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STRATEGIC PRIORITIES AND PROGRAMME OF WORK OF IFAD
AND ITS INDEPENDENT OFFICE OF EVALUATION FOR 2004



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ABBREVIATIONS AND ACRONYMS

ARRI	Annual Report on the Results and Impact of IFAD Operations
COSOP	Country Strategic Opportunities Paper
CPM	Country Portfolio Manager
ECOSOC	United Nations Economic and Social Council
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility
HIPC	Heavily Indebted Poor Country
IDB	Inter-American Development Bank
IEE	Independent External Evaluation
IFAD VI	Sixth Replenishment of IFAD's Resources
IFI	International Financial Institution
MFE	Methodological Framework for Evaluation
MDG	Millennium Development Goal
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OE	Office of Evaluation
OECD	Organisation for Economic Co-operation and Development
PBAS	Performance-Based Resource Allocation System
PDFF	Programme Development Financing Facility
PRSP	Poverty-Reduction Strategy Paper
SCP	Strategic Change Programme
SF	Strategic Framework for IFAD 2002-2006
SWAP	Sector-Wide Approaches
TAG	Technical Assistance Grant



STRATEGIC PRIORITIES AND PROGRAMME OF WORK OF IFAD AND ITS INDEPENDENT OFFICE OF EVALUATION FOR 2004

INTRODUCTION

1. The primary purpose of this paper is to present to the Executive Board for its consideration the proposed strategic priorities and programme of work for IFAD in 2004 and related resource implications. IFAD management is also submitting for Executive Board consideration some policy issues related to resource management that would help IFAD strengthen its cost-effectiveness and efficiency in a context of decentralized resource management. Finally the paper presents, for the first time, the work programme and resource requirements of the now independent Office of Evaluation (OE). Based on the deliberations and decisions of the Executive Board at its current Session, the Fund and OE will finalize their programme of work and budget for 2004, for consideration by the Executive Board at its Eightieth Session in December 2003.

2. The proposed strategic priorities, programme of work and resource implications for 2004 result from a broad-based organization-wide strategic planning and resource allocation process, endorsed by the Executive Board in 2002 and further developed in 2003. The informal seminar preceding the present Session of the Executive Board will focus on elaborating the substance of this paper, and especially the resource management policy issues raised. It will also provide an opportunity to review the progress made in implementing the redesigned strategic planning and resource allocation process.

3. The paper is organized in three parts. **Part I** presents the strategic priorities and programme of work for IFAD in 2004, and highlights the resource implications of delivering such a programme of work. It also highlights some related resource management issues for consideration by the Executive Board. **Part II** presents a preview of the work programme and resource issues for the independent OE, also for Executive Board consideration. As per the provisions contained in the IFAD Evaluation Policy, the OE part was prepared by the independent OE, was not subject to any review process within IFAD, and is transmitted unchanged to the Executive Board for its review and approval. **Part III**, sums up the guidance and decisions sought from the Executive Board.

PART I – THE 2004 PROGRAMME OF WORK AND RESOURCE ISSUES

A The Context for IFAD's Priority Action in 2004

4. **External context.** Rural poverty and food security remain a global concern. Millions of people worldwide, of whom about 40 million in Africa, are at risk of starvation. This situation derives not only from climatic conditions and natural disasters, but also from structural causes, such as chronic poverty, the lack of an enabling environment and appropriate support for agriculture, HIV/AIDS prevalence, an increasing number of conflicts, poor governance and, not least, economic management, and trade-related issues. These factors are likely to cause recurrent food crises and increase long-term food insecurity, particularly in Africa.

5. While several countries in East and South Asia have notably improved economic growth levels and are making substantial progress towards the Millennium Development Goals (MDGs), the outlook for the rural poor in many other developing countries remains grim. Global economic growth is insufficient to reliably reduce world poverty, and future prospects are overcast by interconnected risks related to security and conflicts, HIV/AIDS, and the depressed prices for the commodities produced by developing countries. The situation is especially dramatic in sub-Saharan Africa where



grossly inadequate levels of growth seriously compromise the region's chances to achieve the MDGs. Central Asia, Latin America and the Caribbean, the Near East and North Africa also critically depend on sustained projected growth levels to secure their MDG targets. Growth alone, however, will not guarantee that the MDGs will be achieved: growth needs to be accompanied by institutional transformation and especially policy changes that ensure that the poor take part in such growth. Although enormous challenges remain, recent significant developments in the policy change agenda at global, national and local levels will positively affect the external context in which IFAD will operate in 2004.

6. The 2002 Monterrey Consensus formally reiterated the need for a reversal in the decline of official development assistance (ODA) to support MDG-related development and poverty reduction – in synergy with debt relief and foreign direct investment, in the context of conducive trade policies (at the global, regional, national and local levels), and in the framework of enabling domestic policies that will harness domestic resources for poverty reduction. As a result, ODA commitments are expected to increase to USD 68 billion (in real terms) by 2006. In 2002 ODA increased to USD 57 billion (from USD 52 billion in 2001). The Centre for Global Development recently launched the Commitment to Development Index that ranks member countries of the Organisation for Economic Co-operation and Development (OECD) on the basis of their commitment to a combination of aid, trade, investment, migration and peacekeeping, and the coherence of that commitment. The index will help policy-makers focus on the total resources for development in an integrated, and it is hoped, more coherent and pro-poor manner. This constitutes a conducive resource environment for leveraging IFAD's efforts in poverty reduction.

7. The challenge remains, however, to channel such additional aggregate resources towards rural and agricultural development, disproportionately affected by the decline in ODA even though 75% of the world's poorest people live in rural areas and the rural sphere supports large portions of developing country growth, gross national income, employment and exports. The Group of Eight (G8) countries and Nordic countries, among others, have recently issued policy documents in support of rural and agricultural development as an integral and central part of a comprehensive poverty-reduction strategy; and some countries such as Canada have significantly increased their resource allocations to this sector. The G8 Summit held in Evian, France, in June 2003 flagged the issue of long-term food security and the need for famine prevention in Africa. The G8 undertook to work towards reversing the decline of ODA to agriculture and increasing trade opportunities for developing countries to fight the structural causes of poverty. It also recorded its readiness to support efforts by developing-country governments to pursue these aims, through, inter alia, support of sound agricultural policies at the national and regional levels, development of farmers' organizations, productive investments in agricultural infrastructure and inputs, promotion of food crops and of the competitiveness of export crops, improved scientific resources and the adaptation of new and improved agricultural technologies. The High-Level Segment of the United Nations Economic and Social Council (ECOSOC) in June 2003, entitled "Promoting an integrated approach to rural development in developing countries for poverty eradication and sustainable development", put rural poverty reduction high on the development agenda. As these policy statements and collective commitments translate into individual donor responses with effective support for rural poverty-focused country-owned strategies (such as poverty-reduction strategy papers (PRSPs) or sector-wide approaches (SWAPs)), IFAD will find significant partnership opportunities for rural poverty reduction in a country-specific programmatic context.

8. The year 2004 will be critical for the Debt Initiative for Heavily Indebted Poor Countries (HIPC). Such countries not yet benefiting from the Initiative will need to make efforts to become eligible for debt relief before year-end, and many approved country cases will reach their completion points in 2004. As a result of debt relief, significant levels of fiscal resources will become available for poverty-reducing expenditures in the framework of country-owned poverty-reduction strategies, and it is expected that integrated public expenditure tracking systems will be put in place to monitor



the allocation and quality of such expenditures. In contrast, the recent Debt Initiative evaluation conducted by the World Bank's Operations Evaluation Department highlights the decline in net ODA transfers to the HIPCs since 1996 (the start of the Initiative). This causes concern for the delivery on the promise of the Initiative's additionality. Beyond debt relief, the donor community will clearly need to support HIPCs in maintaining long-term debt sustainability through appropriately designed poverty-reduction programmes funded with additional highly concessional loans and/or grant resources, without compromising performance-based criteria for such additional resource allocations. This will open up opportunities for IFAD to enter into country-led partnerships.

9. The countries that have yet to join the Initiative are mostly in conflict or post-conflict situations and/or have significant levels of arrears to international financial institutions (IFIs). A meeting of multilateral development banks (MDBs) hosted by IFAD in February 2003 has led to the development of a joint MDB process for dealing with such country cases. In addition, following up on its 1998 post-conflict policy framework paper, IFAD has recently developed a post-conflict poverty-reduction strategy framework and is in the process of mobilizing resources to fund it. This will create opportunities for IFAD, in partnership with other donors that have similar policies and strategies in place, to help some of the poorest countries in the world (not only HIPCs) resume a path of peace, local empowerment, poverty reduction and growth.

10. Remittances, currently about USD 100 billion per annum, are emerging as a major source of finance for developing-country households. In 2003 IFAD assessed the potential and enabling conditions for mobilizing a larger amount of such remittances for productive investment and rural poverty-reduction purposes, especially in the context of IFAD-supported country programmes in Latin America and the Caribbean (but also in Asia and the Pacific, and Africa). IFAD has many potential partners in this new avenue for rural development, not least in the private and cooperative sector.

11. A level playing field for trade, especially in agriculture, is crucial for growth, poverty reduction and rural empowerment in developing countries. It was a cause of concern that members of the World Trade Organization (WTO) failed to meet the March 2003 deadline for agreeing on modalities for reductions in support and protection in agriculture, which are vital for the world's poorest, especially farmers. Were it not for some progress made very recently, this missed deadline definitely would have compromised the momentum required to secure the success of the September WTO Ministerial Conference in Cancun, Mexico. The Evian Statement on Cooperative G8 Action on Trade provides a promising outlook for the end of 2004; and this outlook includes the recognition that preference programmes for poor countries have an important transitional role. Recent announcements concerning a review of the European Union's Common Agricultural Policy also constitute a first step towards seriously addressing subsidy-caused trade distortions. With better trade prospects for developing-country agriculture, investments in rural economic enterprise gain profitability and contribute to poverty-reducing growth.

12. The New Partnership for Africa's Development (NEPAD) initiative and further support for the upcoming Tokyo International Conference on African Development represent significant partnership opportunities for IFAD in Africa.

13. The creation of a global fund to tackle HIV/AIDS, malaria and tuberculosis, in addition to trust funds to fight illiteracy and polio, among others, also presents the Fund with partnership opportunities (beyond the crucial Belgian Survival Fund Joint Programme) in critical areas of rural poverty related to the MDGs worldwide and especially in Africa.



14. **The internal context – implementing the strategic framework.** IFAD's 2004 strategic priorities need to relate to the special character of that financial year for IFAD: the beginning of the implementation of the policy agenda of the Sixth Replenishment of IFAD's Resources (IFAD VI); and the continuation of the *Strategic Framework for IFAD 2002-2006* (SF).

15. With IFAD VI successfully concluded in 2003 with the target level of USD 560 million, the Fund aims to implement the full policy agenda negotiated at the consultations and prepared during 2003. This entails the centrality of country strategic opportunities papers (COSOPs) in IFAD's country programme planning process, and their linkage with country-owned rural poverty-reduction strategies (PRSPs, SWAPs, etc.); the adoption of more programmatic approaches to investment for rural poverty reduction; the adoption of a revised technical assistance grant (TAG) policy framework; the introduction of a performance-based resource allocation system (PBAS); a response to the need for enhancing IFAD's engagement at the field level; the establishment of a system for systematically and comprehensively monitoring and reporting on the results and impact of its country programmes; the implementation of the action plan for gender mainstreaming; closer partnerships with non-governmental organizations (NGOs) and the private sector; and the follow-up on conclusions of the review of the investment policy. These initiatives will complement the Fund's continued attention to the IFAD V: Plan of Action, which focuses on the corporate priorities of impact enhancement, dialogue for the transformation of institutions and policies, innovation and scaling up, knowledge management and partnership building. In addition, 2004 will be marked by the full implementation of the IFAD evaluation policy, and the independent external evaluation of IFAD that will help the Fund further define its change agenda. Putting in place an even closer and more effective collaboration with the Global Environment Facility (GEF)/Global Mechanism of the Convention to Combat Desertification (GM) and the International Land Coalition is also part of IFAD's priorities.

16. The objectives of the SF¹, including core MDGs², have become mainstreamed drivers for the regional strategies. The gradual review of the COSOPs is ensuring the focus of IFAD's country programmes on these SF objectives and core MDGs; it is also integrating these country programmes into country-owned participatory rural poverty-reduction strategies, such as PRSPs, and linking them into relevant sector programmes. Many of the IFAD VI policy initiatives mentioned above will provide a new impulse (stocktaking and acceleration) for the remaining SF time frame. In addition, several 'go-lives' under the Strategic Change Programme (SCP) are expected to gradually start yielding efficiency gains from renewed management systems and procedures, especially in the areas of human and financial resources management. As a result of the ongoing work on the strategic planning and resource allocation process at IFAD, further developments are anticipated during 2004. Among these is the development of a medium-term strategic plan for 2005-2006, which will assist in linking the annual programme of work and budget to the SF. The year 2004 will also see the initiation of work on the remaining business cases for the SCP, which will deal with some of the Fund's operational processes, such as knowledge management and country programme impact management. Organizational development, including the strengthening of the Policy Division and renewal within the Communications Division, will also contribute greatly to results-oriented management in IFAD.

¹ The objectives of the Strategic Framework for IFAD 2002-2006 consist of: "Enabling the rural poor to overcome their poverty" by: (i) "strengthening the capacity of the rural poor and their organizations" "to influence institutions (including policies, laws and regulations) of relevance for rural poverty reduction"; (ii) "improving equitable access to productive natural resources and technology"; and (iii) "increasing access to financial services and markets".

² The report on the Consultation on the Sixth Replenishment of IFAD's Resources singled out for IFAD's priority attention: Goal 1, eradicate extreme poverty and hunger (proportion of people living with less than USD 1 per day); Goal 3, promote gender equality and empower women; and Goal 6, combat HIV/AIDS. However, the other goals related to child mortality, maternal health, diseases other than HIV/AIDS, environmental sustainability and the global partnership for development are also on IFAD's primary agenda.



B Strategic Priorities and Programme of Work for 2004

(a) Alignment with Strategic Priorities for IFAD in 2004

17. IFAD's main instrument for implementing the SF is the lending and grant programme. All new projects planned for Executive Board consideration in 2004 are designed to contribute to the achievement of the three strategic objectives: 77% of the projects will contribute to strengthening the capacity of the rural poor and their organizations; 54% to improving access to productive natural resources and technology; and 56% to increasing access to financial services and markets. The proposed grant programme, as per preliminary submissions, is also contributing to all three strategic objectives: 52% of the grants will strengthen the capacity of the rural poor and their organizations; 22 % will improve access to productive natural resources and technology; and 16% will provide support to increase access to financial services and markets.

18. Gender mainstreaming and HIV/AIDS are crosscutting issues that will receive particular attention from the Fund in 2004. All new projects will address the requirements of IFAD's gender action plan in their design and implementation. Improving the understanding of how gender and HIV/AIDS issues should shape IFAD's work in the areas of strategic focus is also envisaged. In some regions in 2004, the Fund will explore operational models for reducing vulnerability to HIV/AIDS.

19. Learning across the regional divisions and within the organization is considered an important instrument for IFAD not only for better-quality project design but also for policy dialogue and advocacy purposes. The Fund has established thematic groups on rural financial services, gender, natural resources management, and policies and institutions, that in 2004 will have a major role in ensuring that experiences and lessons from the field are analysed, disseminated and operationalized within the organization, captured in the form of operational policies, strategy papers and position statements.

(b) Level and Structure of the Corporate Programme of Work

20. IFAD plans to submit for Executive Board consideration a programme of work of USD 445.3 million, including the grants programme, compared with the programme of work of USD 436.6 million in 2003, and the USD 475 million target set in the Consultation report. This represents a 2% increase for 2004 over 2003 in USD terms. However, the programme of work for 2004 will be conditioned by the overall availability of commitment authority. Table 1 shows in a comprehensive manner how the total amount of resources used by IFAD, as well as the structure of the programme of work (loans and grants programme) and IFAD's other resource categories (the Programme Development Financing Facility (PDFF) and the administrative budget), have evolved over time. This table also serves to establish a fresh baseline for resource allocations, for the purpose of planning and comparison in the future.

**TABLE 1: EVOLUTION OF IFAD'S APPROVED PROGRAMME OF WORK (LOANS AND GRANTS),
PDFF AND ADMINISTRATIVE BUDGET ALLOCATIONS**

		2001		Revised 2001		2002		2003		Proposed 2004	
		USD (million)	%	USD (million)	%	USD (million)	%	USD (million)	%	USD (million)	%
Programme of work		381.2	93.6	424.7	94.2	436.9	94.2	436.6	94.1	445.3 ²	94.1
	Loans	365.1	95.8	404.6	95.3	416.2	95.3	416.3	95.4	411.9	92.5
	Grants	16.1	4.2	20.1	4.7	20.7	4.7	20.3	4.6	33.4	7.5 ¹
PDFF		26.0	6.4	26.0	5.8	26.7	5.8	27.6	5.9	28.1 ²	5.9
Subtotal		407.2	100.0	450.7	100.0	463.6	100.0	464.2	100.0	473.4	100.0
Budget³		40.1	9.8	40.1	8.9	42.3	9.1	45.2	9.7	46.1 ²	9.7
Total		447.3		490.8		505.9		509.4		519.5	

Notes

¹ 7.5% for regular grants plus 2.5% transferred some years ago from grants to PDFF amounts to a total of 10% of grant funding by IFAD.

² Includes an indicative 2% inflation factor over 2003, which will be reviewed prior to the December 2003 submission to the Executive Board.

³ Includes one-time costs as well as the OE budget, which will be shown separately in the December 2003 submission. The 2003 USD equivalent will be restated in view of the change in the Euro/USD exchange rate during 2003. It excludes, for 2003, the resources (USD 1.0 million) required for the external independent evaluation of IFAD.

21. In line with the agreement reached during IFAD VI, the Fund's total grants programme for 2004 will increase from a level of 7.5% of the programme of work to 10%, equivalent to USD 45.2 million. This 10% will consist of 7.5% for regular grants and 2.5% for programme development services to Member States under the PDFF. The 10% will include the 2.5% points transferred³ some years ago from the grants to the PDFF.

22. **Lending programme.** It is proposed that in 2004 92.5% of the programme of work, or approximately USD 412 million, be allocated to loans. Tables 2 and 3 show the recommended lending targets, broken down respectively by IFAD regional division and geographic region. The tables show a compliance with the currently agreed regional lending shares, an emphasis on Africa, and a focus on countries receiving loans on highly concessional terms. The 2004 lending programme is projected to finance 25-27 projects (compared with 26-28 in 2003). To increase medium-term lending levels, IFAD is also developing 15 reserve projects in addition to the normal pipeline development.

TABLE 2: RECOMMENDED LOAN ALLOCATIONS BY REGIONAL DIVISION FOR 2004

	Western and Central Africa	Eastern and Southern Africa	Asia and the Pacific	Latin America and the Caribbean	Near East and North Africa	Total
USD (million)	75.7	75.7	127.7	70.2	62.6	411.9
Percentage¹	18.4%	18.4%	31.0%	17.0%	15.2%	100%
Number of Projects	6	5	6	4	4	25
Planned Country List	Benin Burkina Faso Congo D.R. Congo Gambia, The Mali	Burundi Ethiopia Tanzania, United Republic of Uganda Zambia	China Indonesia Laos Nepal Philippines Viet Nam	Argentina Brazil Colombia Dominican Republic	Algeria Republic of Moldova Sudan Yemen	

¹ The lending targets consist of tentative projections to be adjusted as a function of commitment authority, and correspond to the currently agreed regional lending shares. It is important to note that the regional lending programmes will be driven by the PBAS once it is in place.

³ In an effort to bring together in one single, new and clearly identifiable resource category all resources for country programme development and implementation, rather than having them split over the administrative budget and the TAG/PDFF categories. This was done on a strictly zero-sum basis, with approval by the Executive Board.



TABLE 3: RECOMMENDED LOAN ALLOCATIONS BY GEOGRAPHIC REGION FOR 2004

	Africa Including North Africa	Near East, Eastern Central and Eastern Europe and Newly Independent States	Asia	Latin America and the Caribbean	Total
USD (million)	186.3	27.7	127.7	70.2	411.9
Percentage ¹	45.2%	6.7%	31.0%	17.0%	100%
Planned Country List	Algeria Benin Burkina Faso Burundi Congo D.R. Congo Ethiopia Gambia, The Mali Sudan Tanzania, United Republic of Uganda Zambia	Republic of Moldova Yemen	China Indonesia Laos Nepal Philippines Viet Nam	Argentina Brazil Colombia Dominican Republic	

¹ The lending targets consist of tentative projections to be adjusted as a function of commitment authority, and correspond to the currently agreed regional lending shares. It is important to note that the regional lending programmes will be driven by the PBAS once it is in place.

23. **Technical assistance grants.** The TAG programme for 2004 will increase from about 5% of the programme of work to 7.5%, to a level equivalent to USD 33.4 million (7.5% of USD 445.3 million). Out of the total TAG resources (USD 33.4 million), USD 10 million will only be allocated following Executive Board approval of the revised TAG policy, which will be presented and discussed in an informal seminar planned for the current Session of the Executive Board. The total TAG programme for allocation so far therefore amounts to about USD 23.4 million which, pending Executive Board approval of the revised TAG policy, may be presented in the existing categories (agricultural research; other research, training and other; IFAD/NGO Extended Cooperation Programme) indicating broadly the expected contribution in achieving the SF objectives.

(c) Country Programmes

Western and Central Africa

24. The programme of work for 2004 of the Western and Central Africa Division responds to the medium-term strategy of IFAD in the region. The strategic objectives are to: strengthen the capacity of the rural poor and their organizations; sharpen the pro-poor focus of rural development policies and institutions; raise agricultural and natural resource productivity; improve access to technology; increase rural incomes through better access to financial capital and markets; and reduce vulnerability to major threats to rural livelihoods.

25. **Lending and grants programme.** The 2004 lending level is projected for six projects (see Table 2). Four other projects are included as reserves. The programme reflects SF priorities. All loan projects will place a strong emphasis on grass-roots institutional capacity-building. The projects for Burkina Faso, The Gambia, and Mali will focus on improved natural resource management. In addition, agricultural productivity issues will be addressed through a continued emphasis on proactive development and follow-up of agricultural research TAGs. Projects in Benin and The Gambia will focus on employment generation and boosting incomes in line with the strategic objective of increasing rural incomes. Finally, projects in The Congo and the Democratic Republic of The Congo will address post-conflict reconstruction aspects to reduce vulnerability to major threats to rural livelihoods. Numerous cofinancing activities exist and will be developed in the course of the design of projects for submission to the Executive Board in 2004.



26. **Implementation support.** The overall thrust of the 2004 programme will be to maintain a strong emphasis on enhancing impact through improved project implementation performance. A TAG will be developed to strengthen management capacity in IFAD projects. The Division will continue a practice initiated in 2002 of ensuring that country portfolio managers (CPMs) participate in at least half the supervision missions where annual work programmes and budgets are developed, ensuring that IFAD is present when the most important implementation decisions are being made. Regarding improving impact assessment in its ongoing projects and programmes, two activities initiated in 2002 – nutrition monitoring and the development of institutional assessment tools – will be scaled up to several more projects, and methods and results will be disseminated through Fidafrigue, the Internet-based network of projects fighting poverty in West and Central Africa. A regional TAG for strengthening monitoring and evaluation (M&E) support to ongoing projects will be developed.

27. **Policy dialogue/advocacy.** Conducted in partnership with government, civil society and like-minded donors, policy dialogue will involve the development of appropriate legal and regulatory frameworks for microfinance in Benin and Cameroon; concrete measures to increase the pro-poor nature of decentralization in Ghana, Guinea and Senegal; and appropriate institutional frameworks for more effective delivery of rural services in Cameroon and Nigeria. Support to the West Africa regional network of producers' groups will serve to strengthen the policy advocacy capacity of this important stakeholder group. The Regional Hub will also be an important means to facilitate policy analysis and dialogue. The Division will actively support implementation of at least four PRSPs, together with the establishment of a regional network for sharing PRSP experience in the rural sector. Jointly with the Eastern and Southern Africa, and the Near East and North Africa Divisions, collaboration with the NEPAD secretariat will be deepened through the provision of technical assistance for the implementation of the NEPAD action plan, and by increasing the participation of farmer organizations and civil society in the NEPAD process. FIDAFRIQUE will continue to be an important means for networking between regional project staff and other regional stakeholders in 2004. Major focuses of IFAD-initiated agricultural research TAGs in Western and Central Africa will include: strengthening links with loan projects, further boosting socio-economic capabilities and promoting exchanges among grant-financed operations on best practices.

Eastern and Southern Africa

28. The Eastern and Southern Africa Division's strategic goal is to contribute substantially to the empowerment of rural poor people in the region in order to establish a basis for sustainable improvement in income and food security in the context of the rapid and fundamental political and economic changes occurring in African rural society. Attaining this high-level goal involves two sub-objectives: (i) increasing the assets (skills, knowledge, organization, material resources and services) at the disposal of the poor, individually and collectively; and (ii) creating a supportive public policy and institutional framework – in relation to the issues involved in the strategically vital areas of access by the rural poor to rural finance, markets, land and water, and technology.

29. **Lending and grants programme.** The priority for the Division in 2004 is to increase IFAD's impact on rural poverty. Impact encompasses all objectives and mechanisms (programme development and implementation, policy dialogue, partnerships, etc.). IFAD's major instrument in the region is its lending programme (as a multi-functional device). The Division is planning to submit five projects to the Executive Board in 2004 (see Table 2). Projects in Ethiopia and Uganda will focus on access to markets. In the United Republic of Tanzania, the emphasis will be on access to technology; in Zambia on access to finance. The project in Burundi will concentrate on post-conflict social and economic reconstruction. Cofinancing opportunities will be identified in the project preparation process within emerging forms of donor collaboration for development assistance, conventional cofinancing and, in the cases of the Tanzanian and Ugandan projects, within a sector programming framework. The development and expansion of the pipeline will involve a process of



strategic ‘deepening’ rather than diversification. The TAG programme provides resources for, among others, the promotion of women’s access rights to land in Kenya; HIV/AIDS rural information systems in Burundi and Rwanda; organization of a farmers’ forum in the United Republic of Tanzania; and, at the regional level, support to market linkage initiatives and a regional facility for operational and policy support to rural finance programmes.

30. **Implementation support.** The Division will further strengthen the institutional and policy development dimensions of new programmes (e.g. investment in local capacity and systems of representation). It also intends to increase IFAD’s field presence to better respond to and shape emerging local views on the need for and direction of change. Programme management capacity is key for implementing more successful and sustainable projects: raising the management capacity of programme-related staff (in generic and subsector-specific areas) and facilitating the exchange of experience among programmes and associated stakeholders are priorities for the Division in 2004. The Division will also develop national and regional capacities to complement IFAD’s and its cooperating institutions’ activities in programme implementation support in key strategic areas (e.g. rural finance and market linkages); and improve the national-level (and IFAD) learning process through more systematic impact monitoring and analysis.

31. **Policy dialogue/advocacy.** In 2004, the Division plans to strengthen smallholder capacity to engage in policy dialogue on the basis of organization and training. Direct participation of IFAD staff and IFAD field collaborators in national policy and programme development and coordination mechanisms will be enhanced. In addition, the Division will increase dissemination of lessons learned to key national and international stakeholders and develop IFAD’s own strategy in the region to take account of experiences and shifts in the national, regional and international environments. Support will be made available to regional initiatives (e.g. NEPAD) to provide the opportunity for leverage to improve treatment of smallholder-related issues.

Asia and the Pacific

32. The Asia and the Pacific Division will focus on impact and policy dialogue through increased efforts for implementation support and updating country strategies. The activities in 2004 are based on the regional strategy as follows:

- empowering women by improving their access to resources and their participation in community management affairs;
- increasing agricultural productivity in marginal areas, primarily through sustainable agricultural technologies;
- empowering ethnic minorities and indigenous peoples; and
- expanding the capabilities of the poor and vulnerable through greater access to self-help, local-level savings mobilization, new skills and technologies.

33. **Lending and grants programme.** The Division plans to submit six new investment projects to the Executive Board in 2004 (see Table 2) (China, Indonesia, Laos, Nepal, The Philippines and Viet Nam). Two projects will also be prepared as part of a contingency plan. All 2004 activities will address one or more of IFAD’s strategic objectives, and all projects will strengthen the organizations of the rural poor and address the requirements of the IFAD gender action plan. A subregional grant of USD 3.5 million (over a three-year period) has been proposed for the Pacific Islands. Cofinancing of USD 1 million has also been secured for a pilot initiative in Viet Nam to establish a development model for the rural areas of the central highlands. Following the recent agricultural research strategy for the region, the TAG programme will seek to maximize the impact of research activities addressing poverty in Asia by focusing on regional thematic and agro-ecosystem priorities. Emphasis will also be on cultivating linkages between the grant and loan programmes to increase impact.



34. **Implementation support.** The Division is planning to improve the quality of country portfolios by sharpening the focus on policy issues and impact achievement as a basis for strengthening IFAD's catalytic role. This will be achieved through country portfolio reviews and thematic evaluations as a basis for COSOP development and strengthened project and programme design. It will require reinforcing field capacity through local resource persons and institutions. To promote results-based management, the Division will also continue to give priority to improving project management and monitoring capacities by introducing participatory impact monitoring methods. M&E guidelines will be customized and implemented in at least four countries in the region in 2004. Increased gender mainstreaming in project design and implementation and the enhanced participation and representation of women will also be a priority for the Division in 2004.

35. **Policy dialogue/advocacy.** The Division will continue to play a catalytic role by focusing on less favoured and marginal areas. As activities must address asset, institutional and policy obstacles for sustained poverty reduction, the Division will continue to forge effective links and partnerships at policy level to achieve the greatest impact from its loan and grant projects. It will therefore continue to improve policy dialogue with governments and other stakeholders in promoting pro-poor policies and scaling up successful initiatives. The Division will also seek to strengthen capacities of rural poor organizations to enable them to benefit from project interventions. The sharing of knowledge and experiences among various stakeholders will be promoted through Electronic Networking for Rural Asia/Pacific, one subregional portfolio review workshop, improved in-house collaboration and teamwork, and thematic studies. This includes the establishment of a regional communication action plan for sharing knowledge and lessons learned among different stakeholders.

Latin America and the Caribbean

36. The activities of the Latin America and the Caribbean Division for 2004 will follow IFAD's primary aims in the region: empowering rural poor people and significantly reducing rural poverty. To achieve these aims, IFAD intends to act: directly, through the impact of the projects and programmes it supports in specific areas of recipient countries; and indirectly, through the influence of its activities on government policies. IFAD's strategy includes the following elements: (i) enhancing impact assessment and implementation support; (ii) assisting the rural poor in taking advantage of new market opportunities; (iii) furthering knowledge management; (iv) promoting partnerships with other institutions working with similar aims; and (v) improving policy dialogue. Particular attention will be given to working with indigenous populations.

37. **Lending and grants programme.** The Division will present four projects to the Executive Board in 2004 (see Table 2). The lending programme will concentrate on: Argentina, Brazil and the Dominican Republic, with high priority on rural poverty reduction; Ecuador, with a large number of indigenous populations; and Colombia, with severe conflict situations. The project in Ecuador will be developed as a reserve project. TAGs play a critical role in IFAD's strategy in Latin America and the Caribbean by supporting projects, promoting synergies and facilitating links with civil society. The three proposed TAGs for 2004 are directly related to the SF. The TAG to the Programme for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty-Alleviation Projects in Latin America and the Caribbean – Phase III, will give priority to innovative and cost-effective ways of measuring impact. The TAG to the Regional Unit for Technical Assistance – Phase VI will focus on strengthening cooperation between donors and local institutions working in Central America. The TAG devoted to remittances seeks to enhance their impact on poverty-reduction strategies.

38. **Implementation support.** The Division is planning to increase impact through better project implementation, the provision of training and support services to projects, innovation, knowledge management, policy dialogue and partnership-building at the regional level. This requires greater attention to creating a more efficient process for developing in-country policies, which in turn implies



greater emphasis on partnerships, networking and advocacy. Promoting the catalytic effect of IFAD's interventions is also envisaged. This can be achieved through the acknowledgement of the changes and new obstacles faced by rural households and a focus on ways to overcome their poverty such as market access, remittances, conflict resolution and pro-poor institutional development. The development of new instruments for tackling poverty reduction more effectively, and the promotion of sustainable natural resource management are two further priority areas for 2004. Greater impact also implies: (i) placing more emphasis on the preparation, follow-up and impact assessment of lending and non-lending activities; (ii) mobilizing resources for innovative poverty-reduction initiatives; (iii) increasing inter- and intraregional interactions for the development of new poverty-reduction instruments; and (iv) putting in place some form of field presence at the regional and subregional levels.

39. **Policy dialogue/advocacy.** To achieve its objectives, IFAD needs to improve substantially its ability to work with others at national and regional levels, particularly in the policy field. Therefore, the promotion of networks and partnerships will constitute a guiding principle for the Division's interventions in 2004. In addition, the following measures will be necessary to help implement this strategy: (i) better communication and dissemination of information on IFAD activities to enhance partnerships with governments, civil society and other international organizations; increase attention to rural poverty issues and improve the Fund's visibility; (ii) strengthening of staff capacity to carry out proposed activities and reinforcement of existing working alliances such as the Interagency Working Group on Rural Development⁴, and the Regional Network in Rural Finance; (iii) preparation of technical studies, to be determined by the Division, in the strategic areas of knowledge management and pro-poor policies, in order to define future instruments and activities more clearly. Possible themes are decentralization of public-sector organizations; rural financial services, including remittances; market access; and indigenous peoples; (iv) strengthening of staff capacity for policy analysis and dialogue to be focused on strategic areas; and (v) greater emphasis on the analysis of and support to poverty-reduction strategies in the region.

Near East and North Africa

40. In line with IFAD's strategic objectives and the regional strategies for the Near East and North Africa (NENA) and Central and Eastern Europe and the Newly Independent States (CEN) subregions, the Division's 2004 loan portfolio focuses on institutional capacity-building and empowerment of the rural poor, improving equitable access to natural resources (especially water and rangelands) and technology, diversifying the income sources of the poor and increasing their access to markets and rural infrastructure.

41. **Lending and grants programme.** Four projects will be processed in 2004 (for Algeria, the Republic of Moldova, The Sudan and Yemen) (see Table 2). The new projects in Algeria, The Sudan and Yemen focus on improving access to productive natural resources and technology. The project in Algeria will contribute to better watershed management and access to irrigation water; the project in Yemen will focus on natural resources management (mainly rangelands) and rural infrastructure; while the project in The Sudan will emphasize improved livestock and rangelands management. The project in the Republic of Moldova will focus on improving productive resources and technology, and on increasing access to markets for goods produced by the rural poor. The Division is considering designing a post-conflict rural poverty-reduction programme in Iraq (to be cofinanced on a grant basis with other donors), depending on how the situation evolves. The three regional TAGs proposed for

⁴ Besides IFAD, members of the Interagency Working Group on Rural Development are the Economic Commission for Latin America and the Caribbean (ECLAC); Food and Agriculture Organization of the United Nations (FAO); German Agency for Technical Cooperation (GTZ); Inter-American Development Bank (IDB); Inter-American Institute for Cooperation on Agriculture (IICA); United States Agency for International Development (USAID) and World Bank.



2004 – to the International Centre for Agricultural Research in the Dry Areas, for on-farm water use; to the International Center for Biosaline Agriculture, for the development of sustainable forage production systems; and to the International Food Policy Research Institute, for policies on water scarcity – are also directly related to the SF, especially in their emphasis on strengthening the capacities of the rural poor and improving their access to assets and technology. These TAGs will make it possible for the Division to address the complex issues of water scarcity and water use in NENA.

42. Furthermore, a pipeline of three projects scheduled for presentation to the Executive Board in April 2005 (Armenia, Azerbaijan and Jordan) will be appraised in 2004. However, subject to availability of funds, one of these projects may be presented as a reserve project at the December 2004 Executive Board Session.

43. **Implementation support.** The Division will continue to focus on enhanced implementation support, with participation of CPMs in most supervision missions managed by cooperating institutions. It is also making innovative use of grant resources to complement and improve portfolio implementation. The ongoing NENA and CEN gender mainstreaming programmes, the participatory irrigation management programme, and the Near East and North Africa Management Training in Agriculture Programme will increasingly be used to: (i) build project-level, national and regional operational and management capacities; (ii) engage in policy dialogue; (iii) develop partnerships with concerned national, regional, bilateral and multilateral institutions; (iv) improve project implementation; and (v) increase knowledge generation and dissemination (through the Knownet electronic network and regional workshops). The Division will maintain current forms of proxy field presence in Albania, The Sudan and Syria through the use of locally hired staff and extensive travel by CPMs. Subject to the findings of the ongoing assessment of IFAD's proxy field presence (and the deliberations of the Executive Board at its current Session), the Division intends to pilot one or two substantive field presence experiences (with enhanced locally staffed offices) where the challenges for policy change and substantive impact benefiting the poor are particularly demanding.

44. **Policy dialogue.** In 2004, the Division will continue with its ongoing policy dialogue initiatives. These will include mountain area strategies/institutions; legal/regulatory framework for irrigation management; legal/regulatory framework for rural financial institutions; decentralization and governance; legal/regulatory framework for financial institutions; land reform and privatization; grass-roots institutions and rangelands management policies; and gender mainstreaming.

Technical Advisory Division

45. **Learning.** Learning from the field is crucial to the quality and impact of IFAD's operations and to policy dialogue at all levels. The policy cycle needs to be based on a process whereby operational experience and lessons learned are distilled, validated and systematized in a transparent and accessible manner. This learning priority provides the basis for policy dialogue and advocacy, and for enhancing the selectivity and effectiveness of IFAD's development interventions. The Division's main objective – to “contribute to IFAD's learning, networking and innovation capacity” – encapsulates its contribution to the corporate priority that learning be institutionalized to achieve more effective development interventions, both in design and implementation. Networking with other resource organizations, TAG management and participation in working/thematic groups, project development teams (PDTs) (and the Project Development and Implementation Partnership to extend this partnership approach to the field) will be the essential activities that the Division carries out in 2004 to ensure that learning is adding value across geographical regions and with IFAD's partners.

46. **Policy dialogue/advocacy.** The Division collates, processes and disseminates focused information in terms of practical learning guidelines, decision tools, quality standards, guidance notes and policy briefs for both IFAD and partner operations. Not least, it plays an important role in



developing operational policies in conjunction with the thematic groups. Principal thematic areas are rural finance, gender, rural enterprises, community-based natural resource management, and rural institutions and markets. This work constitutes the Division's contribution to IFAD's policy dialogue and advocacy roles: strengthening the linkages between operations, policy and communication, and the catalytic role beyond the country level.

47. **Quality assurance.** The Division has an important role in providing advice to ensure that the design and implementation of IFAD development activities are of high quality and impact. This support to IFAD's quality assurance function covers the technological, institutional and policy context, and responsiveness to gender and social equity concerns. This work corresponds to the role of the Division in increasing the impact of IFAD's development interventions: selectivity and effectiveness; measuring results and impact; and gender mainstreaming.

48. In 2004 the learning and the policy dialogue/advocacy contribution of the Division will be integrated more effectively with the quality assurance function. This involves bringing together the thematic approach of learning and knowledge management with the PDT approach of programme management for impact.

(d) Policy Development/Advocacy and Communications Programmes

49. The medium-term objective in the sphere of policy/advocacy and communications is to create a supportive national, regional and global environment for extending IFAD's pro-poor role and influence beyond the immediate impact of its projects. In 2004, the foundation will be put in place for improving the Fund's capacity to engage more actively and effectively in policy dialogue and advocacy. Crucial to this process is the development of strong linkages between operations, policy and communication. Policy dialogue and advocacy is a corporate activity that requires close cooperation and communication among the key actors – the External Affairs Department, the Programme Management Department and the Office of Evaluation.

50. Learning from the field is an essential step towards improving interventions and policy dialogue at the national, regional and global levels. Learning needs to be institutionalized in terms of capturing and generating knowledge products and sharing/communicating learning on rural poverty issues. Networks, e.g. for rural and agricultural development, need to be created at all levels.

51. At the international level, IFAD will engage in follow-up activities resulting from the rural development focus of the ECOSOC High-Level Segment and the Microcredit Summit +7. Partnerships with the Organization of the Petroleum Exporting Countries and the OECD Development Assistance Committee are envisaged in developing closer coordination of IFAD with international stakeholders. The partnership with civil-society organizations (CSOs) and NGOs will continue to play an important role in advocating for rural poor people at all levels. A strategy for an enhanced partnership with CSO/NGOs is under preparation and will be finalized by December 2003. In 2004, the Fund will establish platforms for discussion and debate on major rural development issues. In this context, lectures on specific topics related to rural development issues will be organized. IFAD is also planning to strengthen existing networks (e.g. with FAO and the World Food Programme) around thematic issues related to, for instance, water, indigenous peoples, local resources, gender, and specific poverty groups such as fishermen or pastoralists.

52. Communications will be crucial in raising global awareness and commitment to reducing rural poverty. The Fund will start work in 2004 on a corporate communications programme aimed at strengthening IFAD's ability to communicate the challenges of the rural poor effectively and to bring rural poverty issues to the attention of the development community. The programme will, among other activities, provide consultation and training on standard communications policies, procedures, services and activities; offer communications services to facilitate internal communications and



change processes within IFAD; and plan and improve the Internet and Intranet sites to enhance their functionality and language capacities. The programme will be phased over the period 2004-2005.

(e) Resource Mobilization Programme

53. IFAD will continue to rely on replenishments for securing its resource base. Core resources from IFAD VI, the reflows from the outstanding loan portfolio and income from the Fund's investment portfolio are expected to provide the basis for the year's programme of operations. The advance commitment authority will also be used, upon Executive Board approval, to balance resource availability with resource needs for the programme of work, in line with the principles and limits agreed during IFAD VI.

54. Meeting IFAD's financial commitments to the Debt Initiative for HIPC's will continue to be a priority in resource mobilization efforts in 2004. The Fund's target is to mobilize 66% of its annual Debt Initiative costs through external funding.

55. In 2004 IFAD will initiate preparations for the Seventh Replenishment negotiations. Closer cooperation and coordination with Member States is envisaged to ensure that issues are identified in advance so that analyses can be prepared before the actual negotiations start.

56. Operational divisions are increasingly requesting supplementary funding to broaden the scope of their interventions and to improve impact in specific areas. IFAD is aiming to mobilize about USD 15 million through supplementary fund agreements in 2004. It will develop thematic funds and programmes (where funds already exist) on the following themes: HIV/AIDS, conflict prevention and post-conflict development, gender, indigenous peoples, support to NEPAD-agriculture, IFAD-IDB Joint Programme on Rural Development in Latin America and the Caribbean, IFAD/GEF partnership, multi-donor trust fund for associate professional officers from developing countries, and private-sector partnerships. The thematic focus will facilitate the management of supplementary funds in the long term because standard agreements will be drafted for donors who decide to participate in the thematic funding of multi-donor-supported programmes. However, IFAD's primary resource mobilization strategy will stress incrementing its core funding, avoiding over time a possible excessive proliferation of stand-alone funds that may have limited sustainability in terms of resource access for the Fund.

(f) Corporate Services

57. Services within IFAD are provided by a variety of units/divisions. For instance, the Office of the General Counsel and the Office of the Controller support the Programme Management Department in developing, negotiating and managing loans and grants. The Administrative Services Unit and the Management Information Systems Division provide services including computers and office facilities to all other units in the organization. The Office of Human Resources assists the divisions/units in attracting and retaining talent, instilling learning and innovation, and developing staff competencies for the implementation of IFAD's strategy. All service units respond to demand, which is at times difficult to plan and control. Resource requirements of service units are a direct function of the needs of the user units. For service units/divisions it is also more complex to relate and link their corporate services activities directly to the SF objectives. However, it is clear that supporting operational units within IFAD in performing their activities more efficiently and effectively constitutes value added in itself, and makes a significant contribution to the achievement of the SF objectives.

58. The service units within IFAD will continue to be affected by ongoing SCP initiatives in 2004, many immediately. The implementation phase of the new software packages aimed at making the management processes more effective and efficient will need to be streamlined and fine-tuned. This



will require substantial input from users and will have an impact in terms of limiting capacity of these units to take on new initiatives. However, the streamlining of workflows and the simplification of guidelines and procedures will help the Fund to become more efficient and effective in the long term.

59. The Office of Internal Audit is an independent, objective assurance function designed to add value and improve IFAD's operations by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management and control processes. The priorities for 2004 include audit work on operational processes and fieldwork, and input into the design of new SCP-related processes.

60. The priorities of the Office of the General Counsel in 2004 reflect the corporate-wide nature of its provision of legal services. The Office will continue to assist the Programme Management Department in the preparation, negotiation, approval and implementation of IFAD's loan and grant programme. In addition, it will focus on issues of a corporate nature that require legal inputs, e.g. assisting the Office of Human Resources in staff cases, the drafting and negotiation of investment-related contracts, supplementary fund agreements, service contracts, building lease contracts and the provision of legal advice to IFAD Management. The introduction of the new legal framework in cooperation with the Office of Internal Audit will be an additional task of the Division in 2004.

61. The units/division in the Finance and Administration Department have identified the following departmental priorities for 2004: SCP implementation; implementation of the asset liability framework; establishment of the Strategic Planning and Budget Unit; upgrade of IFAD's security services and of IFAD's headquarters building (Office of Administrative Services); the review of workload, deployment and optimal use of staff, competency development, design of competency assessments, and implementation of the new job evaluation method – the New Master Standard, introduced by the International Civil Service Commission Common System (Office of Human Resources); and the development of a business continuity plan. It should be noted that several of these priorities constitute one-time costs.

C. Related Resource Management Issues

(a) Implications of the Programme of Work for the Administrative Budget and PDFF

62. The planning units have submitted unit work programmes with comprehensive resource-allocation scenarios. These scenarios show how the units intend to use all resources available – human and financial – in relation to the SF. However, the final allocation of resources will take place in the budgeting phase, directly following the current Executive Board Session. Management intends to finalize the allocation of resources in this budgeting phase, both within and among planning units, according to strategic priorities agreed with at this Board Session.

63. While over time the Fund may require additional budgetary resources to support an expanding programme of work, at this stage Management considers that the following initiatives may enable IFAD to meet its growing programme of work requirements within prudent budget norms: (i) SCP will over time generate efficiency gains and permit redeployment of resources to other strategic needs; (ii) the planned review of the use of human and financial resources, including approval and utilization levels and the balance among categories, will highlight opportunities for reallocation; (iii) measures are being taken to ensure full and effective use of the resources available; and (iv) measures proposed to enhance flexibility (see below) will also permit greater efficiency. Therefore the norms adopted by Management for planning the 2004 strategic priorities and programme of work and budget include a zero real growth constraint on both the administrative budget, and the now unified PDFF (see Table 1), after the administrative budget of OE and, if agreed, the one-time costs (see below) have been netted out. The interim conclusion of the 2004 planning process is that the programme of work will be delivered in full compliance with the zero real growth norm at the corporate level.



64. It should, however, be noted that the proposals related to increasing IFAD's field presence, being considered by the present Executive Board, may have resource implications that will need to be added to the budgetary resource requirements for 2004.

(b) Resource Management Policy Issues for Consideration

65. The Executive Board is invited to consider a number of resource management policy issues that are crucial for the achievement of the planned strategic priorities and programme of work.

66. **Implementing zero real growth.** Since 1997, in an effort to contain the Fund's administrative costs, IFAD has implemented a zero real growth norm. The method it uses for implementing this norm results in levels of administrative budget and PDFF resources that amount to the *previous year's figures⁵ plus an increase that reflects unit-cost increases* (such as appropriate inflation factors, projected price increases of cooperating institution charges, and increases in staff salary scales and entitlements in line with the United Nations common system). Because of the nature of one-time costs (further explained in paragraph 68) zero real growth is only applied to the baseline administrative budget, while one-time costs have been separately identified for Executive Board consideration and approval. This has been the practice so far, in accordance with policies and procedures approved by the Executive Board.

67. The concept of zero real growth, as applied by the Fund, does not safeguard an appropriately strong correlation between *effective real increases in the Fund's overall work programme* and the budgetary resources required for delivering such larger programmes of work (see Table 1). In view of the increasing number of areas for IFAD engagement, the Executive Board may wish to consider relating PDFF and budgetary resources to the real volume of work, as it expands. In doing so, however, it should take into account efficiency gains resulting from internal reviews and change programmes.

68. As in the past, a number of *one-time costs* need to be incurred in 2004 for the well-functioning of the organization (e.g. related to buildings, business continuity, job evaluation and grading, workload analysis and staff competency assessment). While these activities are an integral part of the Fund's work programme in a given year, they cannot be accommodated under the agreed zero real growth budget structure, without affecting structural elements of the programme of work. Therefore, the Executive Board is invited to give consideration to continuing to exclude such one-time costs from the baseline budget. Such specific one-time costs would continue to be considered for approval by the Board on a case-by-case basis, outside the regular budget but simultaneously.

69. **Budget management flexibility.** If IFAD is to secure its comprehensive set of goals within the zero real growth norm in 2004, and especially after a reduction in 1996 followed by seven years of zero real growth, some policy changes are needed. The Executive Board is therefore invited to give consideration to allowing for: (i) greater flexibility and fungibility in resource use; and (ii) a policy that permits the carry-over of resources allocated for specific purposes but not formally committed by year-end or accrued because of unforeseen constraints.

70. It is well known that greater flexibility and fungibility (within a firmly agreed set of strategic priorities) generally lead to a closer match between resource needs and actual use. It must be noted, moreover, that a portion of the under-utilization of the budget in 2002 was due to over-specific allocations at the time of budget approval as well as to the lack of carry-over authority. Also, as IFAD moves from expenditure-category-based budgeting to activity-based budgeting, the firm approval of fixed budget lines (expenditure categories) becomes artificial, and greater flexibility in the use of

⁵ Restated as appropriate into United States dollars where allocations were euro-based.



approved resources will enhance the effectiveness and cost-efficiency of the activity. Furthermore, where the loans and grants, and to some extent the PDDF, constitute pluri-year commitments, the administrative budget remains an annual instrument. Carry-over would simply extend to the administrative budget rules already applied to other resource uses, and would enable a more complete and higher-quality budget execution.

71. The implication of flexibility, fungibility and carry-over is that the Executive Board and/or Governing Council would continue to approve three broad resource envelopes (upper ceilings): the programme of work (loans and grants), the PDDF and the administrative budget. However, in approving such envelopes, the Executive Board and the Governing Council would leave the internal structure of these resource categories⁶ to IFAD Management, who would administer the resources on the basis of existing budget and financial rules and policies, as may be revised from time to time in agreement with the Executive Board. The governing bodies would focus on *results* in relation to total resource use, rather than on the internal structure of the resource use. Over time, the structure of actual resource use may change in response to needs and opportunities, but that would relate to realities on the ground and would be reflected in the realization of different priority objectives. The development of a medium-term (2005-2006) strategic plan as a framework for annual planning, the internal audit function, the assessment of the previous year's resource use, the forthcoming system for measuring and reporting on results and impact of country programmes, the independent evaluation function, and the annual reporting on the implementation of the country portfolios will together enable the Executive Board to effectively monitor, on a rolling-programme basis, strategic outcomes (compared with the targets agreed upon in the programme of work) against resource use. These *ex post* processes will be an important input in the planning of the subsequent year's programme of work and budget, and will provide the Board with another instrument for monitoring resource use in relation to results in the context of the process for the approval of annual work programmes budgets.

72. It is to be stressed that such flexibility, fungibility and carry-over may require formal adjustments in internal policies, rules and procedures. Such adjustments would make IFAD a modern development finance institution and are currently under review. If carried out, they would remain in line with the practice in other IFIs. In the case of the administrative budget, in agreement with policies applicable in the World Bank, IFAD is recommending a level of 3% of the annual budget for its carry-over policy, to be reviewed from time to time in accordance with internal developments. In IDB, the carry-over policy has been tied to the contingency fund policy for a total of 2% of the administrative budget. It is to be noted that the concept of carry-over has already been applied within IFAD for the PDDF and the SCP, given that activities funded therein are of a multi-year nature and the full amount not used in a given period is carried over to the following period.

73. **PDDF for non-country work.** The PDDF evolved from the integration, into one single and separate envelope, of the Project Development Fund (formerly project preparation grants) with the resources in the administrative budget for the project/programme development cycle. The Governing Council approved this separate facility in 2001 for financing the design and implementation of projects and programmes and other operational activities, including in-country policy dialogue and various forms of services to Member States. High relevance to the SF is a key criterion for PDDF use. There is, however, a growing case for expanding PDDF use to work programme activities outside the strict project development cycle, e.g. in the areas of policy development/advocacy and communications and services to Member States. In particular, there is a growing need to complement the administrative budget resources (mainly human) used for such activities with resources required to finance non-staff-based activities, often off-site. Management will undertake a review of the current use of PDDF resources with a view to prioritizing the organization's PDDF needs. This review may, however, lead to the Fund's seeking Executive Board consideration in December 2003 of a possible

⁶ For example, design versus implementation; supervision versus follow-up; staff costs versus consultants costs; regular staff versus temporary staff; staff travel versus consultants travel.



broadening of the PDFF to such activities, on a limited basis and in a phased and cautious approach. The resource implications of such a broadening of the use of PDFF will also be analysed and submitted for Board consideration.

74. **Supervision costs.** Loan administration and supervision charges of cooperating institutions are included in the PDFF. OE expects to complete by end-2003 the evaluation of IFAD's supervision modalities and, dependent on the outcome of this evaluation, there may be a need to reassess issues such as supervision standards, selection criteria, the functions and respective responsibilities of the cooperating institutions and IFAD staff in relation to administration/supervision. Moreover, negotiations are underway with a major cooperating institution regarding the requested increase in supervision charges for 2003. The above may have an effect on the overall level and structure of the resources allocated for loan administration and project supervision.

PART II – WORK PROGRAMME FOR 2004 OF THE OFFICE OF EVALUATION

75. **Background.** While approving the IFAD Evaluation Policy⁷ during its Seventy-Eighth Session in April 2003, the Executive Board decided that OE would formulate its annual work programme and budget independently of Management and submit it to the Board and Governing Council for approval. The Board also decided that the OE annual work programme and budget would be presented together, but as a separate submission, with IFAD's annual programme of work and budget. Therefore, Part II of the present document is exclusively devoted to OE's work programme. In addition, OE will prepare a separate and more comprehensive document on its evaluation work programme and budget for 2004. As in the past, this document will be presented to the Evaluation Committee during a special session in October 2003. The summary of Committee's discussions and recommendations will be reflected in a report of its chairperson, which will be presented to the Executive Board in December 2003, when the Board will also be reviewing the programmes of work and budget of IFAD and OE for 2004.

76. **Priorities for 2004.** With the new evaluation policy, OE is not bound by the directives issued by IFAD Management with respect to the preparation of unit work programme and budget. However, the Division paid careful attention to the overall changes in IFAD's operating environment, the Fund's corporate priorities and planning framework for 2004, and the SF. The work programme for 2004 reflects OE's priorities in terms of independent evaluation activities, but at the same time is aligned with the requirements of the IFAD VI objectives, actions and outputs⁸ (see the box below). For example, OE will contribute to meeting IFAD's corporate priorities of measuring results and impact by undertaking an independent evaluation of a variety of IFAD-supported operations, based on a consistent methodological framework to facilitate the aggregation of IFAD's results and impact in the Annual Report on the Results and Impact of IFAD Operations (ARRI). As in the past, OE will contribute to promoting IFAD's catalytic role by conducting selected country programme evaluations and thematic evaluations at regional level, which allow for dialogue on key pro-poor policy issues with concerned stakeholders. OE will also devote a considerable amount of time to the independent external evaluation of IFAD, which will be implemented throughout 2004.

⁷ The overall decisions of the Executive Board related to the OE annual work programme and budget are contained in Part Two, Section I of the IFAD Evaluation Policy (document EB 2003/78/R.17/Rev.1).

⁸ As reflected in Annex II of the Report of the Consultation on the Sixth Replenishment of IFAD's Resources (2004-2006).



**OE PRIORITIES IN RELATION TO IFAD'S CORPORATE PRIORITIES AND PLANNING
FRAMEWORK FOR 2004**

Corporate Priorities for 2004⁹	OE Priorities for 2004
1. Independent evaluation function	1.1 Full Implementation of the evaluation policy
2. Independent external evaluation (IEE) of IFAD operations	2.1 Overall supervision of the IEE process
3. Measuring results and impact	3.1 Independent evaluation of selected IFAD operations and policies 3.2 Consistent use of methodological framework for project and country programme evaluations 3.3 Production of the second ARRI 3.4 Promoting evaluation capacity-building at project level through the customization of the M&E guide
4. IFAD's catalytic role	4.1 Undertaking selected country programme evaluations and thematic evaluations

77. Another important consideration for OE in defining its evaluation programme is the need to ensure, to the extent possible, that evaluation activities contribute to the corresponding planning process within IFAD. For example, interim evaluations¹⁰ are undertaken when there is an intention to formulate a further phase of the project being evaluated, so that the project formulation can be informed by the results and recommendations of the interim evaluation. Similarly, country programme evaluations are normally undertaken to the extent possible in countries with large portfolios where there is an intention to prepare a COSOP following the completion of the country programme evaluation.

78. Based on the above considerations, OE has identified three main priority areas for 2004. These are:

- (i) evaluation work requested by the Evaluation Committee and Executive Board and/or included in the IFAD VI objectives, actions and outputs;
- (ii) evaluation of selected corporate policies and processes, country programmes and projects; and
- (iii) further development of the evaluation methodology.

79. Under the priority area (i) OE will undertake the supervision of the independent external evaluation on behalf of, and accountable to, IFAD's Executive Board. The IEE will be financed through a one-time below-the-line cost in the IFAD budget, as approved by the Governing Council in February 2003. The majority of the work in relation to the IEE, including field visits, will be performed in 2004.

80. Next year OE will facilitate the process for reviewing the functioning of the Evaluation Committee¹¹ and organize three regular sessions of the Evaluation Committee and additional informal meetings, as required. Finally, OE will organize a field visit of the Committee to Indonesia in connection with the country programme evaluation national roundtable workshop.

⁹ As contained in the IFAD Corporate Priorities and Planning Framework for 2004.

¹⁰ Interim evaluations are mandatory before a further phase of a project is embarked on or a similar project is launched in the same region of a given country (IFAD Evaluation Policy – Paragraph 20 (ii)).

¹¹ At its Seventy-Eighth Session in April 2003, the Executive Board decided that the rules of procedures and terms of reference of the Evaluation Committee should be revised in 2004.



81. In 2004, OE will produce the second ARRI. Its objective is to give IFAD Management and the Executive Board a consolidated picture of the results and impact of IFAD's operations and the learning from evaluation, highlighting key areas of strategic and operational importance. Finally, OE will implement fully the provisions contained in the IFAD evaluation policy. This will include, inter alia, the implementation of the first independent evaluation work programme in 2004, and the preparation of OE's annual work programme and budget for 2005.

82. In priority area (ii), OE will undertake one corporate-level evaluation (CLE) in 2004, either of the direct supervision pilot programme initiated in 1997 or of IFAD's approaches and policy on gender equity and empowerment. A final proposal on the CLE to be undertaken in 2004 will be made to the Evaluation Committee during its special session in October. In addition, OE will undertake a total of around 15 project evaluations, 2-3 country programme evaluations (CPEs), 2-3 thematic evaluations and other related activities.

83. In priority area (iii), OE will apply its recently developed methodological framework for evaluation (MFE) in all project evaluations planned for the year. Furthermore, it will pilot the CPE methodology developed in 2003 in all the CPEs conducted in 2004. Both the MFE and the CPE methodologies will provide the important foundations for the production of the second ARRI (see paragraphs 76 and 81 above).

84. **Resource issues.** OE's overall annual budget may fluctuate from year to year in order to effectively meet the evolving requirements of its evaluation work programme. For example, additional (or fewer) resources may be required in a given year to finance additional (or reduced) evaluation work to respond to the provisions set out in the evaluation policy, such as the obligation to undertake an interim evaluation before the formulation of a further phase of a project (see footnote 10). In 2004, in fact, OE will conduct 12 full interim evaluations as compared with 9-10 such evaluations in 2003. This will eventually have an impact on the amount of resources that OE will require in 2004.

85. In the past, the Evaluation Committee and the Board have emphasized the heavy work programme of OE, which had led the Division to mobilize extrabudgetary resources to discharge its evaluation programme. However, in the future, OE will progressively develop and implement a sustainable work programme and budget model that will reduce the Division's past dependency on TAGs for financing recurrent evaluation activities (as opposed to investment activities).¹² The 2004 work programme and budget will contribute towards this objective with two measures: (i) a work programme that is more commensurate with its overall staff and available financial resources; and (ii) the internalization in the OE core budget of some of the activities previously financed by TAGs, for instance, for funding in-country workshops to discuss the agreement at completion point of evaluations.¹³ This, together with the above-mentioned increase in the number of interim evaluations (see paragraph 84) and some necessary adjustments in the overall human resources budget, will cause a modest overall increase in the OE budget for 2004. The proposed budget will also include a small contingency line to finance unforeseen costs that may arise during 2004 as a result of the implementation of OE's first evaluation work programme following the approval of the evaluation policy.

¹² This includes one-time activities, for instance, the development of the M&E guide or the MFE.

¹³ During 2003 IFAD Management has decided to phase out the use of TAG resources for activities related to the organization of workshops. As a result, OE will have to finance through its own resources, for example, the Evaluation Committee's field visit in connection with the National Roundtable Workshop, which is expected to be a major event at the end of the Indonesia CPE process.



PART III – RECOMMENDATIONS

86. The Executive Board is invited to:

- (i) provide comments and guidance on the strategic priorities and proposed programme of work for IFAD for 2004 as described in Part I of this paper, including the level of the programme of work and the PDFF;
- (ii) provide guidance and decisions on the resource management-related policy issues flagged in Section C (b) of Part I; and
- (iii) provide comments, guidance and decisions to the Office of Evaluation on the proposal presented in Part II of this paper.

87. Based on the deliberations and decisions of the Executive Board in the present Session, the Fund will prepare the final proposed programme of work and budget for 2004, for consideration by the Executive Board at its Eightieth Session in December 2003.