded to evaluation exercises that contribute to the generation and sharing of knowledge in support of IFAD's poverty-eradication efforts, such as thematic studies, programme evaluations, country programme evaluations, collection and communication of lessons learned and improved impact assessment methodology. In the formulation of priorities for 2001-2002, IFAD has been influenced by three major considerations: (a) priorities dictated by the Plan of Action and the score cards for 2001; (b) expected staff participation in the PRP implementation phase in the three areas where evaluation and studies can offer the most tangible contribution, i.e., impact management, knowledge management and project cycle; and (c) current evaluation and studies activities that need to be carried over into 2001 for completion. Details of the activities involved are provided in Table 7A below.

**TABLE 7A: EVALUATION AND STUDIES  
(USD '000)**

	2000		2001		
	Budget (at 1 977.60 ITL/USD)	Restated (at 2 084 ITL/USD)	Real Increase (Decrease)	Price Increase	Proposed Budget (at 2 084 ITL/USD)
<b>(e) EVALUATION AND STUDIES</b>					
Mid-term evaluations	281	278	(179)	3	102
Interim evaluations	415	409	83	16	508
Completion/ex post project missions	109	107	1	4	112
Country programme evaluations (ex Country portfolio evaluations)	119	117	306	14	437
Thematic and strategic reviews	494	487	35	17	539
EKSYST and IFADEVAL	79	78	(73)	-	5
Office of Evaluation and Studies strategy and reorganization	99	98	(88)	-	10
Training activities/workshops	148	146	9	6	161
Methodology work	69	68	(49)	-	19
Knowledge management through evaluation	49	49	(49)	-	-
<b>TOTAL</b>	<b>1 862</b>	<b>1 837</b>	<b>(4)</b>	<b>60</b>	<b>1 893</b>





### D. Office and General Expenses

99. Table 8 provides details of the proposed 2001 allocation of USD 5 688 000 to cover headquarters expenses, professional services and miscellaneous expenditures.

- (a) **Headquarters expenses.** This heading covers the costs of running the Rome headquarters premises, as well as office equipment, computer services, communications and administrative supplies.
  - (i) **Security and custodial services.** The proposed allocation of USD 413 000 includes provision for the security contract, TA for the security systems at IFAD headquarters and an increased provision for the new premises adjacent to IFAD. This amount represents a real increase of USD 74 000 to provide for additional guard services for the new premises compared to those for IFAD/2 in 2000.
  - (ii) **Communications.** Most of the business processes involved in IFAD's worldwide operations rely on an efficient and effective telecommunications infrastructure. It is essential to operate and maintain efficient links to global electronic networks, such as the Internet and the World Wide Web, that permit fast, reliable and cost-effective communication with staff and working counterparts in the field, and that can be used as a means of collecting and exchanging global information. Travelling staff should be able to connect to, and exchange information with, headquarters in a straightforward and efficient manner – particularly important since IFAD does not have field offices. This telecommunications infrastructure is based on an integrated set of voice, fax and telex communications services that are outsourced to international carriers, whereas the International Computing Centre currently provides access to the Internet. The 2000 allocation is maintained and, with a slight price increase, amounts to USD 509 000.
  - (iii) **Utilities and premises.** This heading covers building operations and maintenance, correlated cleaning and labour services, technical plant operations including heating and air-conditioning, building supplies, charges for IFAD's electricity, water and gas consumption and improvements to the premises that are not financed by the Host Government. The proposed allocation of USD 1 224 000 for 2001 represents an increase of USD 131 000 over 2000 due to increased requirements for the new premises adjacent to IFAD, and a price increase of USD 32 000.
  - (iv) **Supplies and printing.** This heading covers print shop operations and related equipment maintenance, document reproduction, office supplies and stationery. The 2000 allocation is proposed to be maintained and, including a price increase of USD 11 000, that for 2001 totals USD 401 000.
  - (v) **Office equipment and maintenance.** The 2001 allocation of USD 172 000 includes a real increase of USD 15 000 and a price increase of USD 5 000, and covers the purchase, replacement and maintenance of headquarters office equipment including vehicles, safes, audio-visual equipment and standard office fittings.

**TABLE 8: OFFICE AND GENERAL EXPENSES  
(USD '000)**

	1999	2000		2001		
	Actual ITL/USD (at 1 810.59)	Budget ITL/USD (at 1 977.60)	Restated ITL/USD (at 2 084)	Real Increase (Decrease)	Price Increase	Proposed Budget ITL/USD (at 2 084)
<b>(a) HEADQUARTERS EXPENSES</b>						
Security and custodial services	292	346	328	74	11	413
Communications	528	522	496	-	13	509
Utilities and premises	1 298	1 118	1 061	131	32	1 224
Supplies and printing	401	411	390	-	11	401
Office equipment and maintenance	159	160	152	15	5	172
Computer services	1 642	1 600	1 556	(50)	42	1 548
Other	128	125	120	19	3	142
<b>Subtotal</b>	<b>4 448</b>	<b>4 282</b>	<b>4 103</b>	<b>189</b>	<b>117</b>	<b>4 409</b>
<b>(b) PROFESSIONAL SERVICES</b>						
External Auditors' fees and expenses	96	90	86	-	3	89
Financial services	164	174	170	(58)	4	116
Translators (external)	-	-	-	20	-	20
Legal services	23	24	22	-	1	23
Building – technical services	59	19	18	-	-	18
Specialist audit services	54	56	56	(4)	1	53
Oversight Committee	-	-	-	30	-	30
Consultants - MIS maintenance	422	428	425	(58)	12	379
Insurance against risk	-	-	-	50	-	50
<b>Subtotal</b>	<b>818</b>	<b>791</b>	<b>777</b>	<b>(20)</b>	<b>21</b>	<b>778</b>
<b>(c) MISCELLANEOUS</b>						
Hospitality	36	41	39	3	1	43
Library, books and periodicals	74	78	76	3	3	82
United Nations Liaison	325	332	332	-	10	342
FAO charges <sup>14</sup>	50	-	-	-	-	-
Other	36	35	33	-	1	34
<b>Subtotal</b>	<b>521</b>	<b>486</b>	<b>480</b>	<b>6</b>	<b>15</b>	<b>501</b>
<b>(d) CREDIT UNION</b>						
Credit Union Manager	2	-	-	-	-	-
<b>Subtotal</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>5 789</b>	<b>5 559</b>	<b>5 360</b>	<b>175</b>	<b>153</b>	<b>5 688</b>

<sup>14</sup> For comparison purposes. As of 2000, FAO Medical Costs are shown under Staff Costs instead of Office and General Expenses.



- (vi) **Computer services.** This heading covers expenditure for maintaining the ongoing information technology services and tools required to support the operations of the Fund. Amounts under this line item, which are largely pre-committed on the basis of contracts and service agreements, fall under five major areas as follows:

<b>Computer Services</b>	<b>2000 Budget (USD '000)</b>	<b>2001 Proposed (USD '000)</b>
Operation and support of IFAD technical infrastructure to ensure the continuity and reliability of network and computer services	816	839
Support of end-users for standard applications through Hotline assistance and training at various levels	255	212
Maintenance and support of corporate systems in operations	188	221
External computer services for mainframe applications and Internet working	258	276
Enhancement of technical infrastructure to increase the capacity and services	39	-
<b>TOTAL</b>	<b>1 556</b>	<b>1 548</b>

- (vii) **Other.** This heading, which includes expenditure for headquarters insurance cover, purchase, replacement and maintenance of cafeteria equipment, medical supplies, a variety of miscellaneous services and provision for the new catering contract, involves a real increase of USD 19 000 and is proposed at USD 142 000 for 2001.

(b) **Professional Services**

This heading covers the cost of the external professional services used for normal office and financial administration. The proposed 2001 budget allocation under this heading is USD 778 000.

- (i) **External Auditors' fees and expenses.** The External Auditors' fees and expenses for 2001 have been projected at USD 89 000, which includes an estimated price increase of USD 3 000.
- (ii) **Financial services.** This heading normally covers costs incurred by Treasury for subscriptions to an on-line financial-market information service, a rating agency service, publications and professional services. The proposed allocation of USD 116 000 has been reduced from the 2000 figure of USD 170 000. This is because the costs of financial information services, i.e., Bloomberg and Moody's, will be covered by additional income generated through the Commission Recapture Programme to be inaugurated during 2001, whereby IFAD will receive a rebate on commissions paid to brokers for investment transactions.
- (iii) **Translators (external).** All the translation needs for operations in the official languages of the Fund are normally provided for internally by the Office of the Secretary. With the increase in the number of new IFAD Member States, additional translation requirements, for which internal capacity does not exist, now necessitate a separate provision of USD 20 000 for 2001.
- (iv) **Legal services.** The proposed allocation of USD 23 000 for 2001 provides for a retained contractual arrangement with a local law firm to advise on matters relating to IFAD's operations in Italy: commercial contracts, staff privileges and



immunities, the legal status of IFAD vis-à-vis the Headquarters Agreement, and Italian juridical procedures.

- (v) **Building – Technical services.** The proposed allocation of USD 18 000 under this heading, which remains unchanged from 2000, provides for technical support services. A retainer arrangement has been made with an architectural consulting firm to advise on matters pertaining to the provisional headquarters building, IFAD/2 offices, technical projects for building improvements and assistance with the Italian technical authorities.
  - (vi) **Specialist audit services.** The proposed allocation of USD 53 000 shows a slight decrease of USD 4 000 over 2000, and will provide the Office of Internal Audit with adequate funding for the engagement of external skills to complement internal resources in specialist areas (e.g., information technology and investment management) and its planned outsourcing of specialist audit services. The outsourcing of specialized auditing work continues to play a major part in providing a more effective internal audit service.
  - (vii) **Oversight Committee.** In May 2000, the President of IFAD established an Oversight Committee to coordinate investigations into alleged irregular practices. The committee's mandate is to review and assess allegations of irregular practices in IFAD activities or in connection with operations and contracts financed with IFAD resources, and to report its findings at the appropriate level. In order to carry out these activities, budget resources of USD 30 000 have been requested in the administrative budget.
  - (viii) **Consultants – Management information systems (MIS) maintenance.** Professional-level expertise is required on an ongoing basis for Hotline coordination, for the user-support function and for technical support and maintenance of corporate systems. This includes corrective and preventive maintenance and mandatory upgrades of existing corporate systems, as well as specialized support of legacy mainframe systems, financial systems and document and knowledge management infrastructures. As it is proposed that the development of new major systems should be funded under the PRP, a real decrease of USD 58 000 has been made in 2001.
  - (ix) **Insurance against risk.** A new allocation is requested to purchase insurance cover against financial loss due to various types of risk. These risks include: crime, fraud, forgery, loss through theft or damage from any cause on IFAD's premises, loss or damage of IFAD property in transit, computer crime/fraud, computer virus and legal liability to third parties. While IFAD already insures against some of these risks, increased global incidence of technology-related losses requires that IFAD realign and reinforce its insurance protection. Negotiations have been initiated with insurers to combine all similar risks under one policy. Any current policies that become redundant will be allowed to lapse. The amount proposed for this allocation is USD 50 000. This premium would provide insurance protection of approximately USD 5 million for any one loss and/or in the aggregate.
- (c) **Miscellaneous**
- (i) **Hospitality.** The proposed allocation of USD 43 000 for 2001 provides for a slight increase of USD 3 000 over 2000 and a price increase of USD 1 000.
  - (ii) **Library, books and periodicals.** The 2001 requirement of USD 82 000 provides for a real increase of USD 3 000 and a price increase of USD 3 000.

- (iii) **United Nations liaison.** The 2000 level remains unchanged at USD 342 000, with a price increase of USD 10 000.
- (iv) **FAO charges.** As of 2000, these charges are shown under Staff Costs, sub-Section B.
- (v) **Other.** The 2000 level remains unchanged at USD 34 000, with a price increase of USD 1 000.

### E. Other Operational Expenses, Including Corporate Strategy, Policy and Resource Mobilization

100. Details of this budget category are provided in Table 9 and described thereafter.

**TABLE 9: OTHER OPERATIONAL EXPENSES, INCLUDING CORPORATE STRATEGY, POLICY AND RESOURCE MOBILIZATION**  
(USD '000)

	1999	2000		2001		Proposed Budget (at 2 084 ITL/USD)
	Actual (at 1 810.59 ITL/USD)	Budget (at 1 977.60 ITL/USD)	Restated (at 2 084 ITL/USD)	Real Increase (Decrease)	Price Increase	
(a) Duty travel*	1 301	1 636	1 596	(6)	49	1 639
(b) Special studies	33	123	123	-	4	127
(c) Media, communications and networking	266	271	266	-	8	274
(d) Annual report	85	108	102	-	3	105
(e) Publications	241	209	198	-	6	204
(f) Contributions to United Nations and other committees	71	67	67	27	3	97
(g) Participation in and hosting of meetings	29	32	30	-	1	31
<b>TOTAL</b>	<b>2 026</b>	<b>2 446</b>	<b>2 382</b>	<b>21</b>	<b>74</b>	<b>2 477</b>

\* Part of duty travel resources will be shifted to PDDF – see Section VIII.

101. **Duty travel.** As in 2000, this heading includes staff travel for all divisions but excludes PD staff travel related to appraisal and supervision, which is provided for separately. The proposed allocation for 2001 includes a real decrease of USD 6 000. Provision has been included for estimated price increases totalling USD 49 000.

102. **Special studies.** From time to time, support is needed in the form of special studies on specific activities and topics and on operational guidelines. The 2000 allocation is maintained for 2001 and, inclusive of price increases of USD 4 000, amounts to USD 127 000.

103. **Media, communications and networking.** In today's competitive development environment, IFAD needs to focus on communicating its effectiveness in fulfilling its unique mandate to the outside world. This need is currently addressed through the formulation and implementation of a central communications strategy. By making optimal use of up-to-date know-how/technology and professional expertise, effective messages and marketing tools will be formulated to reach IFAD's key partners – bilateral and multilateral organizations, Member States, the private sector, media, NGOs, civil society and the public. Such messages will be in line with IFAD's strategic thrusts, promoting it as a knowledge-based institution. The USD 274 000 allocation for 2001 includes a price increase of USD 8 000.



104. **Annual Report.** The proposed 2001 allocation of USD 105 000 provides for a price increase of USD 3 000.

105. **Publications** contribute to achieving IFAD's strategic objectives and, as such, support its position as a knowledge organization. They also aim to disseminate information on the Fund's achievements, promote its policies, build support for its activities and increase understanding of rural poverty. As a result of the re-engineering exercise, the production of publications is more systemized and cost-effective thanks to a new process involving content review, internal graphic design and desktop publishing, and improved printing and dissemination strategies. In view of this, the allocation for 2001 is proposed at USD 204 000, including a cost increase of USD 6 000.

106. **Contributions to United Nations and other committees.** IFAD supports the budgets of certain United Nations-sponsored committees, other committees related to project or administrative work and regional or sectoral bodies that contribute to furthering IFAD's policy or programme priorities. For 2001, IFAD's contribution to the Subcommittee on Nutrition of the United Nations Administrative Committee on Co-ordination (ACC) has been reinstated. Total IFAD contributions of USD 97 000 are made up as follows:

	<b>2001 Proposed (USD)</b>
ICSC/Consultative Committee on Administrative Questions	42 000
Non-Governmental Liaison Service	21 000
Consultative Committee on Programme and Operational Questions	7 000
ACC Subcommittee on Nutrition	27 000

107. **Participation in and hosting of meetings.** The 2001 allocation under this category, including a price increase of USD 1 000, is proposed at USD 31 000. Activities are intended to support planned partnership development activities and conference support services.

#### **F. Contingency Items**

108. **Expenses on the new headquarters building.** The Headquarters Agreement between the Italian Republic and IFAD calls upon the Italian Government to provide IFAD with a Permanent Headquarters building with appropriate conference facilities. Since 1984, IFAD's annual budgets have included provision for the cost of moving and settling into such new facilities, once ready. The 2000 allocation was USD 150 000. Since relevant costs to be incurred during 2001 for the move to the premises adjacent to IFAD have been included under 'One-Time Costs', this provision is no longer required.

109. **Contingency for unforeseen expenses.** As in 2000, this contingency item of USD 250 000 is provided for unforeseen expenses and possible inflationary increases in excess of those anticipated.

110. At its Sixty-Fifth Session, the Executive Board authorized the President to allocate funds from the contingency heading to other categories of expenditure as the need arose. The Executive Board will be advised of any such action taken in 2000 in a separate document to be tabled at the current session.

### **VIII. PROGRAMME DEVELOPMENT FINANCING FACILITY**

111. Table 10 below gives, on its left-hand side, the traditional presentation of the Programme of Work and Budget. It shows a Programme of Work (POW) of USD 384.7 million and a Budget of

USD 53.6 million after adjustments for LTTs. The grants programme amounts to the ceiling of 7.4% of the Programme of Work (after adjustments for LTTs). The right-hand side of the same table shows the Programme of Work and Budget for 2001, restated with the creation of the PDFF. The PDFF is the result of transfers from both the budget and the traditional TA grant programme of all resources relating to the project/programme development cycle into one resource category and on a straight zero-sum basis. The PDFF is subdivided in two temporary categories of resources: the cost centres; and resources to support the implementation of ongoing projects. As the cost centre concept is expanded to the project/programme development cycle beyond project start-up, this latter category of resources will be integrated into the cost centres, the first category.

112. As detailed in Table 10, as a consequence of this reformulation, the new TA grant programme amounts to 4.3% of the programme of work whereas if we compare the same grant items, these were previously 4.19% under the traditional presentation. The increase is due to the transfer of a large amount of earlier grant items to the PDFF. The 4.3% level does **not**, however, constitute the new proposed ceiling for grants in replacement of the current 7.5% ceiling. The 4.3% figure is the result in 2001 of: (a) applying the PDFF principles under a decreased lending programme; while (b) keeping resources for project/programme development intact; and (c) applying the total reduction of the amount of grants (in the programme of work) only to agricultural research, other research and training grants. Had the programme of work and grants not been reduced, the TA grant share of the programme of work would be approximately 5%.

TABLE 10

Traditional Presentation of the 2001 Programme of Work and Budget After Adjustment for LTT Conversions to Fixed-Term Positions				Revised Presentation of the 2001 Programme of Work and Budget for Future Comparison Purposes to Include PDFF Format				
USD Million				USD Million				
	Original	LTT	Revised		Revised	PDFF	Revised	
<b>SUMMARY</b>				<b>SUMMARY</b>				
1. Programme of Work	385.000	-0.321	384.679	1. Programme of Work	384.679	-12.479	372.200	
2. Administrative Budget	53.266	0.321	53.587	2. Administrative Budget	53.587	-13.521	40.066	
				3. PDFF		26.000	26.000	
<b>TOTAL</b>	<b>438.266</b>		<b>-438.266</b>	<b>TOTAL</b>	<b>438.266</b>		<b>-438.266</b>	
<i>USD Million</i>				<i>USD Million</i>				
1. Programme of Work	385.000	-0.321	384.679	1. Programme of Work	384.679	-12.479	372.200	
Loans	356.100		356.100	Loans	356.100		356.100	
Grants at 7.5% of POW	28.900	-0.321	28.579	1./	Grants at 7.4% of POW	28.579	-12.479	16.100
Agricultural research	5.440		5.440		Agricultural Research	5.440		5.440
Other research, training and other	9.030		9.030		Other research, training and other	9.03		9.030
Accelerated project performance and Other project implementation support	1.500		1.500 *		Accelerated project performance and Other project implementation support	1.500	-1.500	-
Project Development Fund	9.150		8.829 *		Project Development Fund *	8.829	-8.829	-
Less LTT portion		-0.321			less LTT portion			
IFAD/NGO ECP	1.630		1.630		IFAD/NGO ECP	1.630		1.630
Environmental Assessment	0.400		0.400 *		Environmental Assessment *	0.400	-0.400	-
Special Operations Facility	1.750		1.750 *		Special Operations Facility *	1.750	-1.750	-
	1./ Revised 7.4% of Grants to POW				2./ Revised 4.3% of Grants to new POW			

TABLE 10 (Cont'd)

2. Administrative Budget				2. Administrative Budget				
Total	53.266	0.321	53.587	Total	53.587	-13.521	40.066	
Governing body and other official meetings	1.799			Governing bodies and other official meetings				
Less : LTT portion.		-0.077	1.722	Less : LTT portion.	1.722		1.722	
Staff Costs	26.591			Staff Costs				
Add : Fixed-term positions (Table 6C)		0.899		Add : Fixed-term positions (Table 6C)				
Less : LTT portion		-0.234		Less : LTT portion				
(further adjustment against PDF below)			27.256		27.256		27.256	
Payments for appraisal, supervision and evaluation	15.066	-	15.066	Payments for appraisal, supervision and evaluation	15.066	-12.981	2.085	
Strategy development	0.067			Strategy development	0.067			
Appraisals	1.733		*	Appraisals *	1.733	-1.733		
Cooperating institutions	8.219		*	Cooperating institutions *	8.219	-8.219		
Direct supervision	0.602		*	Direct supervision *	0.602	-0.602		
Supervision of TA grants	0.196		*	Supervision of TA grants *	0.196	-0.196		
Audit of loans and grants initiated by IFAD	0.025			Audit of loans and grants initiated by IFAD	0.025			
IFAD follow-up	1.119		*	IFAD follow-up *	1.119	-1.119		
Knowledge management	0.100			Knowledge management *	0.100			
Staff travel (appraisal and supervision)	1.112		*	Staff travel (appraisal and supervision) *	1.112	-1.112		
Evaluation and studies	1.893			Evaluation and studies	1.893			
Office and general expenses	5.688			Office and general expenses				
Less : LTT portion .		-0.267		Less : LTT portion	5.421		5.421	
Other operational expenses, including corporate strategy, policy and resource mobilization			5.421	Other operational expenses, including corporate strategy, policy and resource mobilization				
	2.477		2.477		2.477	-0.540	1.937	
Duty travel (PDF portion .540 * only)	1.639		*	Duty travel (PDF portion .540 *)	1.639	-0.540		
Special studies	0.127			Special studies	0.127			
Media communications and networking	0.274			Media communications and networking	0.274			
Annual report	0.105			Annual report	0.105			
Publications	0.204			Publications	0.204			
Contributions to United Nations and other committees	0.097			Contributions to United Nations and other committees	0.097			
Participation in and hosting of meetings	0.031			Participation in and hosting of meetings	0.031			
Contingency items	0.250	-	0.250	Contingency items	0.250	-	0.250	
One-time costs	1.108		1.108	One-time costs	1.108		1.108	
Extraordinary price increase	0.287		0.287	Extraordinary price increase	0.287		0.287	
* Items to be transferred to PDFF				3. PDFF Total	0.000	26.000	26.000	
				Cost Centres		12.712	12.712	
				Project Development Fund		8.829	8.829	
				Environmental assessment		0.400	0.400	
				Appraisal		1.733	1.733	
				Special Operations Facility		1.750	1.750	
				Ongoing Projects		11.636	11.636	
				Cooperating institutions		8.219	8.219	
				Direct supervision		0.602	0.602	
				Supervision of TA grants *		0.196	0.196	
				IFAD follow-up *		1.119	1.119	
				Accelerated project performance and other project implementation support		1.500	1.500	
				Staff travel relating to the above		1.652	1.652	
Programme of Work and Budget	Total	438.266	0.000	438.266		438.266	0.000	438.266



113. The result of this zero-sum operation is summarized below:

TABLE 11

Traditional Presentation of the 2001 Programme of Work and Budget			New Presentation of the Programme of Work and Budget for Future Comparison Purposes		
	%	USD million		%	USD million
Programme of Work	87.8	384.7	Programme of Work	85.0	372.2
Administrative Budget	12.2	53.6	Administrative Budget	9.1	40.1
			PDFF	5.9	26.0
<b>TOTAL</b>	<b>100.0</b>	<b>438.3</b>		<b>100.0</b>	<b>438.3</b>

## IX. RECOMMENDATION

114. In accordance with Article 6, Section 10, of the Agreement Establishing IFAD and Regulation VI of the Financial Regulations of IFAD, it is recommended that:

- (a) the Executive Board approve the Programme of Work for 2001 at a level of SDR 307.2 million (USD 394 million) for 27 projects and will review the programme in April 2001 with a view to increasing it to 29-30 projects should resources for commitment become available;
- (b) the Executive Board authorize the President to submit the Budget for 2001, totalling USD 53 266 000, inclusive of the proposal to convert the LTT staff to fixed-term positions and the contingency, to the Twenty-Fourth Session of the Governing Council for its approval; and that
- (c) the Executive Board submit the attached draft resolution concerning the establishment of the PDFF to the Governing Council for approval and, upon its adoption, the Secretariat be authorized to present the Programme of Work and Budget using the new PDFF format provided under Section VIII to future sessions of the Executive Board.

ATTACHMENT

**DRAFT RESOLUTION ON THE ESTABLISHMENT OF A PROGRAMME  
DEVELOPMENT FINANCING FACILITY**

**Resolution \_\_\_/XXIV**

**The Establishment of a Programme Development Financing Facility**

**The Governing Council of IFAD,**

**Recalling** Article 7, Section 2, of the Agreement Establishing IFAD and the Financial Regulations of IFAD;

**Having considered** document GC 24/L.\_\_\_\_ on the Programme of Work and Budget of IFAD for 2001, the proposal contained therein for the establishment of a Programme Development Financing Facility and the draft resolution attached thereto;

**Decides that:** *(the text to be deleted is placed between square brackets and a line placed through it and the text to be added is underlined)*

- (a) A Programme Development Financing Facility (PDFF) shall be established, separate from the Programme of Work and the Administrative Budget of IFAD, to finance the expenditures required for the design and implementation of projects and programmes financed by loans and grants from IFAD. The Secretariat shall hereinafter prepare annually a proposal for the PDFF and submit the same for approval to the Executive Board together with the Programme of Work of IFAD.
- (b) **Article 7, Section 2(a), of the Agreement Establishing IFAD** shall be amended to read as follows:

“Financing by the Fund shall take the form of loans and grants, which shall be provided on such terms as the Fund deems appropriate, having regard to the economic situation and prospects of the Member and to the nature and requirements of the activity concerned. The Fund may also provide additional financing for the design and implementation of projects and programmes, financed by the Fund through loans and grants, as the Executive Board shall decide.”
- (c) **Article 7, Section 2(b), of the Agreement Establishing IFAD** shall be amended to read as follows:

“The proportion of the Fund’s resources to be committed in any financial year for financing operations in ~~either~~ any of the forms referred to in subsection (a) shall be decided from time to time by the Executive Board with due regard to the long-term viability of the Fund and the need for continuity in its operations. The proportion of grants shall not normally exceed one-eighth of the resources committed in any financial year. A large proportion of the loans shall be provided on highly concessional terms.”
- (d) The Executive Board shall be informed by the Secretariat of the guidelines and procedures for the operation of the PDFF.
- (e) This Resolution and the amendments to the Agreement Establishing IFAD contained therein shall enter into force and effect on the date of the adoption of this Resolution.

ANNEX I

**PROGRAMME MANAGEMENT DEPARTMENT  
WORK PROGRAMME BY NUMBER OF OPERATIONS FOR PROJECT CYCLE**

	<b>2001 Proposed (Number)</b>	<b>%</b>
<b>Project Development Fund</b> <sup>1 2 3 4</sup>		
Africa I	5.50	18.3
Africa II	6.00	20.0
Asia and the Pacific	6.20	20.7
Latin America and the Caribbean	5.10	17.0
Near East and North Africa	6.00	19.7
Technical Advisory Division	1.30	4.3
<b>TOTAL</b>	<b>30.10</b>	<b>100.0</b>
<b>Appraisal</b> <sup>1 4</sup>		
Africa I	7.00	23.3
Africa II	7.00	23.3
Asia and the Pacific	6.25	20.8
Latin America and the Caribbean	5.00	16.7
Near East and North Africa	4.75	15.9
<b>TOTAL</b>	<b>30.00</b>	<b>100.0</b>
<b>Planned projects</b> <sup>5</sup>		
Africa I	6.00	23.10
Africa II	6.00	23.10
Asia and the Pacific	6.00	23.10
Latin America and the Caribbean	4.00	15.35
Near East and North Africa	4.00	15.35
<b>TOTAL</b>	<b>26.00</b>	<b>100.00</b>

<sup>1</sup> The number of operations includes projects originating from the pipelines of other international financial institutions (IFIs); as the related project development costs would be less, the actual number of operations may differ.

<sup>2</sup> Includes partial project development costs due to the impact of activities that may have commenced, but have not been completed, by the end of 2000. Similarly, partial costs for commencement in 2001 may also be incurred.

<sup>3</sup> The percentages are indicative for numbers of operations rather than the financing levels (which are indicated in Table 3A).

<sup>4</sup> This data has been provided in the traditional format and would need restatement for the PDF format.

<sup>5</sup> These percentages indicate numbers of proposed loans rather than financing levels (which are indicated in Annex II).

**PROGRAMME MANAGEMENT DEPARTMENT - LOAN PROGRAMME**  
(USD '000 and SDR '000)

	1999 Actual <sup>1</sup>			2000						2001 Proposed		
	USD	SDR	%	Originally Approved <sup>2</sup>			Actual <sup>3</sup>			USD	SDR <sup>4</sup>	% <sup>5</sup>
	USD	SDR	%	USD	SDR	%	USD	SDR	%	USD	SDR	%
<b>Loan programme</b>												
Africa I	85 654	62 550	20.38	82 025	58 738	18.385	82 960	62 222	19.53	65 480	51 064	18.388
Africa II	100 217	73 200	23.85	82 025	58 738	18.385	83 990	63 565	19.94	65 480	51 064	18.388
Asia and the Pacific	103 960	76 300	24.86	138 315	99 046	31.010	130 518	97 797	30.69	110 420	86 110	31.007
Latin America and the Caribbean	75 882	55 350	18.04	75 959	54 394	17.030	50 309	48 518	15.23	60 640	47 290	17.028
Near East and North Africa	54 002	39 500	12.87	67 752	48 517	15.190	59 908	46 537	14.61	54 090	42 182	15.189
<b>TOTAL</b>	<b>419 715</b>	<b>306 900</b>	<b>100.00</b>	<b>446 076</b>	<b>319 433</b>	<b>100.00</b>	<b>407 685</b>	<b>318 639</b>	<b>100.00</b>	<b>356 110</b>	<b>277 710</b>	<b>100.000</b>

<sup>1</sup> The 1999 Actual is shown in United States dollars at the rate prevailing on Executive Board approval date.

<sup>2</sup> Reported as per the approval of the Executive Board at SDR 1 = USD 1.39647.

<sup>3</sup> For loans approved at the Sixty-Ninth and Seventieth Sessions of the Executive Board in April and September 2000, respectively, the United States dollar equivalent is shown at the rate prevailing on the date of Executive Board approval. Loans being presented to the Seventy-First Session of the Executive Board in December 2000 have been calculated in SDR equivalent at the rate prevailing on 20 October 2000 of SDR 1 = USD 1.28231.

<sup>4</sup> Calculated using the 20 October 2000 rate of SDR 1 = USD 1.28231 (see Table 3).

<sup>5</sup> These percentages indicate financing proportions rather than actual number of projects as shown in Annex I.



**PAYMENTS FOR SUPERVISION AND ADMINISTRATION OF IFAD PROJECTS**  
(USD '000)

	2000			Real Increase (Decrease)	Price Increase	2001	2001	2001
	1999 Actual (at 1 810.59 ITL/USD)	Approved Budget Restated (at 2 084 ITL/USD)	2000 Approved Numbers			Proposed Budget at 2 084 ITL/USD	Estimated Number of Projects under Supervision	Number of Projects for Which Charges are Projected <sup>1</sup>
World Bank (including IBRD and IDA) <sup>2</sup>	405	518	11.20	55	15	588	32.9	12.4
United Nations Office for Project Services <sup>3</sup>	5 675	5 587	121.43	11	140	5 738	127.42	127.42
African Development Bank	265	319	6.50	(50)	-	269	5.5	5.5
Arab Fund for Economic and Social Development	303	523	15.50	-	11	534	14.5	14.5
Asian Development Bank	128	118	2.00	-	4	122	7	2
Caribbean Development Bank	30	34	5.00	(5)	3	32	4.25	4.25
West African Development Bank	218	307	10.85	(23)	-	284	11.05	11.05
Central American Bank of Economic Integration	80	48	3.50	(10)	-	38	4	4
Andean Development Corporation	530	614	17.70	(15)	15	614	17.25	17.25
Inter-American Development Bank	-	-	-	-	-	-	1	-
<b>Subtotal</b>	<b>7 634</b>	<b>8 068</b>	<b>193.68</b>	<b>(37)</b>	<b>188</b>	<b>8 219</b>	<b>224.87</b>	<b>198.37</b>
Test projects for IFAD direct supervision <sup>4</sup>	153	421	10.50	172	10	602	14.7	14.7
<b>TOTAL</b>	<b>7 787<sup>5</sup></b>	<b>8 489</b>	<b>204.18</b>	<b>135</b>	<b>198</b>	<b>8 821</b>	<b>239.57</b>	<b>213.07</b>

<sup>1</sup> Numbers include pro rata apportionment for projects proposed during 2000 and exclude projects that may be approved during 2001.

Similarly, pro rata apportionment has been applied for projects that are expected to be extended into 2001 or that are in suspension status. Numbers are also pro-rated when approval of a loan is combined with Belgian Survival Fund resources.

<sup>2</sup> The allocation for 2001 assumes 12.4 projects entrusted to the World Bank (8.7 projects in 1999 and 11.2 in 2000). See extraordinary price increase of USD 287 000 for 2001 (USD 640 000 in 1999 and USD 389 000 in 2000), indicated separately in Table 4.

<sup>3</sup> The budgeted average cost for 2001 is based on current best estimated FPE equivalents. Some adjustment may be required, depending on finalization of the work programme which may change FPE equivalents and hence the estimated average cost.

<sup>4</sup> In accordance with Resolution 102/XX adopted by the Governing Council at its Twentieth Session and document EB 97/61/R.12 presented to the Sixty-First Session of the Executive Board.

<sup>5</sup> These are 1999 actual costs excluding prior year accrual adjustments.



**2001 BUDGET ANALYSIS BY ORGANIZATIONAL DEPARTMENT**  
(USD '000)

	<b>Total 2001 Proposed (at 2 084 ITL/USD)</b>	<b>Office of the President</b>	<b>Office of the Vice-President</b>	<b>Programme Management Department</b>	<b>Economic Policy and Resource Strategy Department</b>	<b>Management and Personnel Services Department</b>
1. Governing body and other official meetings	1 799				52	1 747
2. Staff costs	26 591	3 061	4 064	9 276	1 795	8 395
3. Payments for appraisal, supervision and evaluation <sup>1</sup>	15 353	1 918		13 389	46	
4. Office and general expenses	5 688	109	217	43	352	4 967
5. Other operational expenses, including corporate strategy, policy and resource mobilization	2 477	508	214	762	532	461
<b>TOTAL</b>	<b>51 908</b>	<b>5 596</b>	<b>4 495</b>	<b>23 470</b>	<b>2 777</b>	<b>15 570</b>

<sup>1</sup> Includes extraordinary price increase of USD 287 000, details of which are provided in Table 4.



## 2001 BUDGET ANALYSIS BY ORGANIZATIONAL DEPARTMENT

Office of the President (OP)

(USD '000)

	Office of the President	Internal Audit	Office of Evaluation and Studies	Office of the General Counsel	Total (OP)
<b>2. Staff costs</b>	<b>695</b>	<b>315</b>	<b>1 189</b>	<b>862</b>	<b>3 061</b>
2.a - 2.e Regular and fixed-term staff	684	290	1 077	707	2 758
2.g Short-term temporary staff		25	104	146	274
2.h Overtime	11		8	9	28
<b>3. Payments for appraisal, supervision and evaluation</b>		<b>25</b>	<b>1 893</b>		<b>1 918</b>
3.b Supervision and related costs		25			25
3.e Evaluation and studies			1 893		1 893
<b>4. Office and general expenses</b>	<b>16</b>	<b>87</b>		<b>6</b>	<b>109</b>
4.b Professional services		83			83
4.c Miscellaneous <sup>1</sup>	16	4		6	26
<b>5. Other operational expenses, including corporate strategy, policy and resource mobilization</b>	<b>73</b>	<b>45</b>	<b>294</b>	<b>96</b>	<b>508</b>
5.a Duty travel	73	45	202	96	416
5.b Special studies			92		92
<b>TOTAL</b>	<b>784</b>	<b>472</b>	<b>3 376</b>	<b>964</b>	<b>5 596</b>

<sup>1</sup> Includes 'Hospitality' and 'Other' to be sub-allocated to OP divisions during 2001.



## 2001 BUDGET ANALYSIS BY ORGANIZATIONAL DEPARTMENT

Office of the Vice-President (VP)

(USD '000)

	Office of the Vice-President	Office of the Controller	Treasury	Total (VP)
<b>2. Staff costs</b>	<b>333</b>	<b>2 734</b>	<b>997</b>	<b>4 064</b>
2.a - 2.e Regular and fixed-term staff	298	2 366	892	3 556
2.g Short-term temporary staff	29	341	98	468
2.h Overtime	6	27	7	40
<b>4. Office and general expenses</b>	<b>2</b>	<b>92</b>	<b>123</b>	<b>217</b>
4.b Professional services		89	116	205
4.c Miscellaneous	2	3	7	12
<b>5. Other operational expenses, including corporate strategy, policy and resource mobilization</b>	<b>23</b>	<b>126</b>	<b>65</b>	<b>214</b>
5.a Duty travel	23	126	65	214
<b>TOTAL</b>	<b>358</b>	<b>2 952</b>	<b>1 185</b>	<b>4 495</b>





## 2001 BUDGET ANALYSIS BY ORGANIZATIONAL DEPARTMENT

Programme Management Department (PD)

(USD '000)

	Office of the Assistant President	Africa I Division	Africa II Division	Asia And the Pacific Division	Latin America and the Caribbean Division	Near East and North Africa Division	Technical Advisory Division	Total (PD)
<b>2. Staff costs</b>	<b>954</b>	<b>1 651</b>	<b>1 449</b>	<b>1 506</b>	<b>1 266</b>	<b>1 208</b>	<b>1 242</b>	<b>9 276</b>
2.a - 2.e Regular and fixed-term staff	879	1 632	1 439	1 485	1 252	1 174	1 225	9 086
2.g Short-term temporary staff <sup>1</sup>	68	14	5	16	5	23	10	141
2.h Overtime	7	5	5	5	9	11	7	49
<b>3. Payments for appraisal, supervision and evaluation</b>	<b>311</b>	<b>2 491</b>	<b>3 015</b>	<b>2 901</b>	<b>2 216</b>	<b>2 268</b>	<b>187</b>	<b>13 389</b>
3.a Appraisal and related costs	21	404	404	361	289	274		1 753
3.b Supervision and related costs <sup>2</sup>	46	1 891	2 418	2 360	1 800	1 837	72	10 424
3.c Knowledge management	100							100
3.d Staff travel	144	196	193	180	127	157	115	1 112
<b>4. Office and general expenses</b>	<b>6</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>24</b>	<b>2</b>	<b>43</b>
4.b Professional services						20		20
4.c Miscellaneous	6	2	3	3	3	4	2	23
<b>5. Other operational expenses, including corporate strategy, policy and resource mobilization</b>	<b>63</b>	<b>110</b>	<b>92</b>	<b>130</b>	<b>121</b>	<b>138</b>	<b>108</b>	<b>762</b>
5.a Duty travel	63	110	92	130	121	138	80	734
5.b Special studies								
5.c Media, communications and networking								
5.d Annual report								
5.e Publications								
5.f Contributions to United Nations and other committees							28	28
5.g Participation in and hosting of meetings								
<b>TOTAL</b>	<b>1 334</b>	<b>4 254</b>	<b>4 559</b>	<b>4 540</b>	<b>3 606</b>	<b>3 638</b>	<b>1 539</b>	<b>23 470</b>

<sup>1</sup> Includes projected requirements for certain PD divisions relating to temporary staff benefits in the amount of USD 53 000.

<sup>2</sup> Includes extraordinary price increase of USD 287 000, details of which are provided in Table 4.



**2001 BUDGET ANALYSIS BY ORGANIZATIONAL DEPARTMENT**  
**Economic Policy and Resource Strategy Department (ED)**  
**(USD '000)**

		<b>Total (ED)</b>
<b>1. Governing body and other official meetings</b>		<b>52</b>
1.a	Governing Council	52
<b>2. Staff costs</b>		<b>1 795</b>
2.a - 2.e	Regular and fixed-term staff	1 691
2.g	Short-term temporary staff	84
2.h	Overtime	20
<b>3. Payments for appraisal, supervision and evaluation</b>		<b>46</b>
3.a	Appraisal and related costs	46
<b>4. Office and general expenses</b>		<b>352</b>
4.c (i)	Miscellaneous (Hospitality)	352
4.c (iii)	United Nations liaison	
<b>5. Other Operational Expenses Including Corporate Strategy, Policy and Resource Mobilization</b>		<b>532</b>
5.a	Duty travel	193
5.b	Special studies	34
5.c	Media, communications and networking	274
5.e	Publications	0
5.f	Contributions to United Nations and other Committees	27
5.g	Participation in and hosting of meetings	4
<b>TOTAL</b>		<b>2 777</b>

**2001 BUDGET ANALYSIS BY ORGANIZATIONAL DEPARTMENT**  
**Management and Personnel Services Department (MD)**  
**(USD '000)**

	<b>Office of the Assistant President</b>	<b>Administrative and Protocol Services Division</b>	<b>Headquarters</b>	<b>Office of the Secretary</b>	<b>Management Information Systems</b>	<b>Personnel Division</b>	<b>Total (MD)</b>
<b>1. Governing body and other official meetings</b>		<b>254</b>		<b>1 476</b>	<b>17</b>		<b>1 747</b>
1.a Governing Council		199		265	12		476
1.b Executive Board		55		1 211	5		1 271
<b>2. Staff costs</b>	<b>253</b>	<b>1 722</b>		<b>2 505</b>	<b>1 291</b>	<b>2 624</b>	<b>8 395</b>
2.a - 2.e Regular and fixed-term staff <sup>1</sup>	253	1 643		2 395	1 175	1 637	7 097
2.f Relocation and recruitment <sup>2</sup>						391	391
2.g Short-term temporary staff <sup>3</sup>	3	32		99	104	166	404
2.h Overtime	3	47		11	12	10	83
2.i Training <sup>2</sup>						420	420
<b>4. Office and general expenses</b>	<b>6</b>	<b>95</b>	<b>4 404</b>	<b>74</b>	<b>381</b>	<b>7</b>	<b>4 967</b>
4.a Headquarters expenses			4 404			5	4 409
4.b Professional services		92			379		471
4.c Miscellaneous	6	3		74	2	2	87
<b>5. Other operational expenses, including corporate strategy, policy and resource mobilization</b>	<b>10</b>	<b>49</b>		<b>327</b>	<b>16</b>	<b>59</b>	<b>461</b>
5.a Duty travel	10	8		32	16	17	83
5.e Annual Report		15		90			105
5.f Publications		26		178			204
5.g Contributions to United Nations and other committees						42	42
5.h Participation in and hosting of meetings				27			27
<b>TOTAL</b>	<b>269</b>	<b>2 120</b>	<b>4 404</b>	<b>4 382</b>	<b>1 705</b>	<b>2 690</b>	<b>15 570</b>

<sup>1</sup> Figure indicated under Personnel Division covers allocation for all departments for After-Service Medical Coverage (USD 588 225), merit pay scheme (USD 32 000) and FAO medical charges (USD 62 470).

<sup>2</sup> Figure indicated under Personnel Division covers allocation for all departments.

<sup>3</sup> Figure indicated under Personnel Division includes allocations of USD 18 870 for appeals and USD 83 886 for maternity leave for all departments.





## REGIONAL LENDING STRATEGIES

### Western and Central Africa (Africa I)

1. **Socio-economic trends.** A number of challenges will need to be met in order to promote agricultural and economic growth, rural development and poverty alleviation in the region. Conducive institutional environments and governance mechanisms need to be promoted to increase the effectiveness of investments in poverty alleviation. Only through more widespread empowerment of rural populations and grass-roots organizations can the formidable and interrelated challenges of building human capital, boosting food production and productivity, and market development be met.

2. **Opportunities for IFAD.** In its investment orientation and pursuit of development objectives in Western and Central Africa, in 2001 the Fund will continue to place highest priority on initiatives in the following technical areas: (a) improvement of food security, with particular emphasis on the needs of women and youth; (b) developing rural financial services that reach isolated populations without previous access to financial markets and are well integrated into the national financial sector framework; (c) capacity building in support of decentralized decision-making processes for participatory rural development; and (d) natural resources management and the environment, with emphasis on supporting anti-desertification initiatives. To achieve these objectives, IFAD will continue to stress the importance of gender-differentiated target group participation in defining project objectives and priority activities; maximizing the use of local knowledge and experience; and pursuing a strategic orientation to the Fund's investments through strengthened collaboration with governments, civil society and other donors to ensure that project interventions fit closely within the context of overall economic and sectoral development strategies for individual countries.

3. **Operating strategic directions.** Major strategic operating directions in 2001 include continuation of the directions pursued in 2000: ensuring effective IFAD presence at the field level through maintenance of full lending levels; support to programmes driven by beneficiary participation; monitoring of project progress through the portfolio management system; and development of human resources through professional and support staff training. To respond to the objectives laid out in the Plan of Action, a number of new thrusts are being added for 2001:

- **Knowledge management.** IFAD will pursue a number of initiatives in this area. The TA grant programme for 2001 will emphasize implementation to ensure that knowledge generated finds its way into selected projects in the loan portfolio, and that synergy is created between countries and between the loans and grants programmes. TA grants for which the knowledge management function is especially relevant include Regional Environmental Information Management (REIMP) for The Congo, FIDAFRIQUE, the grant to the International Institute of Tropical Agriculture (IITA) for yams and cowpeas, to the West Africa Rice Development Association (WARDA) for rice, and to the West African Economic and Monetary Union/Permanent Interstate Committee for Drought Control in the Sahel.
- **Policy initiatives.** Within the context of the lending programme, the Fund will engage in policy dialogue and identify new policy initiatives for which IFAD input is relevant. Such dialogue, conducted in partnership with governments, civil society and like-minded donors, will involve the development of appropriate legal and regulatory frameworks for microfinance; concrete measures to increase the pro-poor nature of decentralization; and appropriate institutional frameworks for empowering farmers' organizations in the technology development and dissemination process. A key element in facilitating these processes will be the establishment of a multi-donor hub in the region, similar to those already operating in Latin America and Southern Africa.



- **Impact assessment.** IFAD will pursue a number of initiatives in 2001 with a view to improving impact assessment in its ongoing projects and programmes. Special priority will be placed on strengthening M&E in directly supervised and Flexible Lending Mechanism projects. To capitalize on previous and ongoing investments, impact assessment will receive special attention in at least three ongoing TA grants (the Agricultural Management Training Programme for Africa, WARDA (rice) and IITA (cowpeas)).
- **Partnerships** entered into in previous years will continue (annual consultations with major multilateral and bilateral partners, pursuit of cofinancing, active participation in the Common Country Assessment/UNDAF process in selected countries, promotion of sub-regional collaboration between various stakeholders through agricultural research TA grants). IFAD support to a regional hub will be an important mechanism for strengthening collaboration at the programme and policy levels. Within the context of HIPC DI, IFAD will also actively participate in at least one PRSP exercise.

## Eastern and Southern Africa (Africa II)

4. **Socio-economic trends.** The overall socio-economic context of the region is extremely mixed. On the one hand, the continuing drought in Ethiopia and northern Kenya has underlined the continued vulnerability and precariousness of ecologically marginal agricultural systems; agitation around land reform in Zimbabwe has exposed structural tensions in rural society in Southern Africa; and political tensions continue to contribute to poverty and instability in Angola and part of the Great Lakes region. On the other hand, two basic themes of transformation in civil society and the economy are both becoming clearer and are consolidating themselves: political decentralization/democratization, and the centrality of market relations in the rural economy. The principal challenges are to contribute to reduction of marginal area vulnerability, facilitate recovery in post-crisis situations, contribute to solution of tensions around access to basic resources, and provide the means by which the rural poor establish a strong and viable position in processes of decentralization and market development.

5. **Opportunities for IFAD.** Over the last three years, IFAD has acquired a much more clearly independent profile with governments in the region a profile it has developed **with** governments in projects and programmes giving significant levels of support for national initiatives. In this context, IFAD has emerged as a materially significant supporter of activities focused on the **economic and social empowerment of the rural poor**. The emergent significance of IFAD in the region provides an opportunity to make a positive and substantial contribution to current and incipient debate on key policies and institutions in an absolutely vital area, that of effective linkage to the aspirations and conditions of the rural poor. In order to grasp this opportunity, IFAD needs to be able to: identify principal policy and institutional constraints; point to proven experience in addressing the new issues that are arising in the context of major regional changes; join with stakeholders in identifying priority investments and policies for effective change in the environment of poverty alleviation; and commit resources to creating coalitions of investors for the implementation of change.

6. A key element in IFAD's role in poverty alleviation in the region is the development and implementation of its lending programme. The significance of this programme is extremely diverse, encompassing: direct impact on rural poverty; the basis of lessons learned for the development of larger programmes and policies; a mechanism for mobilizing resources of other agencies and directing them to key areas; and a credential for entry into serious policy and institutional dialogue. In 2001, focus areas will be developing effective rural finance systems accessible and useful to the rural poor; responsive and useful rural technology and information systems; rural market organizations allowing the poor to capture more of their own value-added; and systems of local planning and resource allocation reflecting the priorities of the IFAD target group.



7. **Operating strategic directions.** The lending programme is the major, not albeit exclusive, tool at the disposal of the Fund. The strategic directions and instruments to be pursued are the following:

- **Improved impact analysis.** In 2001, work in this area will involve further normative work on IFAD's approach to the Logframe and impact analysis, but will principally focus upon work with cooperating institutions and borrowers to raise the level of impact analysis and reporting in the implementation of IFAD-supported projects and programmes. It will also require yet further allocations of staff time and travel for IFAD implementation support.
- **Improved knowledge management.** In 2001, IFAD's work in this area must be pursued further – within a framework of drawing in relevant knowledge from other sources, as well as within an explicit and targeted communications strategy directed at those who can effectively use it. Not least among the considerations for the networking/dissemination strategy is orientation to the organizations of the poor and civil-society organizations.
- **More effective and visible engagement in policy dialogue.** IFAD has something unique to offer the dialogue on policy and institutional change for poverty reduction, given its day-to-day experience in dealing with how national policies and institutions actually 'work' in the lives of the poor. This will require carving out – on a country basis – areas of policy specialization and true policy value-added. It will also require effective management of representation (direct and indirect) in policy for a and in the everyday processes of policy development at the institutional level.
- **Deeper and more programmatic partnerships.** IFAD's performance of a stronger leadership role in concrete and relevant approaches to the social and economic empowerment of the rural poor in the region will depend ultimately upon the extent to which it can draw from and contribute to others in stable and far-reaching multi-stakeholder partnerships. These include partnerships with the rural poor and civil-society organizations in identifying the concrete challenges faced by the rural poor and viable responses to them, and with knowledge centres in identifying and solving crucial policy, institutional and operational issues.

## Asia and the Pacific

8. **Socio-economic trends.** The economies of Asia that were hit by the Asian financial crisis are continuing to recover, with positive rates of economic growth projected for 2000 and 2001. However, the incidence of poverty in those countries in 2000 and 2001 will be higher than the pre-crisis level. Among the rural poor in Asia, the populations that have been hardest hit by the process of marginalization are those living in the uplands, including the indigenous people and other marginalized populations in such areas. The process of marginalization has led to social exclusion, rapid environmental degradation and political instability, which is giving rise to violence in countries such as north-east India, Indonesia, Nepal and The Philippines. Increasing feminization of agriculture has adversely affected the education of the girl child, leading to recycling of rural poverty. The remoteness and diversity of such areas places a premium upon decentralized, participatory and iterative approaches to programme development and execution in order to achieve the necessary sensitivity to local conditions.

9. **Opportunities for IFAD.** Several IFAD-funded projects in the region have demonstrated that improved gender relations can have a very significant impact on the poor. Gender mainstreaming and the empowering of women to be agents of change will provide IFAD with an opportunity to promote strategic interventions in favour of the poor. There is a need to reorient the development strategy,



priorities and practices to focus on marginal and upland areas. Greater efforts will be made to enhance the resilience of very poor rural households in these areas to withstand external economic shocks. Support will be provided for local capacity-building to build a coalition of the poor, strengthen local institutions, promote decentralization and enable poor rural communities to improve their livelihoods by empowering them to take decisions on all matters affecting their lives. Focus will be placed on regenerative farming and forestry systems; rural finance for on- and off-farm activities; improving rural infrastructure; and local institutions and capacity building. Efforts will be made to influence the views of policy-makers by providing feedback on lessons learned from the rural poor themselves. Such a feedback mechanism could be developed through a strong participatory impact assessment methodology which recognizes the role of the poor as evaluators of IFAD-funded projects and programmes. Partnerships will be forged with like-minded donors, governments and NGOs through innovative ideas, projects and workshops at the grass-roots level.

10. **Operating strategic directions.** The principal strategic directions and instruments to be pursued are as follows: impact assessment, to identify strategic interventions for rural poverty alleviation by IFAD projects; management of local knowledge through collecting, documenting, validating and sharing experiences by means of workshops, exchange visits, etc.; and partnership building with like-minded donors, governments, regional institutions and civil society, with focus on impact and better management of knowledge. Examples here include collaboration with the United Kingdom Department for International Development (DFID) on developing a sustainable livelihood approach; with the World Food Programme (WFP) with regard to food-for-work interventions for rural infrastructure development; bringing about policy changes through providing feedback on successful examples of project implementation; ensuring strategic collaboration by making more effective use of UNDAF and the Comprehensive Development Framework (CDF); securing beneficiary and other stakeholder participation in the design and implementation of projects and, while so doing, feeding the lessons into PRSP initiatives undertaken in the region in 2001.

### Latin America and the Caribbean

11. **Socio-economic trends.** The political and economic instability in the region, which became evident in 1999 and 2000, particularly in the Andean countries (Bolivia, Colombia, Ecuador, Peru and Venezuela), is expected to continue in 2001, thus generating a difficult and complex setting for rural development and poverty-alleviation efforts. Political uncertainties within the region, arising from election campaigns in several countries and unresolved differences between executive and legislative branches of government in others, could affect economic policies, social investments and investor confidence.

12. In the Central-American sub-region, Honduras and Nicaragua will continue their reconstruction efforts, with modest economic recovery, while Costa Rica and El Salvador will maintain their economic development pace. The eastern Caribbean countries will continue their agricultural sector reforms to compensate for lost external trade income from banana exports. Tourism will continue to play an important role in the economy, while the agricultural sector will remain depressed.

13. **Opportunities for IFAD.** Renewed awareness on the part of the international financial community with regard to the need for poverty alleviation and rural development in the region has opened up new, active and systematic dialogue opportunities with the Inter-American Development Bank and the World Bank. This process is also being shared with multilateral and bilateral development institutions such as the Food and Agriculture Organization of the United Nations, the Economic Commission for Latin America and the Caribbean, the Inter-American Institute for Cooperation on Agriculture and the German Agency for Technical Cooperation, as well as with national and regional NGOs involved in rural development. While common policy grounds have been identified, such partnerships should continue to be strengthened so as to arrive at a common vision and to agree on institutional policies and actions.



14. In the lending and TA grant programme to be proposed for 2001, the Fund will give high priority to the consolidation of strategic areas associated with the current situation in the region, while maintaining medium-term strategic goals:

- linking rural alleviation initiatives to incipient decentralization efforts that strengthen the capacity of local communities to take decisions and manage resources in an autonomous manner;
- improving the competitive capacity of small-scale poor rural producers;
- strengthening the capacity of grass-roots organizations to deliver development services to the rural poor;
- promoting and reinforcing non-agricultural income-generating activities; and
- improving in-depth gender analysis and training.

15. **Operating strategic directions.** In 2001, it is intended to highlight the following strategic objectives:

- **Improved policy dialogue.** In many countries where IFAD is active, there is an urgent need to adopt a more pro-active agricultural and rural development policy in combination with macroeconomic policies. IFAD's experience in demand-driven approaches to rural development programmes, where the poor themselves identify and own the solutions adopted, will be shared in the processes of policy definition to ensure better linkages between poverty reduction initiatives and rural development programmes.
- **Enhanced implementation support.** Several innovative initiatives have been taken in IFAD projects in the region. However, these experiences have not been structured and have often been implemented in a dispersed fashion. While every country and particular social group need specific programmes due to their heterogeneity, a number of broad principles can be derived and shared from these experiences. Efforts will be made to better capture successful ways and means of reducing poverty in a sustainable manner, and to feed the results of such analysis into the design and implementation of new and ongoing projects.
- **Improved knowledge management.** Enhancing IFAD's capacity to influence and participate in policy dialogue and enable it to benefit from experience emanating from the field calls for better management of its understanding of poverty and its causes. The Regional Poverty Assessments provided IFAD with a valid basis to invest financial and human resources for sharing what it has learned from others and from its experiences of the processes that determine rural poverty. These assessments have also provided examples of 'best practices' that demonstrate successful mechanisms and instruments for change. FIDAMERICA, the Internet-based network on rural development, will continue to play a key role in the efforts IFAD is making to ensure that knowledge and expertise is oriented and used both by grass-roots organizations and the rural poor.
- **Partnerships.** IFAD will continue to seek new modalities for dealing with rural poverty. Its investments in a better strategic approach through improvements in COSOPs and other related strategies will be complemented by increased efforts in networking and better linkages with IFIs, donors, NGOs, the rural poor and civil-society organizations. This implies participation in the CDF, UNDAF and PRSP in selected countries of the region.





## Near East and North Africa

16. **Socio-economic trends.** The traditional countries of the Near East and North Africa continue to show good growth rates. Although problematic situations remain, there are signs of increasing inter-regional trade within the Mediterranean, and a general trend towards more decentralized development and natural resources management approaches. Overall, poor rural families in the Balkans, Eastern Europe and countries of the Commonwealth of Independent States (CIS) continue to suffer from weak institutions and minimal services in most sectors. A disturbing trend in countries of the former Soviet Union has been the economic slowdown in Russia, by far the largest market for the former Soviet Union products from such countries, resulting in a negative impact on the economy and export earnings of countries in the region. This has triggered protectionist policies with regard to agricultural production that have increased difficulties for smallholders throughout the region and given rise to increased regional tensions.

17. **Opportunities for IFAD.** Efforts will continue to focus on seeking opportunities to overcome natural resources constraints. Project themes will include: (a) improved access to land, water, capital and information; and (b) decentralization of responsibility and authority for natural resources management. As in the past, projects will focus on soil and water-related constraints in rainfed areas, with a clear emphasis on community management of common natural resources. Investments in rural financial services will become an increasingly important theme in IFAD projects.

18. Beneficiary linkages will form the basis of IFAD's lending programme in the Balkans, Eastern Europe and CIS countries, with interventions designed to enhance sustainable delivery of rural financial services, raise the level of available capital and enhance capacities in private financial institutions. Integrated development efforts, whereby targeted investment and capacity-building support is provided to crucial sectors (irrigation system rehabilitation and operation and maintenance, strengthened extension services) will also be continued. The region is beginning to witness a trend in terms of its second and third generation projects, which are moving beyond support to primary production and food security interventions to address, on a more systematic basis, marketing, institutional capacities and enhanced post-project sustainability.

19. **Operating strategic directions.** The operating strategy will continue to follow IFAD's corporate strategy, as well as issues raised in the context of the Plan of Action. The proposed lending programme of five projects in 2001 will continue to focus on the following strategic development options defined in the COSOPs: irrigation (Armenia), natural resources management (Algeria), rural financial services (Armenia, Bosnia and Herzegovina and Lebanon) and community-based participatory rangeland and livestock development (Turkey).

### Incorporating the Plan of Action into the Lending Strategy

- **Policy dialogue.** At the COSOP stage, the primary vehicle for promoting policy dialogue, IFAD will extend its first round of COSOPs for Jordan, The Sudan and Syria. These COSOPs will be completed in 2001 and will involve a more management-intensive consultation process than has been the case in the past. As per the regional operating strategy, policy dialogue will focus on: (a) operationalization of the decentralization process in The Sudan; (b) development of a pro-poor rural finance system through the reform of Jordan's agricultural system; and (c) empowerment of the rural poor through participatory project design and implementation in Syria.
- **Impact assessment.** Implementation support for ongoing projects will be directed to enhance and report on impact. Innovative and cost-effective approaches for participatory impact assessment will be tested through streamlined M&E systems at the project level, and



the carrying out of thematic surveys for the measurement of a few, but credible, indicators. Specific impact-related studies will be commissioned for five projects, one per country portfolio manager, to gain a better appreciation of the effectiveness of strategic interventions.

- **Partnerships.** With donors, partnerships include cofinancing and knowledge sharing in investment projects and TA grants for agricultural research. IFAD will strive to enhance its leadership role in order to increase the cofinancing of IFAD-initiated projects and agricultural research TA grants in the region by the Arab Fund for Economic and Social Development, the OPEC Fund and the Islamic Development Bank. A partnership arrangement will be concluded with the Arab Authority for Agricultural Investment and Development as a new cofinancing partner. With UNDP, the Fund will continue to provide valuable inputs for the preparation of the UNDAF for Lebanon and Yemen. With the United States Department of Agriculture, the developing partnership will be consolidated so as to use local currency proceeds to finance investments aimed at strengthening ongoing IFAD operations in Bosnia and Herzegovina, Georgia, Morocco and Yemen. With the Government of Italy, IFAD intends to build on the Rome Millennium Initiative on Debt-Swap and, in the case of Egypt, to use proceeds in local currency for cofinancing IFAD projects.

In collaboration with governments, a more systematic country-level partnership with civil-society will be developed, identifying concrete challenges and sustainable responses to the issues faced by the rural poor. IFAD will develop a pro-poor agricultural research and technology transfer strategy for TA grants as a vehicle for influencing a pro-poor regional research agenda (among major research stakeholders) and play a catalytic role in the mobilization of cofinancing from traditional donors.

- **Knowledge management.** For better engagement in policy dialogue and partnership, the Division intends to intensify its activities in the **establishment and use of knowledge networks** in the strategic areas of dryland and marginal rainfed areas, rural finance and microenterprise development, participatory irrigation management and gender mainstreaming. The TA grant programme will be IFAD's main vehicle for achieving this goal by taking a more active role in the design and implementation of TA grants and their linkages to both IFAD-financed projects and national programmes.