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IFAD'S POLICY FRAMEWORK FOR SUPPLEMENTARY RESOURCES



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IFAD'S POLICY FRAMEWORK FOR SUPPLEMENTARY RESOURCES

I. INTRODUCTION

1. The purpose of this document is to describe IFAD policy on the mobilization and use of supplementary resources and instruments of collaboration included in partnership agreements. It defines supplementary funds and the administrative procedures governing their use, summarizes the flow of supplementary resources, describes the instruments used to mobilize resources and demonstrates alignment of the use of supplementary funds to the strategic objectives of the organization. From 1978 to 2001, IFAD received approximately USD 208 million in supplementary resources used for cofinancing IFAD projects and programmes (USD 142 million), technical assistance and thematic studies, (USD 39 million), the Associate Professional Officer (APO) Programme (USD 19 million) and other activities¹ (USD 8 million).

II. DEFINITION OF SUPPLEMENTARY RESOURCES

2. IFAD's Regular Resources are defined in Article 4 of the *Agreement Establishing IFAD* as (i) initial contributions; (ii) additional contributions; (iii) special contributions from non-member states and from other sources; and (iv) funds to be derived or to be used from operations or otherwise accruing to the Fund. Additional funds may be accepted to supplement these resources in order to enhance IFAD's operations and to build strategic linkages and partnerships with donors. Supplementary funds include all resources received by IFAD on a grant basis to support various operational programmes and activities, and which do not form part of the donor's contributions to the Regular Resources of IFAD.

3. IFAD supplementary funds are a flexible financial instrument that allows IFAD to strengthen strategic partnerships, increasingly recognized as indispensable to enhancing development effectiveness. Working with partners is a way of bringing together scarce resources to better coordinate a broad range of development programmes and promote a more efficient use of available assistance. Supplementary funds are accepted for activities consistent with the objectives, policies, aims and activities of IFAD and, to the extent possible, are mobilized in the context of a medium-term strategic framework. This permits planning and the strengthening of priority areas of IFAD's regular operations. IFAD's strategic objectives are outlined in the IFAD V: Plan of Action (2000-2002), the *Strategic Framework for IFAD 2002-2006*, and the regional strategies that guide IFAD's pursuit of its strategic framework mission and objectives at regional and country levels.

4. For supplementary funds in excess of USD 100 000, a formal agreement or memorandum of understanding is drawn up and signed by the donor and IFAD, irrespective of the duration of the activity. Grants below this amount can be agreed by the parties through an exchange of correspondence, with prior clearance by the External Affairs Department, the Controllers Office and the Office of the General Counsel. The Executive Board has delegated to the President of IFAD the authority to conclude arrangements with donors of supplementary funds.

¹ Grants to finance single activities such as conferences and regional seminars or studies.



5. For operational purposes, IFAD supplementary funds are categorized as follows:
- (a) **cofinancing grants:** resources received and administered by IFAD on behalf of donors to cofinance projects and programmes financed by IFAD loans and grants;
 - (b) **sectoral/thematic studies:** resources received by IFAD to finance studies on sectoral or thematic issues and short-term technical assistance activities;
 - (c) **technical assistance:** resources received by IFAD to finance a broad range of activities, in the context of which a number of projects would be developed, financed and/or cofinanced. Such programmes may be financed by one or more donors; and
 - (d) **other activities:** resources received by IFAD to finance other activities, e.g. international workshops or regional conferences.
6. Other supplementary resources held in trust by IFAD include funding received for the Belgian Survival Fund²; the Popular Coalition to Eradicate Hunger and Poverty³; the Global Mechanism⁴; the Arab Fund for Economic and Social Development (AFESD)⁵, the IFAD HIPC Trust Fund⁶ and the APO Programme⁷. This document does not include a consideration of these specific arrangements or partnerships.

III. ADMINISTRATIVE PROCEDURES

7. The policies and procedures that govern supplementary funds are contained in the President's Bulletin on Supplementary Funds, 2 April 2001. The President of IFAD or a person acting on the President's behalf has authority to sign an agreement in acceptance of a supplementary fund. Unless authorized by the Controller of IFAD, no commitments are made or funds disbursed from the supplementary fund until such funds have actually been received by IFAD.
8. There are specific responsibilities shared between the External Affairs, Programme Management and Finance and Administration Departments for the mobilization and administration of supplementary funds. The Controller's Office is responsible for clearing supplementary fund agreements, the disbursement of funds and the maintenance of adequate accounting records. Treasury is responsible for bank accounts opened specifically for supplementary funds, while the Office of the General Counsel is responsible for clearing agreements or memoranda of understanding between donors and IFAD. The External Affairs Department is responsible for facilitating the planning and mobilization of supplementary funds and for administering their use.
9. Expenses incurred by IFAD for the administration of each agreement are charged to each supplementary fund or as agreed between the donor and IFAD. Donors may choose a standard management fee from two options: either 5% of average month-end cash balances plus complete interest

² The Belgian Survival Fund Joint Programme is a channel for Belgian development assistance, with IFAD as lead agency responsible for coordination. The programme had an initial endowment of USD 280 million.

³ A global consortium of civil-society, intergovernmental and governmental organizations working to empower the rural poor through improved access to land and other productive resources, the Coalition is governed by seven civil-society organizations and five intergovernmental organizations including IFAD.

⁴ In 1997, IFAD was designated to house the Global Mechanism, which was established by the United Nations Convention to Combat Desertification (UNCCD) to promote actions leading to the mobilization and channelling of substantial financial resources to affected developing countries.

⁵ Cofinancing from AFESD – 14 projects, 1982-1999 (USD 277.40 million).

⁶ Complementary contributions to IFAD's HIPC Trust Fund to finance IFAD's obligations under the Debt Initiative for Heavily Indebted Poor Countries (HIPC) from The Netherlands (USD 15 million) and Germany (USD 7 million).

⁷ The APO Programme is designed to provide training and experience to young professionals skilled in areas relevant to IFAD operations.



retention by IFAD, or 10% of average month-end cash balances with interest reverting to the supplementary fund or the donor, depending upon the agreement. The chosen fee option is applied consistently to all funds covered under the agreement, which implies that it is applied equally to all instruments. An agreement may take the form of a framework that includes funds for technical assistance, cofinancing, sector and thematic studies and other instruments. With this new fee policy, introduced in 2001, IFAD aims to achieve full cost recovery of administrative services associated with the management of the stock of supplementary funds. The application of the fee policy ensures a consistent application of the agreed fee option to each donor trust fund and enhances administrative efficiency. To date, seven agreements have been signed under these terms – with Canada, Ireland, Italy, The Netherlands, Portugal, Switzerland and the United Kingdom. The remaining seven agreements are under the previous terms and conditions.

IV. MOBILIZATION AND USE: INSTRUMENTS AND MODALITIES

Instruments of Collaboration

10. In the past, supplementary funds were governed by single agreements or arrangements between IFAD and the respective donor that contained only two instruments of collaboration: consultant supplementary funds and programmatic supplementary funds for IFAD-administered grant financing or cofinancing. Consultant supplementary funds are used to finance expertise in support of the design, implementation, and evaluation of IFAD projects and programmes and to carry out policy assessment, investment studies and local capacity-building activities. Programmatic supplementary funds are used to finance or cofinance activities and operations with a thematic approach or based on criteria agreed upon with the donor. IFAD-administered grant cofinancing plays an important role in (i) supporting innovative ideas; (ii) developing and testing different strategies, entry points and instruments for the economic advancement of the rural poor; and (iii) addressing cross-cutting issues in IFAD projects and programmes, such as gender, household food security, the environment and rural financial services.

11. IFAD's approach to partnership has evolved from single agreements to a structured partnership between IFAD and the respective donor within a framework or partnership agreement. The advantages of this new type of agreement include: (i) a multi-year commitment providing a stable and predictable resource flow; (ii) assistance untied to nationality; (iii) strategic alignment of bilateral overseas development assistance (ODA) priorities and resources to IFAD's strategic priorities; (iv) a management fee, consistent among donors, that applies equally to all financial instruments under each agreement; and (v) where possible, reciprocity of access to supplementary fund resources. The new partnership agreements have a broader capacity for joint action and include annual consultations and partnership development in several thematic areas. Each partnership agreement has a range of instruments of cooperation that can be administered through separate administration agreements. The range of instruments of collaboration that may be employed and the thematic areas of interest covered by such agreements are illustrated using the example of the Italian partnership agreement (Box 1) concluded in November 2001 and the framework agreement between Denmark (Box 2) and IFAD signed in June 2002.

12. The Italian agreement was the first to incorporate the full range of instruments. In addition, procurement of goods, services and provision of technical assistance is not tied to nationality, and priority is given to technical assistance from developing countries. Features include a multi-year commitment with an indicative contribution over five years and the possibility of a revolving fund for the receipt and use of Italian bilateral credits.



Box 1: Partnership Agreement between the Government of Italy and IFAD

The partnership agreement between Italy and IFAD, signed in November 2001, represents a joint effort to reduce rural poverty and hunger, unleash the capacities of rural poor people, optimize development investment and rationalize costs, and allow decentralized decision-making. Within this framework, Italy would make resources available to IFAD for financing and cofinancing of programmes and/or projects in IFAD Member States. The agreement thus identifies potential synergies in developing and implementing initiatives directly with IFAD that are related to the Italian Cooperation's development policies and geographical priorities.

For IFAD, the agreement provides financial leverage capacity by making substantial additional financial resources available to support the implementation of IFAD's strategic framework and regional and country strategies. A preliminary assessment of the strategic and operational priorities of IFAD and Italy has identified common thematic areas, cross-cutting issues and specific geographical priorities. These include: good governance and decentralization policies and strategies; civil-society organizations; rural development in post-conflict and post-crisis regions and countries; rural human capital development; household food security; gender mainstreaming; long-term sustainable rural development policies; microfinance and rural market services; and research and development on sustainable agriculture-related issues. Geographical priorities include the Balkan region, the Middle East and North Africa, the Horn of Africa, southern Africa, India, China, and Southern Cone, Andean and Central American countries.

The agreement establishes six financial instruments, including: IFAD-administered grant financing and cofinancing (IGC); IFAD-administered credit cofinancing (ICC); IFAD-administered credit financing (ICF); a consultant supplementary fund (CSF); sector/thematic studies (STS); and an IFAD-executed support service (ISS). Under the agreement, an innovative special revolving fund would be established to receive repayments from credit financing and cofinancing. The consultant supplementary fund would be used to hire individual consultants from IFAD borrowing Member States as well as nationals from the Organisation for Economic Co-operation and Development (OECD).

13. The framework agreement between Denmark and IFAD is the first agreement with a bilateral donor that establishes a common programming agenda at the country level, with a multi-year commitment to undertake common activities. This could lead to a further agreement on resources for thematic purposes.



Box 2: Framework Agreement between the Government of Denmark and IFAD

The framework agreement between Denmark and IFAD, signed in June 2001, aims to strengthen dialogue on policy issues and on technical and administrative matters of mutual interest. This makes the existing partnership between IFAD and Denmark more effective by integrating new areas of cooperation into existing ones. The instruments of collaboration covered in the agreement include: annual consultations; cooperation at the country level; cooperation in research on agricultural development; recruitment of Danish personnel; the APO Programme; procurement; and supplementary fund cooperation. Annual consultations are an opportunity for increased integration at the country level between IFAD activities and Danish agricultural-sector programmes. The agreement states that IFAD will pursue those of its objectives and priorities in rural poverty reduction that converge with the principles of Danish development policy.

Separate agreements govern supplementary fund cooperation and the APO Programme. IFAD and Denmark are discussing establishment of a thematic trust fund with suggested areas of focus including: poverty and the environment; household food security; targeting of the poor; beneficiary participation with capacity-building for stronger grass-roots organizations; mainstreaming gender perspectives; effective and adaptable technology; access to productive assets and security of land and water rights; rural financial services; and private-sector providers and market linkages.

Strategic Alignment

14. IFAD advocates an increase in the flow of resources for poverty reduction through strategic partnerships at the national and international level. At the international level, it strives to leverage the knowledge and financial resources of other stakeholders operating in rural areas in order to enhance development impact. At the national level, strategic partnerships allow IFAD to work with other donors to promote pro-poor policy and institutional change, and with the rural poor and civil-society organizations to identify challenges facing the poor and viable responses to those challenges.

15. Supplementary funds are used according to IFAD's strategic priorities and its overall objective of increasing the flow of resources to agricultural and rural development in borrowing Member States. Partnership agreements reflect the strategic priorities of the IFAD V: Plan of Action 2000-2002 as outlined in the document Partnerships for Eradicating Rural Poverty – Report of the Consultation to Review the Adequacy of the Resources Available to IFAD 2000-2002. The plan seeks to improve the Fund's operations with respect to enhancing project portfolio performance and impact management; knowledge management; strengthening the policy and institutional environment; and promoting strategic partnerships. These four strategic priorities have been formulated as objectives and criteria for supplementary fund use within partnership agreements negotiated by IFAD since February 2001. IFAD's strategic framework provides a further sharpening of focus for strategic priorities to be pursued in future partnership agreements.

16. As detailed in the strategic framework, IFAD works to enable the rural poor to overcome their poverty by fostering social development, gender equity, income generation, improved nutritional status, environmental sustainability, and good governance. Three strategic objectives would govern IFAD investments, research and knowledge-management efforts, policy dialogue and advocacy: (i) strengthening the capacity of the rural poor and their organizations; (ii) improving equitable access to productive natural resources and technology; and (iii) increasing access to financial services and markets. Differing opportunities and constraints for women and men, and sources of vulnerability and ways of increasing resilience are overarching concerns for IFAD. This requires enhanced participation of poor women and men and other stakeholders in the planning, implementation and monitoring of activities in order to ensure that design and implementation decisions are based on the needs and



perceptions of the poor themselves and that the poor are able to sustain change once external assistance has ended.

17. In the course of mobilizing supplementary funds to finance the developmental implementation of IFAD's projects and programmes, several areas of emphasis have been identified by IFAD as being crucial to the success of IFAD interventions in support of poverty reduction. These thematic areas are expected to attract supplementary funds in the future.

18. **Innovation.** IFAD, together with its partners, facilitates, promotes and disseminates innovations for rural poverty reduction. These are identified from various sources for scaling up and replication by larger partners, by other IFAD projects and by the poor themselves. However, an evaluation of IFAD's capacity to promote replicable innovation notes that the Fund has no specific instruments or processes for promoting innovation, although it has used the instruments at its disposal to do so, e.g. loan projects, technical assistance grants and policy dialogue.

19. **Post-conflict issues.** IFAD's involvement in post-crisis recovery aims to assist its target group in resuming normal productive activities and to enhance its coping capacity and resilience to future crises. Through portfolio adjustment and support to early reconstruction, assistance centres on recovery of the agricultural productivity of the target group and resumption of the rural development process, income-generating activities, resource conservation and capacity-building. Projects and programmes for post-crisis recovery are financed through loans, grants and cofinancing by other agencies.

20. **HIV/AIDS.** This is emerging as an important issue for IFAD-supported projects in some regions due to the magnitude of the epidemic, the disproportionate impact of HIV/AIDS on the agricultural sector and the close association of HIV/AIDS with poverty, poor nutrition and household and livelihood insecurity, and thus with IFAD's mandate. Through strategic partnerships, IFAD is collaborating with bilateral agencies, other United Nations (UN) organizations, non-governmental organizations (NGOs) and the private sector to address this issue. In particular, IFAD is collaborating with the Joint United Nations Programme on HIV/AIDS Secretariat in the formulation of development activities to address the epidemic through IFAD-supported field projects and programmes that mitigate the effects of the epidemic on IFAD beneficiaries and stakeholders and reduce their vulnerability to HIV infection and to the impact of AIDS.

21. **Indigenous people.** IFAD's special interest in supporting indigenous people, widely recognized as among the most vulnerable and marginalized of the rural poor, arises from their poverty and need for social justice as well as a realization of the important role that they play in the stewardship of natural resources and biodiversity. Lessons from early experience have led to increased sensitivity to indigenous people's concerns and perspectives, and current projects are focused on secure access to and titling of traditional lands and territories; self-empowerment, participatory design and implementation; sensitivity to cultural issues; assistance in promoting intercultural awareness and bilingual education, revitalizing indigenous knowledge, fostering indigenous identity and self-esteem; enhancing the agency⁸ of women; institutional strengthening, and promoting apex organizations as a first step towards building coalitions of the poor.

22. **Gender issues.** Gender and household food security are an important policy focus for IFAD in reaching the Fund's objectives to increase food production, reduce rural poverty and improve nutrition in developing countries. The IFAD *Lending Policies and Criteria* that govern resource allocation identify rural poor women as a policy and programmatic focus deserving special attention because they are the most significant suppliers of family labour and efficient managers of household food security.

⁸ The capacity for autonomous action in the face of constricting social sanctions and structural inequalities.

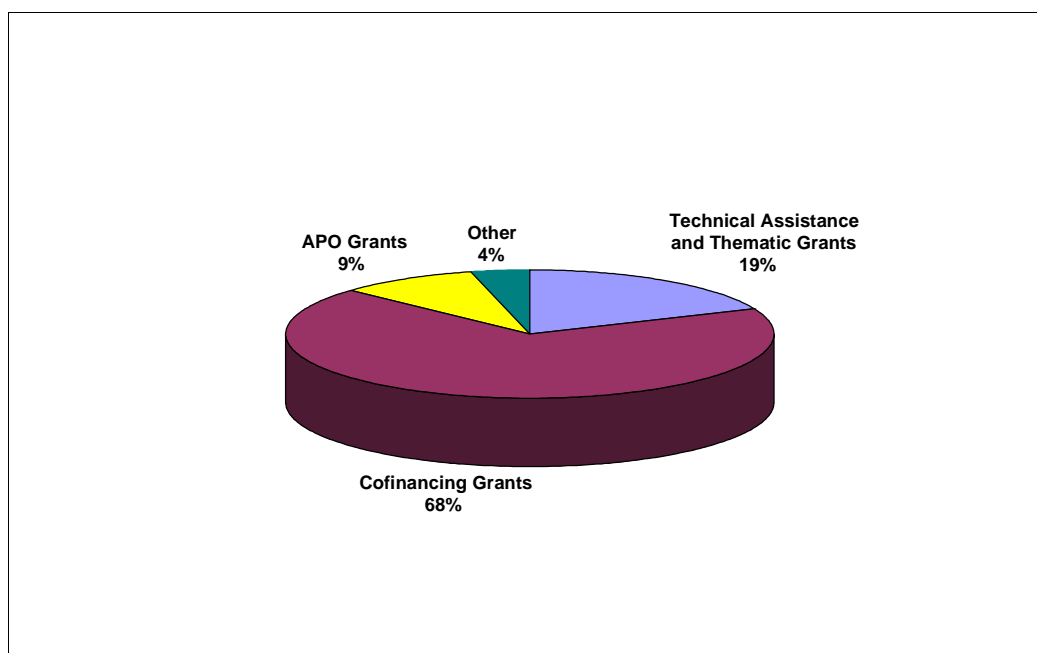
V. SUPPLEMENTARY RESOURCES (1978-2001)

23. This section provides an overview of supplementary fund resource flows. Information by donor on grants provided for the cofinancing of IFAD projects and programmes, grants provided through the APO Programme, and grants for technical assistance and thematic studies is summarized in Appendix II.

24. At December 2001, IFAD had received a cumulative amount of USD 208.13 million in supplementary resources. Of this amount USD 142.26 million was provided by 18 Member States⁹ and eight international organizations¹⁰ for the cofinancing of IFAD's projects and programmes. The cofinancing grant amounts discussed include only the resource flows through IFAD and exclude parallel cofinancing for IFAD projects and programmes. Funds for cofinancing purposes are mobilized mainly by the Programme Management Department. The balance of the supplementary resources was used for technical assistance and thematic studies (USD 38.89 million), the APO Programme (USD 18.66 million) and other activities (USD 8.32 million).

25. Figure 1 illustrates the relative shares by purpose in the allocation of supplementary resources received over the period 1978-2001. The largest proportion of IFAD's supplementary resources is used to cofinance IFAD projects and programmes (68%), followed by funds mobilized for technical assistance and thematic studies (19%), the APO Programme (9%) and other activities (4%).

Figure 1: Supplementary Resources by Purpose (1978-2001)



26. Figures 2 to 4 list the resources received by donor over the period 1978-2001 for three purposes: the cofinancing of IFAD projects and programmes, the APO Programme and technical assistance and sector and thematic studies. For cofinancing of grants, the total of 142.26 million represents only a small portion (2%) of total donor cofinancing of IFAD projects and programmes of USD 6 409.6 million over

⁹ Austria, Australia, Belgium, Denmark, the European Economic Community (EEC), Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, Norway, Suriname, Sweden, Switzerland and the United Kingdom.

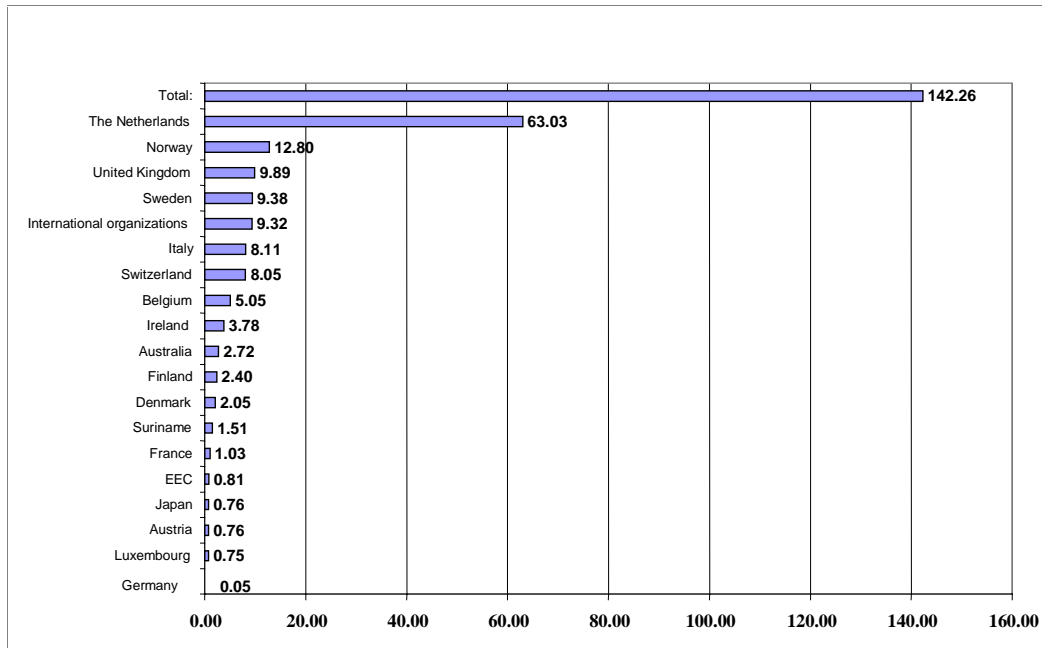
¹⁰ National Agricultural Cooperative Federation (NACF), African Development Bank (AfDB), AFESD, Arab Gulf Programme for the United Nations Development Organizations (AGFUND), Food and Agriculture Organization of the United Nations (FAO), Organization of the Petroleum Exporting Countries (OPEC), Office of the United Nations High Commissioner for Refugees (UNHCR) and United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA).



the period 1978-2001. The largest six donors providing cofinancing grants were The Netherlands, Norway, United Kingdom, Sweden, Italy and Switzerland.

Figure 2: Cofinancing Grant Flows through IFAD (1978-2001)

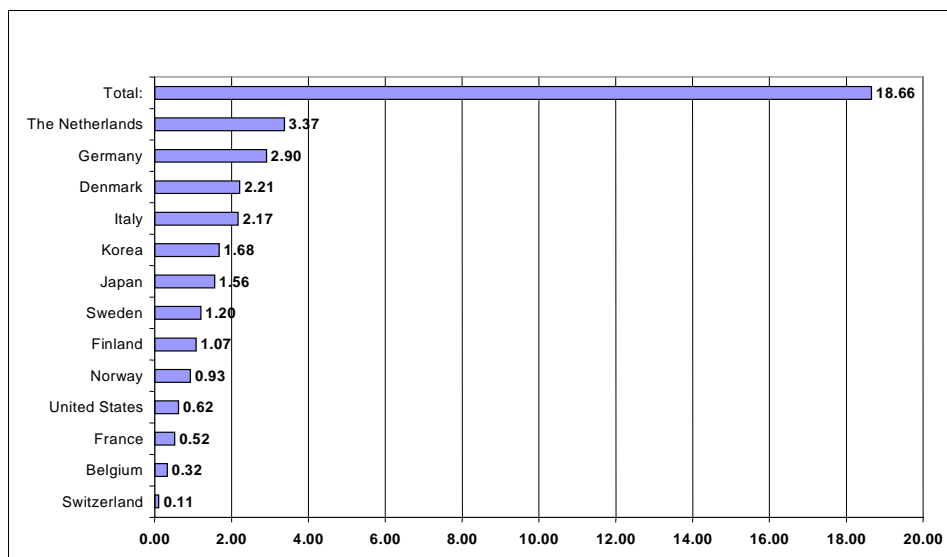
(USD million)



27. At December 2001, a total of 112 officers had worked at IFAD under the APO Programme. During 2001, 24 officers worked at IFAD, including 4 Danish, 2 Finnish, 1 French, 4 German, 2 Italian, 3 Japanese, 1 Korean, 2 Dutch, 1 Norwegian, 4 Swedish and 1 American nationals. The largest six contributions to the programme were from The Netherlands, Germany, Denmark, Italy, Korea and Japan.

Figure 3: APO Grants (1978-2001)

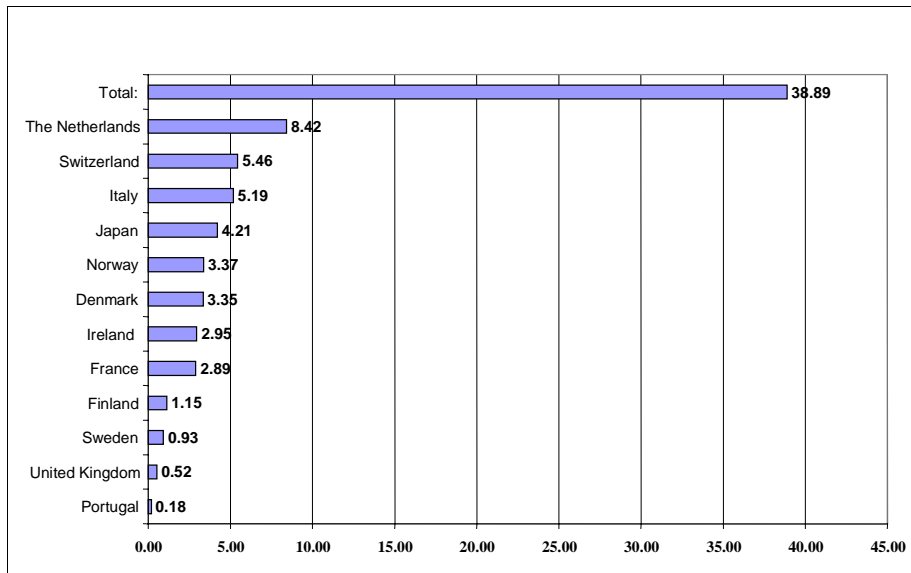
(USD million)





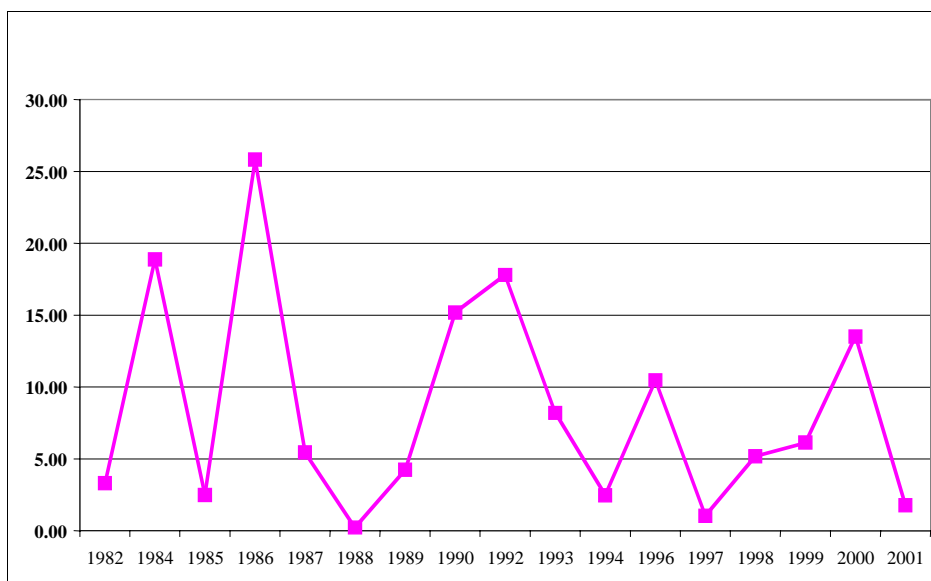
28. Over the period 1978-2001, 12 donor partners have provided supplementary fund resources for technical assistance and thematic studies. The Netherlands was the first donor in 1987, followed by Finland in 1989, France in 1990, Denmark in 1991, Italy in 1994 and Japan in 1995. These partners were later joined by Switzerland in 1996, Ireland in 1997, Norway in 1998 and Sweden in 2001. During 2001, new partnership agreements were finalized with Ireland, Italy, The Netherlands, Portugal, Switzerland and the United Kingdom. In 2002, IFAD finalized supplementary fund agreements with two additional partners, Germany in July (4.4 million euro) and Canada in October (500 000 Canadian dollars). A brief description of IFAD partnership with these donors is included in Appendix I.

Figure 4: Technical Assistance and Thematic Studies (1978-2001)
(USD million)



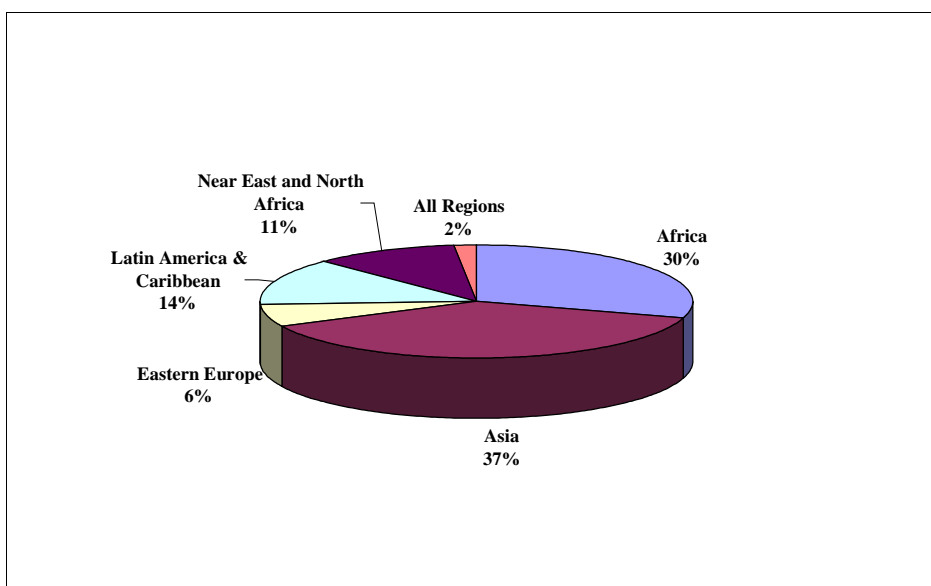
29. Figures 5-6 chart the flow of supplementary resources over the period 1978-2001 for the cofinancing of IFAD projects and programmes as well as the regional distribution of cofinancing grants. The first six cofinancing partners were Norway (1982), The Netherlands (1984), Italy (1985), Sweden (1986), Australia (1987) and Finland (1988).

Figure 5: Flow of Cofinancing Grants(1978-2001)
(USD million)



30. The regional distribution of cofinancing grants is such that the largest proportion of cofinancing resources went to projects and programmes in Asia and the Pacific (37%) and Africa (30%), followed by Latin America and the Caribbean (14%), the Near East and North Africa (11%) and eastern Europe (6%).

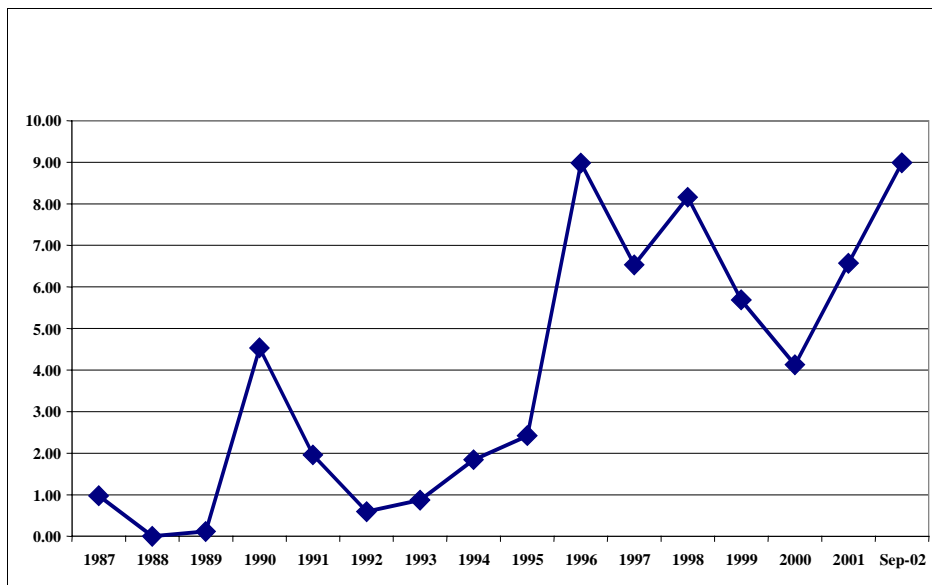
Figure 6: Regional Distribution of Cofinancing Grants



31. Figures 7-8 chart the flow of supplementary resources used for technical assistance and thematic studies over the period 1978-2001, as well as the regional distribution of resources over time. Before 1995 there were only six donor partners, including Denmark, Finland, France, Italy, Japan and The Netherlands. A new partnership with Switzerland in 1996 provided a large contribution, in addition to

new contributions from Denmark, Italy and Japan, raising the level of resources substantially. New agreements with Ireland in 1997 and 2001, Norway in 1998, Denmark in 1999, and Switzerland and the United Kingdom in 2001 provided additional resources.

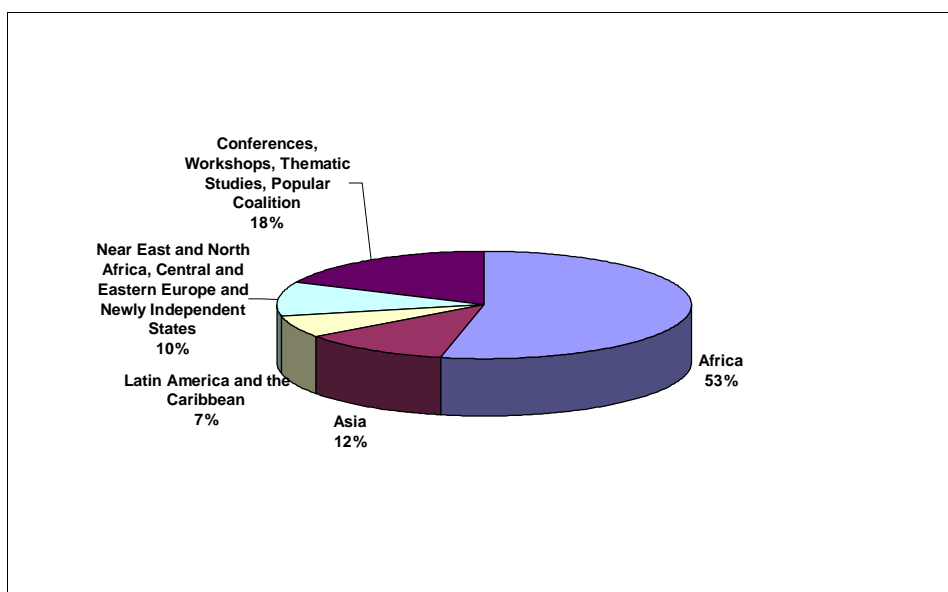
Figure 7: Flow of Technical Assistance and Thematic Studies Grants (1978-2001)
(USD million)



Includes cofinancing grants through programmatic supplementary funds (USD 14 million, 1978-2001)

32. The regional distribution of technical assistance and thematic studies grants is such that the largest proportion of grants is used for Africa (53%); followed by activities that benefit all the regions (18%); then Asia and the Pacific (12%); the Near East and North Africa and eastern and central Europe and the newly independent states (10%); and Latin America and the Caribbean (7%).

Figure 8: Regional Distribution: Technical Assistance and Thematic Studies Grants





IFAD-ADMINISTERED SUPPLEMENTARY FUNDS

Canada

Agreements. On 10 October 2002 a grant agreement was signed between the Government of Canada and IFAD to finance the services of multidisciplinary consultants/teams. Technical advisors will develop corporate processes and tools that better define and manage strategic priorities and impact objectives.

Resources. Under the 2002 agreement a grant of 500 000 Canadian dollars will be made available over a period of two years, with the possibility of extension for a third year.

Use of the funds. The objectives of the multidisciplinary individuals/teams (of any nationality) are to:

- enhance the impact and catalytic role of IFAD's operations and advocacy through strengthened management performance capacity of IFAD staff;
- develop corporate framework processes and tools to better define strategic priorities and impact objectives and manage their achievement; and
- develop specific staff skills in effective documentation and communication of IFAD results and impact.

Denmark

Agreements. The initial arrangement between the Government of Denmark and IFAD for the financing of various studies and short-term technical assistance (TA) activities was concluded in May 1991. Subsequently supplementary fund agreements for the financing of consultancy services were signed in March 1996 and in June 1999. A new framework agreement was signed in June 2002, with a partnership agreement currently under discussion.

Resources. Since 1991, Denmark has provided USD 3.35 million to finance consultancy services performed by individual consultants, consultant firms, semi-public and public institutions, universities and research institutes.

Use of the funds. The activities eligible under the supplementary fund include:

- studies, surveys and short-term operational assignments (up to one year) in connection with development, support to implementation, supervision and evaluation of programmes and projects financed or to be financed by IFAD;
- sector and subsector policy assessment studies and/or investment studies related to rural development (land and water development, agricultural and rural development, energy development, environmental and sustainable development including water use, agro-industrial development, and fisheries development);
- local capacity-building activities in connection with the development, start-up, implementation, supervision and evaluation of programmes and projects financed or to be financed by IFAD, including training of rural people, project/programme and government staff and support for effective participatory mechanisms.

The resources available through the supplementary fund agreement have been used to fund 87 activities, including appraisals, formulation and start-up missions, supervision and monitoring, sector and strategic studies, technical support and knowledge management.



APPENDIX I

Finland

Agreements. The initial arrangement for the financing of studies and short-term technical assistance activities between the Ministry of Foreign Affairs of Finland and IFAD was signed on 31 October 1989. A subsequent supplementary fund agreement for the financing of consultancy services was signed on 18 November 1997.

Resources. Under the 1989 arrangement, USD 584 559 in contributions was used to fund studies and technical assistance activities. The contribution of USD 519 021 under the 1997 agreement, along with accrued interest and transfers from the 1989 arrangement, has provided USD 666 397 for the financing of consultancy services.

Use of the funds. The Finnish supplementary fund is used to finance consultancy services to undertake the following activities:

- studies (including environmental impact assessments), surveys, workshops and short-term operational assignments in connection with the development, implementation, supervision and evaluation of programmes and projects financed or to be financed by IFAD;
- sector and subsector policy assessment studies related to rural development and studies related to investment opportunities; and
- local capacity-building activities in connection with the start-up, development, implementation, supervision and evaluation of programmes and projects financed or to be financed by IFAD, including training of rural people, project/programme and government staff, and support for effective participatory mechanisms.

To date, 35 activities have been approved for funding under the Finnish trust fund since 1989, including project preparation missions – needs assessment, appraisal, formulation – policy development studies, country programme evaluations, participatory rural appraisals and support for community development and local NGOs. A new partnership agreement is currently under consideration.

France

Agreements. On 12 June 1990, IFAD and the Government of France signed an agreement to finance studies and technical assistance activities, including fees of consultants, consulting firms, institutions and NGOs recruited by IFAD to undertake a variety of activities related to IFAD's mandate.

Resources. Under the 1990 agreement, a total sum of 25 million French francs (approximately USD 6.1 million) was received from France.

Use of the funds. The funds were to be used mainly for the following activities:

- operational activities – identification, preparation, pre-evaluation, supervision and evaluation
- sectoral and subsectoral studies
- agricultural and water development
- rural and agricultural development, including the role of women in rural development, nutrition, food security, institutional infrastructure, livestock production, market linkages, tropical production, microcredit and fertilizers
- development of renewable energy, e.g. solar energy
- sustainable environmental development and water use, including drinking water supply, the fight against desertification, control of biological parasites, reforestation and tropical forest protection
- agro-industrial development
- fisheries development
- research and training
- evaluation studies
- information dissemination and knowledge-sharing.



APPENDIX I

As at 31 December 1997, the funds had been used to finance a total of 28 activities. A new framework agreement is currently under consideration.

Germany

Agreements. Two arrangements were signed with the Government of Germany and IFAD on 10 July 2002 to finance two projects: (i) Mitigating the Impact of HIV/AIDS on Rural Populations in Eastern and Southern Africa and (ii) Gender Mainstreaming in Central and Eastern Europe: A Community-Driven Approach.

Resources. Under the July 2002 arrangements, a total amount of 4.4 million euro (EUR) will be received in contributions from Germany for the years 2002-2004. The following amounts have been contributed to date: (i) EUR 2.10 million for the HIV/AIDS project; and (ii) EUR 700 000 for the gender mainstreaming project.

Use of the funds. Future contributions to the German supplementary fund will be used to undertake the following types of activities:

- microfinance in Africa
- gender and poverty (including primary education for girls)
- local good governance; sustainable poverty-reduction processes at the local/communal level
- direct targeting of extremely poor people
- activities with concrete reference to decisions of international conferences (Monterrey, Johannesburg WSSD, World Food Summit, Rome; etc.) and/or the Millennium Development Goals
- activities directly related to the German Action Plan 2015
- innovations, such as (i) activities with partners that have not previously been involved in development cooperation; (ii) south-south cooperation; and (iii) new tools and instruments for development cooperation (e.g. programme financing).

To date, two activities have been approved for funding under the German supplementary fund.

Ireland

Agreements. The initial agreement between the Government of Ireland and IFAD for the cofinancing of IFAD projects or the financing of activities directly supportive of IFAD projects was signed on 8 December 1997. A subsequent partnership agreement for cofinancing of projects and programmes in the Eastern and Southern Africa Region was signed on 12 October 2001.

Resources. Under the 1997 agreement, a total of USD 5.59 million (including interest) was received in contributions, and under the 2001 agreement, a total of USD 1.14 million (including interest) was received.

Use of the funds. The Irish supplementary fund is cofinancing projects and programmes in the Eastern and Southern Africa Region. To date, the following activities have been financed under the 1997 agreement:

- Ethiopia Special Country Programme – Phase II;
- Zambia North Western Province Area Development Project;
- Malawi Smallholder Flood Plains Development Programme;
- Uganda District Development Support Programme; and
- United Republic of Tanzania Participatory Irrigation Development Programme.

The Tanzania Agricultural Marketing Systems Development Programme will be financed under the 2001 agreement.



Italy

Agreements. A new partnership agreement between the Government of Italy and IFAD was signed on 12 November 2001 with a five-year duration. A subsequent administration memorandum establishes the general guidelines for the administration of financial resources granted by Italy as a voluntary contribution within the period of the agreement.

Resources. Since 1994, Italy has provided USD 13.86 million through voluntary contributions: USD 5.15 million has been mobilized as grant cofinancing and USD 5.76 million for technical assistance. The 2002 voluntary contribution of USD 2.95 million will be used under the recent administration memorandum. The indicative contribution under the new partnership agreement is EUR 15 million over five years with annual tranches of EUR 3 million approved as a voluntary contribution. Additional ODA funds would be channelled to specific cofinancing and financing programmes/projects under the IGC, ICC, and ICF financial instruments.

Use of the funds. Under the administration memorandum of the partnership agreement, the Italian supplementary fund currently has three windows: a programmatic window through which IGC grants will be made available; a consultant's supplementary fund (CSF); and a sectoral/thematic studies fund (STS).

The IGC supports activities with a specific focus on strengthening the capacity of the rural poor and their organizations; improving equitable access to productive natural resources and technology; and increasing access by the rural poor to financial services and markets. Priority is given to pilot initiatives/projects reinforcing the catalytic and innovative role of IFAD in: harnessing knowledge and disseminating it to a broad spectrum of national and international partners; supporting the development of national and international partnership among the poor, governments, the private sector and civil society; building regional and international coalitions; and helping establish institutional and policy frameworks in support of the poor.

The CSF is used for studies, surveys, workshops and short-term operational assignments in connection with the development, implementation, supervision and evaluation of programmes and projects financed by IFAD, and for assignments in connection with the development and implementation of methodologies to assess, enhance and communicate the impact of IFAD's operations with respect to IFAD's strategic framework objectives and poverty-reduction goals.

The STS supports:

- sector and subsector policy assessment studies related to rural development and studies related to investment opportunities;
- local capacity-building activities in connection with the start-up, development, implementation, supervision and evaluation of programmes and projects financed or to be financed by IFAD, including training of rural people, project/programme and government staff, and support for effective participatory mechanisms and improved local governance;
- monitoring and evaluation-related activities to improve the quality of M&E in IFAD-supported projects, ensure improvement-oriented critical reflection, maximize the impact of rural development projects, and show this impact to be accountable;
- support for participation by IFAD and major recipient country stakeholders in poverty-reduction strategy processes and other donor and recipient coordination mechanisms; and
- on an exceptional basis, other activities as may be agreed upon in writing between Italy and IFAD.

To date, 40 activities have been approved for funding under the Italian trust fund since 1994, including a gender mainstreaming programme, post-conflict rehabilitation activities, land rehabilitation and support to the implementation of the UNCCD, and rural finance schemes.



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Japan

Agreements. The arrangement between the Government of Japan and IFAD for the financing of individual projects/activities consistent with the concept of the Women-in-Development (WID) Programme was signed on 14 November 1995.

Resources. Under the 1995 arrangement, total resources for USD 5.45 million have been received to finance WID projects and activities.

Use of the funds. Illustrative applications of the Japanese WID grant are as follows:

- gender mainstreaming activities, studies and workshops in Asia, Africa, Latin America and the Near East;
- a rural poverty workshop in Tokyo;
- a programme on empowering women through improved access to land. This programme provided the basis for the design and formulation of the Popular Coalition's *Women's Resource Access Programme* (WRAP) and the implementation of community workshops in India, Indonesia and Nepal; and
- production of an analytical book, *Gender and Development: Current Situation and Possibilities in Developing Countries*.

Since 1995, 33 activities have been approved for funding under the Japanese WID grant.

The Netherlands

Agreements. The first supplementary fund agreement between IFAD and the Government of The Netherlands was signed in June 1987. Subsequent agreements were signed in July 1997 and in November 2001.

Resources. Under the 1987 supplementary fund agreement, USD 5.7 million in contributions and accrued interest was used to fund studies and technical assistance activities. The Netherlands contribution of USD 2.35 million under the 1997 agreement, along with accrued interest, provided USD 2.5 million for the financing of consultancy services. The current consultancy service agreement would provide IFAD with approximately USD 1.22 million (NLG 3 million) over three years.

Use of Funds: The current Netherlands supplementary fund is financing consultancy services to undertake the following activities:

- studies, surveys and short-term operational assignments in connection with development, implementation, supervision and evaluation of programmes and projects financed by IFAD;
- assignments in connection with the development and implementation of methodologies to assess, enhance and communicate the impact of IFAD operations with respect to the institution's poverty-reduction goals;
- sector and subsector assessment studies and/or investment studies related to rural development;
- local capacity-building activities in connection with the development, start-up, implementation, supervision and evaluation of projects financed or to be financed by IFAD, including training of rural people, project/programme and government staff and support for effective participatory mechanisms; and
- support for participation by IFAD and major recipient country stakeholders in poverty-reduction strategy processes and other donor and recipient coordination mechanisms.

The priority of Netherlands cooperation with IFAD is to enhance the quality and stimulate the integration of gender issues into IFAD projects and programmes. To date, 226 activities have been approved for funding under the Dutch agreements since 1987.



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Norway

Agreements. The supplementary fund agreement between IFAD and the Government of Norway was signed in October 1998.

Resources. To date Norway has contributed USD 4.58 million to the supplementary fund.

Use of the funds. The Norwegian supplementary fund is cofinancing IFAD projects and financing operations directly supportive of or in association with IFAD projects, either new or ongoing, in SSA countries eligible for highly concessional lending terms and with a gender focus. It is also supporting comprehensive programmes or operations that aim to improve the impact of IFAD projects directly, rather than free-standing short-term studies or workshops.

Priority areas are: (i) promotion of innovative means of information generation and improvement in nutrition; (ii) microfinance, particularly operations owned and controlled by the rural poor; (iii) improvement of smallholder's access to market opportunities; (iv) natural resource conservation; (v) capacity-building at local and community levels; and (vi) pilot testing of approaches to effective beneficiary participation in project design and development.

Four activities have been approved under this agreement: (i) Programme to Strengthen Gender Focus in IFAD's Projects in Eastern and Southern Africa (USD 1.8 million); (ii) Zimbabwe Community-Based Resettlement Approaches and Technologies Project (USD 1.0 million); (iii) Research Learning Action Programme to Assist IFAD in Projects in Western and Central Africa to Reach Rural Women (USD 1.0 million); and (iv) the Tanzania Country Programme Evaluation (USD 69 000).

Portugal

Agreements. The partnership agreement between the Government of the Republic of Portugal and IFAD was signed on 15 May 2001, as amended and restated in September 2002, and is valid for a period of three years.

Resources. Under the 2001 partnership agreement, a total contribution of EUR 750 000 (USD 735 525) is expected. To date, a total amount of USD 444 064 has been received, which includes a contribution towards the secondment to IFAD of a Portuguese programme officer.

Use of the funds. The Portuguese supplementary fund has three main windows: (i) a programmatic fund for grant financing; (ii) a consultant's fund; and (iii) an NGO fund through which grants to NGOs are made. The funds are used in Portuguese-speaking countries or territories and the Ibero-American countries. In particular, they are used up to 80% in Africa, in the following priority countries: Angola, Cape Verde, Guinea Bissau, Mozambique, Sao Tome and Principe and the territory of East Timor; and 20% in Ibero-American countries, mainly in Argentina, Brazil, Cuba and Venezuela. The Fund will be used for:

- grant cofinancing of national or local programmes to develop capacity and share experiences and for the replication of successful projects;
- NGOs: social mobilization, institution-building, training/capacity-building and rural finance; and
- consultants for:
 - studies (including environmental impact assessments), surveys, workshops, and short-term assignments in support of design, implementation and evaluation of projects financed or to be financed by IFAD;
 - sector and subsector policy assessment studies related to rural development and studies related to investment opportunities;



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- operational assignments to support local capacity-building activities, including training of rural people, project and government staff and support for effective participatory mechanisms;
- assignments to IFAD, in order to support specific IFAD activities to be performed at headquarters.

To date, four activities have been approved for funding under the Portuguese supplementary fund.

Sweden

Resources. In July 2001 an amount of 10.00 million Swedish kronas was received from Sweden as a special contribution.

Use of the funds. The funds are being used to finance the restructuring of IFAD, in particular the following activities:

- (a) recruitment of staff;
- (b) structural and organizational reforms;
- (c) follow-up to the *Rural Poverty Report 2001*;
- (d) communication strategy; and
- (e) policy function and network.

A total of five activities are being financed.

Switzerland

Agreements. The following agreements have been signed between the Government of Switzerland and IFAD:

- A letter of understanding was signed between IFAD and the Federal Department of Foreign Affairs of Switzerland on 18 June 1996 for an amount of 7.2 million Swiss francs (CHF) (USD 5.85 million) in favour of sub-Saharan African countries.
- On 7 January 1997, a second letter of understanding was signed with the Swiss Agency for Development and Cooperation (SDC) for an amount of CHF 1.2 million (USD 845 163) for a special contribution in favour of sub-Saharan African countries.
- On 22 August 2000, an agreement was signed between SDC and IFAD for an amount of CHF 150 000 (USD 83 516) to provide support to the evaluation of IFAD's capability to promote replicable innovations in rural poverty reduction.
- On 22 May 2001, an administration agreement was signed between SDC and IFAD for an amount of CHF 1.5 million (USD 929 000) for the Partnership on Development Effectiveness through Evaluation.

Resources. Total supplementary resources received from Switzerland in favour of sub-Saharan countries amount to USD 8.36 million, including accrued interest. Under the 22 May 2001 agreement, total contributions received to date amount to USD 593 267.

Use of the funds. The Swiss supplementary resources in favour of sub-Saharan African countries are used mainly to undertake operations to assist in rehabilitating and reactivating their economies. The funds are also used to improve supervision, monitoring and evaluation of IFAD projects and programmes in the region.

Funds for the Partnership on Development Effectiveness through Evaluation are used exclusively to finance evaluation activities, such as the cost of consultants, organization of workshops, communication and dissemination of evaluation results, related IFAD staff travel. Both partners aim to share their specific knowledge and experience and deepen their understanding of specific topics. The list of



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evaluation activities to be financed under this programme is determined jointly by SDC and IFAD during their regular partnership coordination meetings.

To date, over 60 activities have been financed under the Swiss contribution for sub-Saharan African countries. A total of seven activities have been financed to date under the Partnership on Development Effectiveness through Evaluation.

United Kingdom

Agreements. The memorandum of understanding between IFAD and the Government of the United Kingdom and Northern Ireland (acting through the Department for International Development – DFID) for the Sustainable Livelihoods Diagnostic and Learning Trust Fund was signed on 20 August 2001.

Resources. Under this memorandum, a total sum of 1.05 million pounds sterling (GBP) (USD 1.60 million) in contributions will be received over a three-year period. To date a total of GBP 750 000 (USD 1.14 million) has been received.

Use of the funds. The UK-DFID supplementary fund seeks to improve the performance of IFAD loan and grant projects through rigorous interdisciplinary diagnosis of poverty and vulnerability at all stages of the project cycle. The programme aims to achieve this through a combination of: (i) technical support to IFAD country portfolio managers to strengthen diagnostic, design and implementation work on IFAD loans and grants; (ii) support to a managed learning and information exchange process; and (iii) mainstreaming sustainable livelihood approaches and other development best practices within IFAD corporate strategy.

To maximize learning, efforts are being made to support funding of different types of methods, tools, teams and workshops in various types of projects (directly supervised, flexible lending mechanism, multisector and single-sector, and cofinanced) at different phases and in different regions.

Key activities eligible for funding include:

- workshops for the following purposes: (i) stakeholder and beneficiary workshops, analysis, and needs assessments at any phase of the project cycle; (ii) workshops on diagnostic methods that may be of value for pre-identification, COSOPs, or project design; (iii) participatory logical framework development; (iv) corporate and regional policy and strategy development; and (v) training in and publication/dissemination of diagnostic tools and lessons from implementation of sustainable livelihood approaches;
- consultants/teams to assess and strengthen monitoring and evaluations systems during implementation of ongoing projects in order to develop more accurate and responsive project planning and impact assessment; and
- in-depth socio-economic or interdisciplinary studies, in a sample of typical IFAD project settings, to better understand vulnerability and poverty processes, and how these are/can be influenced through externally promoted development initiatives

Since September 2001, 20 activities have been approved for funding under the UK-DFID trust fund.

STATISTICAL SUMMARY OF FUNDS
Volume of Supplementary Resources (1978-2001)
(USD)

	Contributions Received for Technical Assistance and Thematic Studies Grants and Cofinancing ¹								Subtotal TA and Thematic Studies	Cofinancing Grants ³	APO Grants ⁴	Other ⁵	Total
	1978 - 1995	1996	1997	1998	1999	2000	2001	Sept. 2002 (p)					
Australia	0	0	0	0	0	0	0	0	0	2 720 952	0	0	2 720 952
Austria	0	0	0	0	0	0	0	0	0	755 497	0	84 089	839 586
Belgium	0	0	0	0	0	0	0	0	0	5 053 182	320 898	450 528	5 824 608
Canada	0	0	0	0	0	0	0	0	0	0	0	908 547	908 547
Denmark	480 000	511 290	614 534	437 880	278 581	531 384	492 441	0	3 346 112	2 045 086	2 213 110	245 785	7 850 091
EEC	0	0	0	0	0	0	0	0	0	813 689	0	69 688	883 377
Finland	584 559	0	92 357	190 075	140 407	126 751	11 688	0	1 145 837	2 396 522	1 073 294	612 832	5 228 485
France	2 892 894	0	0	0	0	0	0	0	2 892 894	1 031 579	521 706	90 408	4 536 587
Germany	0	0	0	0	0	0	0	2 733 640	0	45 750	2 902 201	20 232	2 968 183
Ireland	0	0	1 515 089	1 125 607	1 453 145	1 332 707	1 306 920	0	2 951 603	3 781 866	0	13 674	6 747 143
Italy	2 661 621	1 374 692	1 245 186	1 368 987	1 293 570	1 242 259	1 608 742	4 306 015	5 185 586	8 109 468	2 170 435	1 712 149	17 177 638
Japan	1 000 000	1 000 000	1 000 000	0	1 450 000	0	500 000	500 000	4 207 000	763 000	1 557 619	0	6 527 619
Korea	0	0	0	0	0	0	0	0	0	0	1 682 921	0	1 682 921
Luxembourg	0	0	0	0	0	0	0	0	0	750 000	0	50 000	800 000
The Netherlands	5 708 261	0	965 936	559 688	539 208	412 946	423 148	151 382	8 418 904	63 034 623	3 367 792	230 524	75 051 843
Norway	0	0	4 016 112	194 096	196 307	172 977	0	0	3 370 994	12 802 383	931 076	1 128 224	18 232 675
Portugal	0	0	0	0	0	0	181 064	264 000	181 064	0	0	0	181 064
Suriname	0	0	0	0	0	0	0	0	0	1 512 998	0	0	1 512 998
Sweden	0	0	0	0	0	0	929 647	0	929 647	9 379 468	1 195 898	372 972	11 877 985
Switzerland	0	6 096 707	1 097 367	328 668	299 148	286 803	423 517	413 000	5 455 208	8 051 086	105 800	272 099	13 884 193
United Kingdom	0	0	0	0	0	0	523 595	624 000	523 595	9 889 028	0	50 000	10 462 623
United States	0	0	0	0	0	0	0	0	0	0	617 160	85 000	702 160
Other Member States ⁶	0	0	0	0	0	0	0	0	0	0	0	1 309 525	1 309 525
International organizations ⁷	100 950	0	0	133 600	45 704	0	0	0	280 254	9 321 797	0	612 960	10 215 011
Total	13 137 052	8 982 689	6 530 469	8 160 616	5 693 859	4 129 158	6 573 739	8 992 037	38 888 698	142 257 974	18 659 910	8 319 236	208 125 817

¹ Includes contributions received for technical assistance, thematic studies and cofinancing through supplementary funds (programmatic). Note that figures for 2002 are provisional.

² Only technical assistance and thematic studies grants.

³ Cumulative cofinancing grants through IFAD as at 31.12.2001 (excludes projects cofinanced through the Belgian Survival Fund).

⁴ Cumulative associate professional officer (APO) grants as at 31.12.2001.

⁵ Single activities such as conferences, regional workshops and studies.

⁶ Belgian Survival Fund (941 854), China (30 000), Colombia (25 000), Indonesia (50 000), Jordan (15 000), Liechtenstein (5 000), Malaysia (15 000), Morocco (50 000), Nigeria (50 000), Pakistan (25 000), Paraguay (15 000), Senegal (15 216), South Africa (10 000), Spain (8 000), Turkey (47 479).

⁷ TA: World Bank; cofinancing: FAO, National Agricultural Cooperative Federation, AFESD, Arab Gulf Programme for the United Nations Development Organizations, AfDB, OPEC, UNHCR, United Nations Office for the Coordination of Humanitarian Affairs; other: Italian and international financial institutions.