



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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**PREVIEW OF THE PROGRAMME OF WORK AND ADMINISTRATIVE BUDGET
OF IFAD FOR 2002**



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I. OVERVIEW

1. At each September Executive Board Session a 'preview' of the Programme of Work and Administrative Budget of IFAD for the following year is presented for discussion. The purpose of this document is to seek direction and guidance from members of the Board on matters that management has identified as key issues.
2. This overview highlights the changes and new items that management expects will affect the programme of work and administrative budget for 2002, which will be the first year of implementation of IFAD's revised strategic framework. These include:
 - (a) Work to update the strategic framework for 2002-2005 has begun and the revisions will be brought to the Executive Board in December 2001. This may affect the implementation of the final programme of work and administrative budget for 2002.
 - (b) At the Seventy-First Session of the Executive Board in December 2000, Board members emphasized the need to review the size of the lending programme. With the aim of restoring growth in annual planned lending levels, an effort will be made to increase the 2001 programme of work towards USD 450 million (from the current level of USD 394.0 million), and subsequently to restore the 2002 programme of work to the USD 450 million level in real terms, as indicated to the Executive Board in September 1996. This figure, updated using 2002 projected prices, is equivalent to USD 501.7 million.
 - (c) With the establishment of the Programme Development Financing Facility (PDFF) as approved by the Twenty-Fourth Session of the Governing Council, development of guidelines and procedures has started in 2001 in order to enable implementation of the PDFF in 2002.
 - (d) The rationale is presented for the proposal to begin the Consultation on the Sixth Replenishment of IFAD's Resources.
 - (e) Effective resource utilization is sought through the continued application of a zero-real-growth administrative budget in 2002. In view of the tight budgetary limitations foreseen, management proposes that the Executive Board approve some flexibility in the use of budgetary allocations. This would provide a tool to achieve the zero-growth expenditure target and would align IFAD with current managerial reform and practice.

II. INTRODUCTION

3. During the last decade, progress in global poverty reduction has been erratic. As noted in IFAD's *Rural Poverty Report 2001*, the excellent progress in the 1970s and 1980s in large parts of Asia has been partly offset by slowing and even reversal in South and South-East Asia. The situation in Africa, especially in sub-Saharan Africa, worsened, and the progress in Latin America has stalled. With 10 out of the 25 years already past of the period for reaching the International Development Goals (IDGs) (1990-2015), less than 20% of the poverty target has been reached. There is clearly a need to do more.

4. The challenges for poverty reduction today are enormous. Three quarters of those in extreme poverty, numbering some 900 million, live in rural areas. Their poverty situation is more complex than ever before and is defined by an evolving matrix of local and international economic and institutional factors. Nevertheless, development assistance from donor countries has considerably



declined, particularly for the rural poor and for agriculture, on which the majority of the rural poor depend for their livelihoods.

5. Today, there is growing concern about the increase in inequality across countries, among rich and poor, rural and urban, and within regions of a country. Unequal access to education and information are creating wider gaps. More and more of the poor in rural areas do not have access to land, the primary asset for ensuring a steady flow of income and food security. While movements for land reform, decentralization and democratization are gaining momentum, efforts to implement poverty-reduction measures are stalling in the face of unsuitable institutional arrangements and inadequate resource availability. Clearly, the challenge is to ensure that the poor have access to resources (land and non-tangible assets), and to empower them so that the poor themselves can take on the challenge of their own poverty eradication.

6. The effort to meet the IDGs is also being constrained by emerging health concerns. The most challenging is the enormous human loss through HIV/AIDS-related disease. There is a high cost to African communities, and increasingly some Asian countries, in terms of manpower. The loss of mostly working-age populations is causing sharp declines in agricultural production and productivity. The costs of caring for the sick and the dying are equally staggering.

7. Along with new opportunities from globalization, constraints are also emerging. The benefits offered by the spread of the market do not necessarily extend to the rural poor, who lack capital and integration with the market economy. The rural poor have to be supported in taking advantage of the spread of the global market economy. The growing debate on 'global public goods' (GPG) is also bringing to the fore the issue of financing the poverty-reduction effort as a global 'good'.

8. Institutions are adapting, often with a lag, to the changes in the global environment. Empowerment in the context of globalization increases the ability of the poor to interact equally with all other actors in the market place. This process includes access to markets, as well as the restructuring of social and economic structures. Issues of governance – the capability and willingness of governments to deliver development benefits to the poor and the skills required to extend benefits to the poor – are important elements in the future drive to bring development benefits to the rural poor and thereby achieve the IDGs.

9. Understanding these forces in the context of specific regions and countries is critical for developing a framework approach, to ensure that limited resources are used to their maximum possible potential and that leverage and catalytic roles can enhance the effectiveness of limited resources. IFAD's effort to develop a medium-term strategic focus is geared to placing the Fund in a position of strength to take on these emerging challenges.

III. IFAD STRATEGIC FRAMEWORK 2002-2005

Development of the Strategic Framework 2002-2005: The Process

10. IFAD's current strategic framework (*Meeting Challenges in a Changing World: IFAD's Strategic Framework for 1998-2001*) comes to the end of its operational life in 2001. The vision, the mission and the thrusts of the current strategy were adopted in response to the challenges IFAD faced in the mid-1990s, as outlined in the Rapid External Assessment Report of 1994. With the conclusion of the current strategy, IFAD is taking steps to update the formulation of its strategic focus for 2002-2005.

11. With this aim in mind, a retreat was organized on 2-3 July 2001 to launch the process of shaping IFAD's strategic framework for 2002-2005. More than 40 senior and middle managers of the

Fund took part. A further process of participation and inclusion is being followed to ensure that all staff members of IFAD willing to contribute towards the shaping of the strategy can do so. Following this process of intensive consultation, openness and revision, it is expected that the document will be finalized by the end of the year. The timing of the revised strategy document will be critical in determining how far the budget document for 2002 can reflect the strategic directions for 2002-2005.

IV. LENDING PROGRAMME

2001 Projected Lending

12. The Preview of the Programme of Work and Budget of IFAD for 2001, presented to the Seventieth Session of the Executive Board in September 2000, originally indicated that the 2001 lending programme was projected at USD 454.9 million for approximately 28-30 projects and the technical assistance grant (TAG) programme at USD 36.9 million (including PDFFF resources). When presenting the final Programme of Work and Budget of IFAD for 2001 to the Seventy-First Session of the Executive Board in December 2000, IFAD management proposed to temporarily reduce the level of the 2001 programme of work. This was based on the delay in effectiveness of the Fifth Replenishment, the reduced level of investment income during 2000, and the impact of the Fund's participation in the Debt Initiative for Heavily Indebted Poor Countries. Accordingly, the lending programme was reduced to USD 365.1 million (SDR 284.7 million) for 27 projects, representing a reduction of 18% in USD terms over the 2000 lending programme. Similarly, the grant programme was reduced to USD 28.9 million (SDR 22.5 million) (including the allocation of USD 12.9 million among items to be grouped under PDFFF). The Board was informed that the level would be reviewed at the end of April 2001 with a view to re-establishing the original level should resources become available for commitment.

13. Current projections indicate that the 2001 lending target of USD 365.1 million will be met, and an effort is being made to increase the programme of work (loans and grants) to USD 450 million. Pending Executive Board views on this proposal, some upward adjustments will be made in the regional allocations in order to reach these higher levels.

Proposed 2002 Lending Programme

14. IFAD plans to submit a programme of work for 2002 equivalent to USD 501.7 million, including the grant programme. The 2002 lending programme is projected at about USD 464.0 million for approximately 28 projects. The recommended regional allocations for 2002 are shown in Table 1 (Ad Hoc Committee on Regional Allocations (document EB 99/67/R.10)).

Table 1: Recommended Regional Allocations for 2002

	Africa (divided equally between Africa I and Africa II)	Asia and the Pacific	Latin America and the Caribbean	Near East and North Africa	Total
USD (million)	170.6	143.9	79.0	70.5	464.0
Percentage	36.77%	31.01%	17.03%	15.19%	100%



Plan of Action 2000-2002

15. During 2000 and 2001, the Fund has concentrated on developing the basic conceptual, methodological and procedural framework for implementing the Plan of Action. With the support of the re-engineered and new processes being developed by the Process Re-Engineering Programme – among other, complementary change processes – 2002 will be the year of implementation, mainstreaming and consolidation. This may, however, run over into the subsequent year for the more complex, off-site multi-stakeholder change initiatives.

16. **Impact enhancement through innovation** is at the centre of the Fund's efforts – both in terms of directly changing rural people's lives through investment programmes and in terms of influencing the transformation of rural development policies and institutions through dialogue. In addition to improved impact assessment, a systematic **knowledge management** process, supported by an infrastructure of diversified instruments (thematic groups, communities of practice, knowledge notes, etc.) will continue the transformation of IFAD from a financial institution to a development-finance knowledge organization that builds on its successful innovations and demonstrates impact. Based on an inventory of **partnership-building** initiatives, the Fund will systematize its efforts to deepen and expand its leverage with critical development organizations. It will do so not only in terms of reciprocal sharing of knowledge, but also – and as a consequence – in terms of advocating increased investment in rural and agricultural poverty eradication – thereby reversing declining trends in official development assistance for the rural sector and enhancing humanity's chances of reaching the IDGs by 2015.

17. All units in IFAD share this corporate agenda, and the regional divisions have devised specific strategic approaches for field-level implementation of this common framework. Within the framework, different regional emphases reflect: differences in the state of rural poverty; nature of the opportunities for productive investment in rural poverty eradication; strengths and weaknesses of, opportunities for and threats to policy and institutional transformation; pertinence of the coordinating mechanisms such as poverty-reduction strategy papers (PRSPs) and the United Nations Development Assistance Framework (UNDAF); readiness of strategic partners; performance of country portfolios, and stability of the country environments (civil strife, vulnerability to natural events, and debt and public-expenditure management). Action-plan implementation by region is summarized in Table 2 and the summaries following clarify these region-specific strategies.

Table 2: Implementing the Plan of Action in 2002

	Western and Central Africa	Eastern and Southern Africa	Asia and the Pacific	Latin America and the Caribbean	Near East and North Africa
Impact Management	<ul style="list-style-type: none"> • Improve participatory impact assessment in ongoing programme • Implement the TAG Programme to Promote Impact-Orientation during the Project Cycle: promotion of impact-focused methods and approaches, monitoring and evaluation (M&E) support to ongoing projects, networking • Promote cross-country exchange of experience • Focus on impact assessment in TAGs: AMTA, WARDA rice, and IITA yams and cowpeas 	<ul style="list-style-type: none"> • Document impact of policy dialogue and programme implementation through improved impact analysis and reporting on implementation by governments and cooperating institutions(CIs) • Follow up on the work of CIs by the country portfolio managers (CPMs) and in-country teams, providing implementation support • Develop implementation partnerships with interested bilateral donors 	<ul style="list-style-type: none"> • Carry out strategic planning of impact assessments • Refine innovative impact assessment methods: participatory impact monitoring (PIM), participatory impact assessment (PIA) • Re-examine the USD 1/day poverty line • Devote more attention to supervision follow-up • Review M&E systems and capacity-building • Integrate impact assessment in project completion reports (PCRs) and supervision reports 	<ul style="list-style-type: none"> • Improve capture (and feeding into portfolio) of experience in innovations to reduce rural poverty: beneficiary participation to ensure project effectiveness and accountability; monitoring and impact assessment 	<ul style="list-style-type: none"> • Improve procedures for project reporting: PCRs; standardized criteria for performance rating in project status reports (PSRs) and country issues sheets; impact surveys for TAGs; stronger relations with CIs to develop new supervision strategies, e.g. country-portfolio-based supervision • CPMs participate in supervision and follow-up missions • Governments assess project impact and IFAD's direct supervision • Implement TAG Programme to Promote Impact-Orientation during the Project Cycle: logframe workshops
Institutional Analysis and Policy Dialogue	<ul style="list-style-type: none"> • Pursue policy dialogue with governments, civil society and like-minded donors for: regulatory framework for microfinance (Benin, Cameroon), decentralization (Ghana, Senegal), delivery of rural services (Nigeria) • Participate in two PRSPs 	<ul style="list-style-type: none"> • Raise IFAD's policy advocacy profile above the national level (rural finance, rural marketing, water management) in order to put rural poverty at the top of the agenda and create space for economic activities • Develop partnerships for policy change: non-governmental organizations (NGOs), AFRACA, multi-donor Rural Development Hub in SADC 	<ul style="list-style-type: none"> • Use knowledge gained to actively promote pro-poor policies • Strengthen country strategy process with reality-check workshops • Identify policy interventions through participatory process and follow up during implementation • Influence regional institutions to give higher priority to research on technical and institutional options for improved development in upland areas 	<ul style="list-style-type: none"> • Use projects as platform for policy dialogue: status of indigenous people in security of land use and legal recognition of their traditional values, language and culture • Replicate MERCOSUR programme for institutional and policy support to other countries • Promote cross-fertilization with other regions 	<ul style="list-style-type: none"> • Pursue policy dialogue through leading-by-example: projects, lessons learned and partnerships: mountain area development policy, rural finance policy; pro-poor growth-enhancing development strategies • Participate in two PRSPs

Note:

AAAIID Arab Authority for Agricultural Investment and Development
 AMTA Agricultural Management Training Programme for Africa
 ENRAP Electronic Networking for Rural Asia/Pacific
 GTZ German Agency for Technical Cooperation
 IITA International Institute of Tropical Agriculture

IDB
 MERCOSUR
 SADC
 UEMOA
 WARDA

Inter-American Development Bank
 Southern Cone Common Market
 Southern African Development Community
 West African Economic and Monetary Union
 West Africa Rice Development Association



	Western and Central Africa	Eastern and Southern Africa	Asia and the Pacific	Latin America and the Caribbean	Near East and North Africa
Creation and Sharing of Knowledge	<ul style="list-style-type: none"> • Implement TAGs for: Regional Environmental Information Management, FIDAFRIQUE, IITA yams and cowpeas, WARDA rice, UEMOA drought control in the Sahel; and link into loan portfolio • Develop/review regional strategies for rural finance, post-conflict assistance, HIV/AIDS, agricultural research and decentralization 	<ul style="list-style-type: none"> • Translate studies (on gender, smallholder water management, rural finance and rural technology systems) into policy; and share recommendations with regional stakeholders • Realize study on market integration • Review workload/organization of CPMs to free up time for knowledge management 	<ul style="list-style-type: none"> • Realize second phase of the project-based networking and knowledge-sharing ENRAP TAG programme • Share knowledge through subregional workshops/exchange visits • Participate in thematic groups (TGs) and project development teams (PDTs) • Increase participation in supervision and prepare case studies on specific technologies and policy initiatives • Document and disseminate innovative project approaches • Analyse strategy and policy impact through Resident Scholar Scheme 	<ul style="list-style-type: none"> • Pursue focal areas of knowledge management identified in the regional poverty assessment for the <i>Rural Poverty Report 2001</i>: rural financial services, decentralization and empowerment, development of non-financial markets, indigenous people, access to markets. Gender and natural resources are cross-cutting topics. • Pursue FIDAMERICA objectives • Produce strategy paper to articulate TAGs within Plan of Action • Initiate working paper series 	<ul style="list-style-type: none"> • (i) Guide development of future portfolio; and (ii) identify areas for further strategic analysis – e.g. limited market outlets for smallholder produce – on the basis of review of strategic lending opportunities, the regional poverty assessment for the <i>Rural Poverty Report 2001</i>, thematic studies such as the Environmental and Natural Resource Management Review, and lessons learned from the portfolio
Partnership-Building	<ul style="list-style-type: none"> • Consult annually with major multilateral and some bilateral partners • Pursue cofinancing • Participate in common donor frameworks for post-conflict assistance • Promote regional cooperation through agricultural research TAGs • Establish multi-donor hub to strengthen collaboration at the programme and policy level 	<ul style="list-style-type: none"> • Develop prioritized partnerships with: the rural poor and civil-society organizations for identifying challenges and developing responses to them; governments for broad and long-term change; like-minded donors for promoting pro-poor policy and institutional change and for returning to rural and agricultural development • Develop and implement programme to reduce vulnerability to AIDS in Africa • Pursue cofinancing 	<ul style="list-style-type: none"> • Intensify search for new partnerships through consolidation of proxy field representation • Replicate inclusion of NGO in loan negotiation • Establish network to share experience on programmes for women, indigenous people and upland areas, with TAG resources • Participate in two PRSPs, the Comprehension Development Framework (CDF) and UNDAF to place concerns of marginalized and upland people on national development agendas 	<ul style="list-style-type: none"> • Complement country strategic opportunities paper (COSOP) process with increased efforts in networking with IFIs, donors, NGOs, the rural poor and civil-society organizations (CSOs) for: rural poverty alleviation in El Salvador with the World Bank; indigenous peoples with IDB; rural development policies with academic institutions and NGOs; rural financial services with GTZ • Participate selectively in CDF, UNDAF and PRSP 	<ul style="list-style-type: none"> • Develop partnerships with bilateral and regional donors into a more programmatic approach: from cofinancing to building on long-term priorities and strategic interests of each donor • Pursue cofinancing with AAAID



Western and Central Africa (Africa I Division)

Socio-Economic Trends

18. Historically, progress in Western and Central Africa has been poor with regard to per capita income growth, agricultural performance and rural poverty alleviation. This has been exacerbated by political instability and civil strife in a number of countries. Yet, since the early 1990s, there has been a notable recovery in many countries due largely to improvements in macroeconomic and sectoral incentive frameworks. Structural adjustment and market liberalization have opened up new opportunities. Increasingly, governments are moving towards more decentralized systems for decision-making on resource mobilization and expenditure. Yet the resulting benefits are not always evenly distributed, and the rural poor risk being left behind in the absence of well-targeted rural development investments. While liberalization has largely succeeded in removing government from those roles in agricultural production and marketing that are best taken care of by private actors, progress has been much slower in improving capacity to handle the roles only government can fill.

19. Several recent developments should be noted. All have potentially important implications for IFAD programming in the region. Unlike the original Debt Initiative for Heavily Indebted Poor Countries, the enhanced Initiative promises to deliver deeper and quicker debt relief. As the largest number of eligible countries is in this region, the enhanced Initiative and the accompanying poverty-reduction strategy process could lead to more and better targeting of pro-poor investments. It also holds promise for overcoming arrears problems in a number of countries.

20. While HIV/AIDS prevalence has historically been more pronounced in Eastern and Southern Africa, figures are growing at alarming rates in Western and Central Africa.

21. Finally, within just the last year, peace agreements have been signed in several countries affected by conflict, and there is a degree of optimism that development activities can resume. Given that conflict is a major factor increasing poverty and vulnerability and that about 20% of the region's population live in countries affected by conflict, this has direct implications for IFAD's portfolio development and for allocations in the region.

Opportunities for IFAD

22. IFAD has made major investments in decentralization and community-based rural development programmes. It particularly targets mechanisms to ensure that decentralization is pro-poor and that 'hard' infrastructure investment is complemented with necessary 'soft' investment in management training – to build effective ownership – so that infrastructure is properly maintained and decision-making is open and transparent. Now that the Fund has several years' experience with these programmes, a priority in 2002 will be to identify lessons from its implementation experience in order to increase effectiveness.

23. Research and extension agencies and donor projects have often ignored the needs of the most important food-crop farmers – women. The lack of effective outlets for women farmers to voice their concerns has made it easy to ignore them. Research/extension can only succeed if it is driven by client priorities: if more than half of the clients are women, their problems have to be explicitly addressed. For this reason, tailoring project interventions to the specific constraints of women is a central element of programmes in the region. A strategic mix of loans and grants is enabling IFAD to create synergies in improving access of poor farmers to productivity-enhancing technology.

24. Regarding post-conflict situations, the Fund will continue to monitor the arrears settlement agreements that have been signed with a number of countries and will continue to be proactive in seeking the right moment to conclude new agreements. Successful implementation of the enhanced



Initiative should aid in these efforts. IFAD also intends to make more strategic use of grants to develop a country presence and respond to serious needs in the process of relaunching loan programmes.

Strategic Operating Directions

25. Four related, mutually enforcing strategic objectives will be pursued in the design and implementation of IFAD-supported regional programmes: strengthening the capacity of the rural poor and their organizations; improving the pro-poor focus of rural development policies, institutions and service providers; raising agricultural and natural-resource productivity and rural incomes; and reducing vulnerability to major threats to rural livelihoods.

26. In its investment orientation and pursuit of development objectives in Western and Central Africa, in 2002 IFAD will place highest priority on initiatives in the following technical areas: (a) sustainable agricultural development, with particular emphasis on the needs of women and youth; (b) rural financial services that reach isolated populations with no previous access to financial markets and that are well integrated into the national financial-sector framework; (c) capacity-building in support of local development; and (d) provision of basic infrastructure. Two emerging thematic areas will take on increased importance in the future – post-conflict assistance and HIV/AIDS prevention.

27. To achieve its objectives, the Fund will strive to: ensure effective IFAD presence at the field level through maintenance of full lending levels; support programmes driven by beneficiary participation; monitor project progress through the portfolio management system; and develop its own human resources through professional- and support-staff training.

Lending Programme

28. A total of seven projects are planned for 2002, for total lending of USD 85.3 million. The figure may increase slightly depending on project size. Four of these projects are IFAD-initiated and three are initiated by cooperating institutions. They will be focused in the areas of community-based rural development and grass-roots capacity-building, income-generating activities, agricultural marketing, natural resource management and rural finance.

Eastern and Southern Africa (Africa II Division)

Socio-Economic Trends

29. The entire region, with the exception of South Africa and Mauritius, is one in which the majority of the population is rural, and the majority of the rural population lives in extreme poverty. Agriculture is at the heart of rural livelihoods, and the most important production system for the rural poor remains smallholder agriculture. Thus poverty is a mainline, core, social and economic phenomenon. Nowhere in the region are there clear indications that these basic structural facts will change in the medium term.

30. Overall, the poverty situation is not getting better – although Uganda shows progress and much of Ethiopia (the region's most populous country) is enjoying improved food security. Insecurity and macroeconomic instability are part of the explanation, but beyond these factors, there are very important structural problems. Most of the region has made a commitment to fundamental change in the relations between state and society, embracing both political and economic liberalization. Both of these provide prospects for a new and more positive basis for effective empowerment of the rural poor. However, it is fair to say that most of the region is still between one regime and another. Public services everywhere are going through crises of mandate and resources – with a very, very slow rate of progress. At the same time, depressed prices for the region's traditional agricultural exports are



depriving the rural poor of the 'money in hand' that enabled them to develop some of their own solutions to these structural issues.

31. National governments are facing tangible difficulties in pushing through the reform agenda to create a space for civil society and the private sector to build new, sustainable, market-based answers. International assistance is not helping as much as it should. The common view is that the productive sector is a private concern, and that it will recover on the basis of the play of private forces and investments alone. This is a very misguided idea. It ignores the role of assistance in creating the framework for equitable market-based growth – the huge assistance that must be extended to putting new systems on a sound footing beneficial to the rural poor. The Debt Initiative and PRSPs remain heavily oriented to social service expenditure. This must be balanced by greater attention to the material livelihoods of the rural poor.

Opportunities for IFAD

32. The concern with rural poverty issues has faltered, and there is insufficient attention being paid to moving Africa out of the transition and towards a viable process of rural poverty reduction within the agreed reform framework. IFAD has a vital contribution to rectifying this situation. The Fund has unique experience in identifying and confronting the problems and opportunities facing the rural poor in the regional unfolding of globalization and political transformation. It has also emerged as one of the major contributors to the rural development effort. In this period of transition – and of increased perception at national and international levels that the swing away from rural development as a means of poverty alleviation has gone too far – IFAD has the opportunity both to put rural development more firmly on the development policy agenda and to give material support to key processes of regulatory and institutional change that are essential to creating a more supportive framework through which the rural poor can improve their livelihoods.

Strategic Operating Directions

33. The medium-term goal is to establish IFAD as the:

- (a) point of reference in overall strategies for rural poverty reduction for Eastern and Southern Africa in international, regional and national fora;
- (b) focal point for the development of stakeholder policy dialogue on rural development for poverty reduction involving civil society and the private sector;
- (c) leader in putting together innovative, major programmes addressing key development bottlenecks confronting the 'business life' of the rural poor;
- (d) point of first call for guidelines on addressing policy and operational issues in providing effective assistance to the rural poor in selected areas; and
- (e) driving force in turning good policy and plans into programmes that actually deliver impact at the level of the rural poor.

34. IFAD will move towards attaining these objectives in the region by focusing its resources within a strategic framework. To acquire status as a policy and knowledge centre of excellence, it must focus resources in such a way as to gain depth of experience, knowledge and bargaining power. For this to have impact, the focus must be on strategically critical areas for the empowerment of the rural poor. In practical terms, this means working in fewer thematic areas. The benefits of thematic focus are self-evident: it means a rapid build-up of experience and analysis, and the opportunity to use



this experience and knowledge repeatedly – in policy work, in design and in implementation of support.

35. In pursuit of this strategy, IFAD will:

- (a) maintain a level and direction of programme lending that will provide an adequate basis for participation in policy and institutional dialogue – and make a significant difference to the rural poor in key areas;
- (b) raise the level of partnership in policy advocacy and programme design and financing – including both national and international stakeholders;
- (c) actively support, and in some cases lead, knowledge networking within IFAD and among stakeholders in selected thematic areas;
- (d) focus resources and activities in key substantive areas (identified in the Regional Strategy and validated at the national level in programmes), involving those that assist national stakeholders in implementing key changes both in the policy and institutional frameworks and in the assets immediately in the hands of the rural poor; and
- (e) rationalize resources in support of programme implementation and raise the level of effective reporting on achievements in generating sustainable answers in IFAD-supported activities.

Lending Programme

36. Six programmes/projects are planned for presentation to the Executive Board in 2002. The total value of the IFAD loan commitment will be approximately USD 85.3 million. The majority of cases will reflect a strategic shift away from projects towards programme operations. A fundamental necessity for increasing impact will be a shift in the way activities are seen. In the past there has been a tendency to see each programme/project and activity as separate. This has not been efficient with regard to either costs or benefits. In 2002 a very different approach will be put in place – a country portfolio perspective. Operations will be planned and assessed with regard to complementarity of different ‘types’ of activity – programme development and implementation, policy dialogue, partnership development and knowledge management. This ‘vertical’ integration will be accompanied by ‘horizontal’ integration – exploration of synergies among projects in support of implementation. COSOPs already articulate medium-term ‘whole portfolio’ objectives. By 2002 this integrated planning and achievement monitoring will be put on an annual basis – including not only country portfolios, but regional operations – not least with a view to further exploring synergies among regional portfolios and with other areas of house operations.

Asia and the Pacific

Socio-Economic Trends

37. The overall economy of Asia achieved high growth rates in 1999 (6.3%) and 2000 (7.1%). Although the growth rate is projected to decline to 5.6% in 2001 due to the global slowdown, it is projected to bounce back to 6.2% in 2002. South Asia (including India) and China will continue to achieve high growth rates of 5.4% and 7.0% respectively in 2001. However, poverty levels in these countries are still high and income inequality is rising between rural and urban areas as well as between marginal and advantaged ones. Among the rural poor in Asia, the populations that have been hardest hit by the process of marginalization are those living in the uplands and mountains. These include indigenous peoples, women and other marginalized populations in these areas. The process of



marginalization has led to social exclusion, rapid environmental degradation and political instability, which is giving rise to violence in Bangladesh, north-eastern India, Indonesia, Nepal, Pakistan, The Philippines and Sri Lanka. Increasing feminization of agriculture is adversely affecting the education of girls, leading to the 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 sensitivity to local conditions.

Opportunities for IFAD

38. Mainstream-oriented development policies have resulted in the marginalization of upland dwellers and minority groups, leading to high socio-economic distress, environmental degradation, and political instability in the areas they inhabit. It is imperative that improvements in the quality of life realized from development should extend equally to all segments of society. Since in Asia the poorest of the poor live in the marginal upland areas, IFAD will focus its attention on these areas, as well as on indigenous peoples and women.

39. Past experience has shown that the improvement of gender relations leads to a very significant impact on the rural poor. Gender mainstreaming and empowering women to be agents of change will provide an opportunity to promote strategic interventions in favour of the rural poor. Greater efforts will be made to enhance the resilience of rural poor households to withstand external economic shocks by improving their access to productive assets, including land, and common property resources such as forests and water. Within this framework, emphasis will be placed on regenerative farming and forestry systems, rural finance for on and off-farm activities and improving rural infrastructure. Similarly, increased support will be given for local capacity-building to strengthen local institutions, promote decentralization and enable rural communities to improve their livelihoods sustainably.

Strategic Operating Directions

40. The major thrusts in this region in 2002 will be to achieve the following:

- (a) development of a solid constituency within governments, civil society (including NGOs) and communities to promote a pro-indigenous, pro-upland-poor and pro-gender-sensitive policy, with a strong emphasis on a multi-stakeholder approach in project design and implementation;
- (b) significant representation of women at decision-making levels (project directors, committee members) and their acknowledgement as agents of change in their communities;
- (c) deeper understanding and skills gained by IFAD and project staff for conflict resolution and peace-making initiatives;
- (d) deeper knowledge acquired by IFAD, its project staff and collaborators as to how and when the blending of indigenous knowledge and modern technology could be undertaken most effectively;
- (e) clearer understanding of the methodology for estimating the number of IFAD project beneficiaries that have moved above the poverty line. This will also permit determination of IFAD's contribution towards achieving the international development goal of poverty reduction within the Fund's mandate;
- (f) role as a knowledge centre of excellence regarding the challenge and opportunities of working with indigenous peoples and the enhancement of their capabilities; and



- (g) operationalization of the new concept that the upland poor are environmental service providers and as such should be compensated by global market forces.

Lending Programme

41. IFAD plans to reduce the number of projects submitted to the Executive Board to five, while maintaining the regional lending allocation at approximately USD 143.9 million. The Fund proposes higher loan amounts phased over a longer duration, based on the flexible lending mechanism (FLM) principles. Despite a reduced lending frequency to borrowing countries, the level of lending per country is expected to remain unchanged over the long run. Thus more time will be dedicated to implementation-related issues and other action-plan-related activities, as well as to assessing and demonstrating the impact of our operations and promoting the replication and scaling up of successful initiatives in collaboration with like-minded partners.

Latin America and the Caribbean

Socio-Economic Trends

42. Political and economic instability, which started in 1999 and 2000 in the Latin America and the Caribbean region, particularly in the Andean countries, is expected to continue in 2002, generating a difficult and complex setting for rural poverty-alleviation efforts. A key negative factor throughout the region is the slowing down of the United States economy, which is lowering demand for the region's products and affecting the livelihoods of small producers. In addition, political uncertainties arising from elections in several countries could affect economic policies, social investment and investor confidence.

43. In the Central American subregion, El Salvador will continue its reconstruction efforts after the devastating earthquake that affected the country at the beginning of 2001. Other Central American countries will grow moderately, with most of them facing a fall in the value of their exports (such as coffee) and the price of basic grains. The eastern Caribbean countries will go on with the reform of the agricultural sector to compensate for the income losses from a fall in banana exports.

44. The poor in the region, and rural poor in particular, will continue to suffer major problems. An estimated 44% of the population lives below the poverty line. The rural poor will be worse off than the urban population, with an estimated 63% of its people below the poverty line. This situation may deteriorate further due to economic instability and the slowing down of most economies in the region.

Opportunities for IFAD

45. Renewed awareness in the international financial community regarding poverty alleviation and rural development in the region has opened new, active and systematic dialogue with IDB and the World Bank. This process is also shared with multilateral and bilateral development institutions such as the Food and Agriculture Organization of the United Nations (FAO), the Economic Commission for Latin America and the Caribbean (ECLAC), the Inter-American Institute for Cooperation on Agriculture (IICA), GTZ, and national and regional NGOs involved in rural development. Even though common policy grounds have been identified, continuous improvement in partnerships is still needed to reach common visions and agree on institutional policies and actions.

46. In the regional lending and TAG programmes to be proposed during 2002, IFAD has given high priority to the consolidation of strategic areas associated with the current situation, while maintaining medium-term strategic goals:



- (a) linking rural poverty-alleviation initiatives to the incipient decentralization efforts that strengthen local communities in decision-making and autonomous resource management;
- (b) supporting the development initiatives of indigenous populations so as to strengthen their organizations and values;
- (c) improving the competitive capacity of small-scale poor rural producers and micro-entrepreneurs;
- (d) strengthening the capacity of grass-roots organizations to deliver development services to the rural poor; and
- (e) improving in-depth gender analysis and training.

Strategic Operating Directions

47. In order to maximize its poverty-reduction and rural development impact, IFAD will focus on the following strategic thrusts:

- (a) **Human capital.** This thrust relates directly to sustainable income improvement and the integration of marginal poor populations into the relevant social and economic mainstream.
- (b) **Agricultural and non-agricultural product competitiveness.** Global markets have created challenges and opportunities for the rural poor. IFAD will create and strengthen links between target populations and technology-generation systems, technology-delivery services, financial markets, private enterprises and local, national and international markets.
- (c) **Sustainable agricultural production and natural resource use.** Natural resource deterioration is an important problem in rural Latin America and the Caribbean. Ecological and economic sustainability are required conditions for long-term agricultural and rural development.
- (d) **Gender.** Gender equality is a prerequisite for a fair, democratic and sustainable rural development process.
- (e) **Empowerment of the rural poor.** Empowerment will lead to active partnerships among government, civil-society organizations and rural grass-roots organizations.

Lending Programme

48. IFAD plans to submit four to five projects for a total of USD 79.0 million. Interventions will focus on the following areas: (a) microenterprise; (b) indigenous populations; (c) natural resource management in dry lands; and (d) development of financial systems to support rural productive investments.



Near East and North Africa

Socio-Economic Trends

49. The countries of this region include traditional borrowers of the Near East and North Africa (NENA) plus transition countries in central and eastern Europe and the newly independent states (CEN).

50. **NENA subregion.** For the NENA countries traditionally covered by IFAD, recent economic growth rates have been encouraging. This is especially true in the industrial and service sectors of these economies, where many new jobs have been created. Likewise, increased interregional trade among Arab states and with the European Union has become an important path of economic opportunity.

51. While most northern African and Middle Eastern countries borrowing from IFAD are viewed as middle-income, an estimated 85 million people (about 30% of the total population) live below the two-dollar-a-day poverty line, and 60-70% of these depend on agriculture for their livelihood. Underlying this phenomenon is the region's continued vulnerability to natural resource constraints. This was highlighted in recent years as countries in northern Africa and the Middle East suffered from the lasting effects of the worst recorded droughts in decades: lost income and employment, reduced food availability and associated price rises.

52. **CEN subregion.** In the countries of eastern Europe and the former Soviet Union, rural poor families still face weak institutions and very low-level services. Since the beginning of the transition, there has been an overall deterioration of the rural situation throughout the CEN subregion. The actual dismantling of large-scale state farms and the deteriorating financial conditions of the remaining ones have significantly reduced the resources available for social services and rural infrastructure.

53. Transition economies are set in the context of an abrupt termination of central planning and state services, including a reduction in public-sector spending and the dissolution of production chains and marketing and distribution channels at regional and local levels. Although conditions vary from country to country, farmers across the region have come to realize that access to markets, credit, fertilizer, appropriate technologies and other assets is critical to success in the new economy. These services were once provided by the state, but now no longer exist or are inappropriate to the needs of newly privatized smallholder agriculture.

Opportunities for IFAD

54. **NENA subregion.** The focus of operations in traditional northern African and Middle Eastern borrower countries will continue to be on participatory natural resource management, gender mainstreaming and development and promotion of improved technologies for marginal and dryland areas.

55. Participatory natural resource management provides an entry point for IFAD support to grass-roots organizations and NGOs that are more flexible and responsive than formal government structures to adopting innovative operational modalities and activities. The establishment of beneficiary organizations, including rangeland and water user associations and cooperatives, continues to be a central mechanism for facilitating sustainable delivery of project benefits.

56. **CEN subregion.** IFAD will continue to focus its operations on support for institutional development and services needed for market-oriented growth. Thus far, IFAD-supported activities have been successful in developing regulatory frameworks and financial services that relate to the rural poor and in promoting grass-roots organizations such as credit unions, producer/marketing



associations and water user associations. In many cases, these operations have been targeted at highland and mountainous areas, where poverty is often greatest.

57. Thus, although projects in the transitional economies may be characterized by slow start-up (because of a weak institutional base), they have made good overall progress in institutional development and capacity-building. Progress has been especially good in the case of projects with direct supervision and/or persistent follow-up by country portfolio managers. This demonstrates the need for flexibility, technical support and intensive management support in project design and implementation. Projects in these countries are therefore increasingly being prepared from a long-term perspective with built-in flexibility.

Strategic Operating Directions

58. In 2002, IFAD will continue to pursue its poverty-reduction strategy with an emphasis on programmes that help the rural poor overcome key natural resource constraints. As in the past, the Fund will focus on a proven strategic niche in each country, including support for projects that promote improved access to land, water, capital, information and markets. This will include support for rainfed agriculture, resource conservation, rural infrastructure development, and promotion of appropriate technologies and off-farm microenterprise activities through targeted rural financial services. By focusing IFAD support on a few strategic areas in which IFAD has a strong track record and proven comparative advantage, the Fund aims to foster effective policy dialogue on topics of critical importance to the rural poor. As demonstrated in the past, this approach to project support has helped IFAD leverage resources and build effective partnerships with other donors and local stakeholders.

59. The region's TAG programme is also of strategic importance and will continue to be used to support loan operations throughout its countries. This is emphasized in the strategy document *Agricultural Research and Technology Strategy for Technical Assistance Grants* produced in 2000. To help organize the use of grant resources, this document outlines a long-term framework (5-8 years) for IFAD support to agricultural research in the region. Special consideration has been given to the extremely heterogeneous conditions of the region. The research programme will help develop and validate pro-poor growth-enhancing technologies in rainfed lowlands and mountain areas, irrigated low lands and rangelands, and will support the development of enabling policy and institutional environments.

Lending Programme

60. The 2002 lending programme for the region includes five IFAD-initiated projects for a total of approximately USD 70.5 million. Two of the projects expect to mobilize USD 40 million in the form of cofinancing. One additional project will be prepared as a reserve. Development areas to be covered include rehabilitation of small-scale irrigation, participatory rangeland management, rural finance, strengthening of agricultural support services and market development.

61. The Fund will also process TAGs in the areas of on-farm water management, rainfed farming, marine resource assessment, and decision-support systems for improving agricultural input efficiency.

V. PROPOSED 2002 GRANT PROGRAMME

62. The Executive Board discussed the Fund's policy and strategic directions for research and training grants in two separate sessions in April and September 1998. In expressing support for the strategic directions of IFAD's policy, the Board provided guidance to sharpen the focus of the grants programme on researchable issues of direct significance to the Fund's loan portfolio. At a



forthcoming session in 2002, the Board will consider a document on IFAD's policy and strategy on grant financing that will further articulate the emphasis of IFAD's investment in agricultural research on the following three areas:

- (a) technical issues bearing upon biophysical input/output relations and resource conservation in the more marginal, poorly-endowed environments;
- (b) organizational issues involving socio-economic mechanisms and incentives for maximizing use and conservation of, and returns to, smallholder assets;
- (c) training and capacity-building that involves communication of the best technical, organizational and policy practices – as they relate to improving the implementability of IFAD-financed loan projects – to relevant institutions, including inter-governmental and non-governmental institutions and networks.

63. The focus will be on crops, livestock and aquatic production, which are key to the food security and general well being of resource-poor small farmers, the rural landless, pastoralists and fishermen. Other areas include: time- and labour-saving technological innovations to reduce the workload of rural poor women and increase their productivity and income-generating capacity; and development, training and introduction of improved technical and institutional practices in the management of water resources.

64. In order to realize IFAD's strategic objectives, considerable rigour has been introduced into grant identification/selection, development, implementation/supervision and impact evaluation, particularly since mid-2000. Guidelines have been developed and grant screening and selection procedures have been strengthened and applied within a competitive grants system, based on scoring against specific criteria to consider the most appropriate research and training grant ideas for entry into the pipeline.

65. The criteria clearly prescribe that grant proposals should address issues and concerns of relevance to the current and future loan portfolio and should: (a) lead to significant, measurable impact on IFAD's rural poor clientele; (b) have feasible, innovative approaches involving appropriate partners with established comparative advantage in the research topic; (c) have potential for sustainable knowledge dissemination and uptake through downstream linkages with concerned networks and institutions; (d) contain adequate implementation and organizational arrangements, including procedures and indicators for monitoring; and (e) provide a justifiable budget, indicating that adequate resources will be available for efficient utilization and cost-effective implementation. In addition to the primary requirement of linking the grant programme to the Fund's lending activities, emphasis will also be placed on using the grant facility to support civil-society institutions, increase awareness of rural poverty issues, develop policy fora with the active participation of Member States, and follow up on topics discussed in IFAD's *Rural Poverty Report 2001*.

66. As reported to the Executive Board earlier, IFAD has already taken concrete steps towards a systematic evaluation of IFAD-financed research programmes, specifically in the context of their impact on rural poverty. A sequential approach was adopted. It started with the development of an appropriate framework and methodology for an assessment of the impact of specific research programmes on the rural poor. This new methodology has been deployed in a series of 16 case studies of CGIAR-led research. Moreover, IFAD led the rural poverty impact-evaluation initiative of the Standing Panel on Impact Assessment (SPIA) of CGIAR, with other major co-sponsors being the Department for International Development (DFID) (United Kingdom) and the United Nations Development Programme (UNDP). The results of this comprehensive study are expected to be available in early 2002. Meanwhile, another major effort to evaluate the impact of IFAD-financed research, independent of the above initiative, is being launched by IFAD's Office of Evaluation and



Studies (OE). The results of these initiatives will be reported to the Board in 2002 in the forthcoming policy paper.

VI. PROGRAMME DEVELOPMENT FINANCING FACILITY

67. The Executive Board and the Governing Council, in their December 2000 and February 2001 sessions respectively, endorsed the approach of bringing together under one heading – the Programme Development Financing Facility (PDFF) – all resources from the administrative budget and the programme of work that relate directly to programme development – from design to implementation (except for staff costs). This change was made on a zero-sum basis, i.e. the combination did not lead to an increase in resources available for project development – it was budget neutral. While ‘programme development’ currently relates to the project cycle only, re-engineering will take into account the objectives of strengthening and redefinition of control of resources and the delegation of resource management. As a result, in the future the PDFF may be extended to cover resources required to finance new instruments for rural poverty eradication, such as policy advocacy, and additional activities to foster impact achievement in the context of programme implementation. The specifics of any new proposals would naturally be submitted for Executive Board consideration.

68. Responding to the Board’s concern about the need for reliable control systems, in 2001, within the framework of the Process Re-Engineering Programme, IFAD has initiated development of the detailed guidelines, rules and procedures for the PDFF IT-support and monitoring-and-evaluation systems. This will ensure that IT-support system will be developed in 2002 in order to secure the objectives of IFAD through the PDFF management tool. These objectives include: better programme planning, more transparent resource-use planning and implementation, more effective leverage of supplementary funds, sharper monitoring and control, clearer accountability of results, and further cost-efficiency gains from increased flexibility in resource use.

VII. MOBILIZATION OF RESOURCES

69. In 2002, the core resources of the Fund from the Fifth Replenishment, the reflows from the outstanding loan portfolio and income from the Fund’s investment portfolio are expected to provide the basis for commitment for the year’s programme of operations. Any temporary shortfalls in any of these resource inflows should be covered through recourse to the Advance Commitment Authority (ACA) facility that has been designed for this purpose.

70. IFAD will continue to seek additional resources from donors to finance IFAD’s share of Debt Initiative exposure. To date, contributions or pledges from The Netherlands (NLG 26.62 million) and Germany (DEM 15.0 million) towards IFAD’s obligations total USD 17.6 million (at 30 June 2001 exchange rate), of which just under USD 3.5 million is expected to be received in 2002. Total commitments to date for debt relief approved by the Executive Board amount to USD 260 million, of which approximately USD 23 million in nominal terms is expected to be paid out in 2002. To the extent that additional external resources are not raised in 2002, IFAD will have to finance participation in the Initiative from internal resources.

71. Discussions are underway between IFAD and the World Bank for a programme to scale up replicable innovations in poverty alleviation in a few pilot countries around the world. Discussions are also ongoing with the Global Environment Facility (GEF), with IFAD as executing agency, for the development of operations eligible for GEF financing. The mobilization of additional resources for dryland development will be pursued in close cooperation with the Global Mechanism of the United Nations Convention to Combat Desertification (CCD), particularly on a regional basis. IFAD will



continue to develop project and programme cofinancing with bilateral and multilateral agencies and borrower governments at a target level of 30% of IFAD's annual programme of operations.

72. Finally, IFAD will promote further partnership agreements with bilateral donors for supplementary funds. These funds provide additional support to IFAD's project cycle, country programmes and the priority thematic work envisioned in the IFAD V: Plan of Action. This thematic work relates to the development and implementation of impact management, knowledge management and policy-dialogue capacity.

Replenishment

73. When the Twenty-Fourth Session of the Governing Council adopted Resolution 119/XXIV on the Fifth Replenishment of IFAD's Resources by vote by correspondence on 31 July 2000, the period of the Fifth Replenishment was envisaged as running for three years, from February 2001 through February 2004. In order to review the Fund's resource requirements for the Sixth Replenishment period (2004-2007) and achieve the completion and effectiveness of the Sixth Replenishment of IFAD's Resources so as to assure continuity of replenishment periods, the Consultation on the Sixth Replenishment should be launched in February 2002.

VIII. ADMINISTRATIVE BUDGET ISSUES

74. It is management's intention in 2002 to maintain an administrative budget at a level of zero real growth as compared to 2001. Even though current projections indicate that this will be difficult to achieve – in view of increasing recurrent operational and maintenance requirements related to the expanded Headquarters buildings – management will seek to reduce other budget categories through identification of key value-added priorities during budget formulation over the next quarter.

75. Due to a very constrained budget with the application of zero growth, as indicated above, the nature of the work in the organization in 2002, and a deeper focus on action plan requirements/rationalization and re-engineering, a proposal is being presented to the Executive Board for increased budget flexibility.

76. Under the current Financial Regulations of IFAD adopted in December 1977 at the First Governing Council, and amended on 21 February 1997, Regulation VI, paragraph 3 provides the following: "To meet the Fund's requirements the President may reallocate funds within categories of the administrative budget. In addition, the President may, with the approval of the Executive Board, reallocate funds between categories."

77. As is well known, public-sector budget and performance management have undergone considerable change in recent years. To ensure more effective resource utilization budget allocations should not be considered as an overall limit for spending but rather as a planning guideline that needs to be constantly updated and realigned to become an effective management tool. This would provide consistency with evolving organizational strategy. It would also be in line with current practices of some other United Nations institutions (World Health Organization (WHO), United Nations High Commissioner for Refugees (UNHCR)) and important managerial reforms in many member countries of the Organization for Economic Cooperation and Development (OECD) aimed at effective resource management and accountability of results.

78. It is therefore proposed that the President be authorized, beginning in 2002, to reallocate between budget categories during the year as long as such reallocations do not exceed 10% of each approved budget category. This would replace the current process in which a separate document is presented to the Executive Board, a priori, for these requirements and their approval. As it is IFAD's



intention to do more within a zero-growth administrative budget in 2002, it is foreseen that this greater flexibility would assist management. The President would report any such reallocation to the Executive Board as is presently done for reallocations from the Contingency, and reallocations exceeding 10% of each approved budget category would still be presented to the Executive Board for its approval.

A. One-Time and Consultation Costs

79. With respect to the 2002 administrative budget, some non-recurrent costs may need to be incurred that will be classified outside the regular administrative budget as one-time costs, in line with past practice.

80. **One-time costs.** In 2001, these amounted to USD 1.1 million of which approximately USD 800 000 were for costs relating to the new IFAD premises, with the balance of approximately USD 300 000 being allocated for staff separation and placement issues. For 2002, it is foreseen that the requirement for the latter will continue in line with the human resources (HR) strategy outlined below, whereas a reduced amount of USD 150 000 will be needed for costs relating to the new IFAD premises (not reimbursable by the Italian Government) to finalize the works and the move to the new building and the refurbishing of the present headquarters. It is also foreseen that there may be requirements relating to set-up costs for the IFAD website and some possible one-time costs for the introduction of certain action-plan requirements.

81. **Consultation meetings on the Sixth Replenishment.** It is expected that preparatory activities for the Sixth Replenishment will be initiated in 2001, so that the first Consultation meeting can be held in conjunction with the next Governing Council in February 2002. Accordingly, costs relating to expected consultation meetings in 2002 are projected as a non-recurrent, separately identified provision, in line with past practice.

B. Other

Human Resources

82. The human resources management strategy for 2002 will continue to focus on positioning HR as a more strategic, value-added activity. The strategy will emphasize recruitment of the highest quality staff, giving due regard to gender balance and equitable geographical distribution of staff, ongoing training and staff development, and implementation of the HR re-engineering business case.

83. IFAD staff must continually develop skills and gain knowledge to respond to evolving strategic issues. As the re-engineering process continues in conjunction with the Plan of Action, it is expected that specific training needs will be identified in knowledge management, partnership-building, advocacy and impact management, to name just a few areas.

84. Implementation of the HR re-engineering business case will be an important initiative that will span the next two years. This work will include: design and implementation of an HR information system; continued review, rationalization and streamlining of HR policies and practices; decentralization of responsibility and authority in HR matters to line managers; and management of the ever-increasing IFAD workload with fewer staff. The Fund will focus on expanding the database of consultants and temporary staff as well as exploring the use of new methodologies to identify the highest quality staff.



Re-Engineering

85. Following approval of the first phase of implementation of the Process Re-Engineering Programme by the Seventy-First Session of the Executive Board in December 2000, IFAD has moved forward to initiate procurement and to revise and complete the processes not yet submitted to the Board for approval and financing. Several of the approved processes require IT support, and the procurement process has begun to identify and select an implementation partner. The procurement process has been reviewed and will be aligned with the update of the strategic framework in terms of both content and ownership. For those activities and processes that require no initial IT support, work has already begun, i.e. a Facilitation Unit has been established and staffed for knowledge management (KM), a draft KM strategy has been prepared and work has begun on basic KM building blocks. In 2002, work on the implementation of the approved processes will continue, with input from the implementation partner. This will include the monitoring and 'capture' of efficiency benefits that will become available for redeployment to IFAD's mandated operational activities. Finally, those processes not yet approved, e.g. Impact, Partnership (together with their resource requirements) will be revised and completed for subsequent Board approval. At this stage it is foreseen that some slight savings will begin to accrue late in 2002 and will be redeployed towards the above-mentioned new processes.

IX. RECOMMENDATION

86. Pending the views expressed by members of the Executive Board with respect to the increased flexibility in budget management, it may be necessary to recommend an amendment to the Financial Regulations of IFAD to the Twenty-Fifth Session of the Governing Council, so as to authorize the President to reallocate between budget categories amounts not exceeding 10% of each approved category. It is understood that the President will always inform the Executive Board of any such action and that reallocations exceeding this 10% limit would still require prior Executive Board approval.