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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

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**STRATEGIC PRIORITIES AND PROGRAMME OF WORK AND BUDGET OF IFAD
AND ITS OFFICE OF EVALUATION FOR 2005**

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ABBREVIATIONS AND ACRONYMS

ABB	Activity-Based Budgeting
ALM	Asset Liability Management
APO	Associate Professional Officer
ARRI	Annual Report on the Results and Impact of IFAD Operations
CCD	Convention to Combat Desertification
CGIAR	Consultative Group on International Agricultural Research
CLE	Corporate-Level Evaluation
COSOP	Country Strategic Opportunities Paper
CPM	Country Programme Manager
EAD	External Affairs Department (IFAD)
ER	Resource Mobilization Unit (IFAD)
FAD	Finance and Administration Department (IFAD)
FPPP	Field Presence Pilot Programme
GEF	Global Environment Facility
HIPC	Heavily Indebted Poor Country
ICSC	International Civil Service Commission
IDB	Inter-American Development Bank
IEE	Independent External Evaluation
IFAD V (VI or VII)	Fifth (Sixth or Seventh) Replenishment of IFAD's Resources
IFI	International Financial Institution
IMI	Initiative for Mainstreaming Innovation
IP	Institutional Priorities
MDG	Millennium Development Goals
NALO	North American Liaison Office (IFAD)
NARS	National Agricultural Research Systems
NEPAD	New Partnership for Africa's Development
OA	Office of Internal Audit (IFAD)
ODA	Official Development Assistance
OE	Office of Evaluation
OL	Office of the General Counsel (IFAD)
OPV	Office of the President and Vice-President (IFAD)
OPEC	Organization of the Petroleum Exporting Countries
PBAS	Performance-Based Allocation System
PDFF	Programme Development Financing Facility
PMD	Programme Management Department (IFAD)
PRORECA	Regional Programme for the Development of South American Camelids
PRSP	Poverty Reduction Strategy Paper
R&D	Research and Development
RIMS	Results and Impact Management System
SCP	Strategic Change Programme
SO	Strategic Framework Objective
SWAP	Sector-Wide Agricultural Programme
TAG	Technical Assistance Grant
TAN	Technical Advisory Note

EXECUTIVE SUMMARY

1. The purpose of this document is to present to the Executive Board for its consideration the proposed strategic priorities and high-level figures relating to the programme of work and budget for IFAD and its Office of Evaluation for 2005.

2. In 2005, IFAD will be in the second year of the Sixth Replenishment of its resources, and it will also be in the mid-term range of the implementation of the *Strategic Framework for IFAD 2002-2006* (see Annex I). The Fund can therefore reflect on initiatives taken since 2002 and continue to focus on the framework's three objectives:

- strengthening the capacity of the rural poor and their organizations;
- improving equitable access to productive natural resources and technology; and
- increasing access to financial services and markets.

3. In the 2004 programme of work and budget, eight institutional priorities were identified (see Annex II). These priorities will support the above three objectives in 2005. The Fund will continue to address these institutional priorities, and consequently individual budget holders within IFAD have planned their budgets with reference to these. In order to implement the activity-based budgeting framework, divisions have planned and estimated the cost of activities that relate to these priorities, thereby ensuring that the Fund's resources support its overall objectives.

4. IFAD is developing methods of results-based management in order to measure more accurately the effort made with respect to each of the strategic objectives. Steps in this direction have already been taken with the introduction, in December 2003, of a Framework for a Results Management System for IFAD-Supported Country Programmes.^a The annual report on the Results and Impact of IFAD Operations, produced by the Office of Evaluation, also provides a consolidated picture of IFAD's impact in the field.

5. Results-based management is a practice being developed not only within the United Nations^b, but also within most international financial institutions. For example, the Asian Development Bank has formed a Results Management Unit, which is part of its Strategy and Policy Department. IFAD's newly formed Strategic Planning and Budget Unit, in collaboration with other divisions, plans to develop a set of key performance indicators and benchmarks that will assist the Fund in assessing its outputs and effectiveness in the relevant areas. Moreover, the use of activity-based budgeting will help present more clearly the allocation of IFAD's resources within the context of the strategic framework.

6. Management will strive to achieve a programme of work in 2005 of USD 500 million, subject to the availability of resources. For reasons of prudence, however, the present document is formulated on the basis of a somewhat smaller programme of work of USD 475 million (Table 1), with sufficient projects and programmes in reserve to reach the USD 500 million level if the resource position in 2005 permits. The 2005 lending programme will continue to give strong support to the strategic framework's three objectives. The number of projects and programmes is expected to increase to at least 27 (see Annex VI) compared with 25 in 2004, with another 14 projects and programmes in reserve. Subject to the availability of resources, this will facilitate an expansion of the lending programme to USD 500 million, therefore strengthening the Fund's ability to enable rural poor people to overcome poverty.

^a Document EB 2003/80/R.6/Rev.1.

^b The Secretary General of the United Nations (resolution 55/231 of December 2000) has encouraged United Nations agencies to implement results-based management.

7. The 2005 budget year will be the first full-year application of country-level grants, in line with the revised grant policy.^c Resources (both human and financial) will be devoted to delivering and implementing a larger grant programme (2.8% more than in 2004) through two windows: “global and regional grants” and “country-specific grants”.

**Table 1: Programme of Work
(USD '000)**

	2004 Approved	2005 Estimated	% change
Loans	416 300	427 500	2.6%
Grants ^a	46 200	47 500	2.8%
Total	462 500	475 000	2.7%

^a Grants are inclusive of the ex-grant items transferred to PDFF.

8. IFAD is maintaining zero real growth for its administrative budget and its Programme Development Financing Facility (PDFF) budget. A policy change was recommended by the December 2003 Executive Board and approved by the Governing Council in February 2004, namely the 3% carry-forward policy. This enables IFAD to make more efficient use of its resources.

9. The following table shows the administrative budget, PDFF and one-time cost levels proposed for 2005.

**Table 2: Summary of Administrative Budget, PDFF and One-Time Costs
(USD '000s)**

	2004 Approved	2005 Proposal	% Change in Real Terms	% Change in Nominal Terms
Administrative budget	52 100	54 100	0	3.8
PDFF	28 448	29 500	0	3.6
One-time costs	5 100	3 900	0	-23.5
Total	85 648	87 500		

10. In implementing the zero real growth for the administrative budget and the PDFF resources, the Fund calculates the previous year's figures plus an increase that reflects unit-cost increases. With a view to streamlining the budget process, rather than calculating the increase in staff costs per person, the Fund this year has developed standard staff costs. These standard costs incorporate increases in staff salary scales and entitlements in line with the United Nations common system, as well as the appropriate inflation factors with respect to items such as cost of living.

11. One-time costs are estimated to be about USD 3.9 million, which represents a decrease of 23.5% from the USD 5.1 million approved for 2004.

12. This document also contains, in Part II, the 2005 preview of the work programme and resource issues of IFAD's Office of Evaluation (OE). This part includes a summary of OE's achievements in 2004 and its four priorities for next year, as well as an overview of the key activities the office plans to undertake during the year. In addition, it contains a preview of OE's human resource requirements and budget for 2005. Its budget is presented in two separate tables in Annex VIII, one expenditure-based and the other activity-based.

^c Document EB 2003/80/R.5/Rev.1.

INTRODUCTION

1. The purpose of this document is to present to the Executive Board for its consideration the proposed strategic priorities and high-level figures regarding the programme of work and budget for IFAD and its Office of Evaluation (OE) for 2005.
2. The document considers IFAD's priorities within an external context as well as within the context of the *Strategic Framework for IFAD 2002-2006* and the important initiatives agreed as a result of the consultations on the Sixth Replenishment of IFAD's Resources (IFAD VI).
3. After considering both the external and internal environments within which IFAD is working, the document provides more detail, with overviews of the strategic priorities of each department. It should be noted here that the Office of the President and Vice-President (OPV) is not a department as such, and therefore is referred to as the OPV Group. This group includes the Office of the President, Office of the Vice-President, Office of the General Counsel (OL), Office of Internal Audit (OA) and, since May 2004, the Resource Mobilization Unit (ER) and the North American Liaison Office (NALO) in Washington. The latter two units, although part of the External Affairs Department (EAD), are temporarily reporting to the President to provide a special corporate-wide emphasis to the tasks required for the Seventh Replenishment of IFAD's Resources (IFAD VII). To reflect this change of reporting lines, the ER and NALO budget estimates have been included in the OPV Group and the 2004-related figures have been adjusted accordingly.
4. The overall lending and grant programmes and PDFF are presented to the Executive Board for comments and guidance. In addition to providing the proposed levels of these programmes, the document describes the priorities of each and how these address the *Strategic Framework for IFAD 2002-2006*.
5. The proposed level of the administrative budget is shown in Part I, Section E. The detailed programme of work and budget to be presented to the December 2004 Board will provide a breakdown of the administrative budget both by activity and by type of expense. At the April 2004 Executive Board session, it was agreed that the Audit Committee would examine, in November 2004, the budget document to be submitted to the December Board session and submit a report to that same session containing an account of its meeting.
6. To achieve its objectives, IFAD is proposing to incur certain one-time costs estimated to be approximately USD 3.9 million, which represents a decrease of 23.5% from 2004.
7. Finally, in Part II the document includes the preview of the strategic priorities, work programme and budget for 2005 of IFAD's Office of Evaluation.
8. It should be noted that the exchange rate used in preparing the estimates in this document is EUR 0.78/USD 1.00, which is the same exchange rate at which the Governing Council approved the 2004 Administrative Budget.

PART I – THE 2005 PROGRAMME OF WORK AND RESOURCE ISSUES**A. IFAD'S 2005 Strategy****(a) External Context**

9. The Millennium Development Goals (MDGs) adopted by the Millennium Summit in September 2000, in particular the goal to reduce the proportion of people living in extreme poverty by half by 2015, have established an unprecedented international framework for development. The United Nations will assess progress towards the MDGs at a high-level meeting of the General Assembly in September 2005, which is expected to give new impetus at a global scale.

10. Performance in achieving the MDGs has so far been uneven. Whereas the MDG poverty goal is likely to be achieved at the global level due to the strong performance of China¹, India and some other countries in Asia, it is unlikely, given present trends, to be met in a number of countries, especially in sub-Saharan Africa. Moreover, progress in achieving the other MDGs is well below the pace required. If current trends continue, MDGs relating to social issues, women and children will not be met in many countries. A large number of the poor, particularly rural people, the extreme poor and disadvantaged groups such as indigenous populations, will not be able to overcome poverty. The Millennium Summit Review to be undertaken in 2005 will therefore be critical for making necessary adjustments and reconfirming the commitment of the international community to the MDGs.

11. Official development assistance (ODA) can play a vital role in helping to create the conditions for more rapid development and poverty reduction by strengthening institutions, infrastructure and human capital. While there has been some increase in ODA since 2002, the 0.7% ODA target is far from being reached. Some interesting proposals have, however, been put forward for enhancing ODA, notably the International Financing Facility proposed by France and the United Kingdom, which aims to raise ODA by approximately USD 50 billion per year. Other innovative proposals are also under consideration.

12. Apart from the volume and quality of ODA flows, their direction is equally important. Three quarters of the extreme poor, some 900 million people, live in rural areas dependent largely on agriculture and related activities for their livelihoods. To achieve the MDGs, substantial and sustained reduction of rural poverty is essential. Unfortunately, ODA to agriculture and the rural sector fell sharply during the 1990s, by about a half between 1988 and 1999. Fortunately in the last two years there has been a renewed recognition of the centrality of rural poverty to the achievement of the MDGs and of the need to accelerate the pace of rural development. This recognition has been reflected, for instance, in the declarations of the Group of Eight summits in 2003 and 2004. Several Development Assistance Committee member states have separately announced plans to raise assistance for rural development.

13. Developing countries for their part are also placing a new emphasis on rural development. African countries in particular are giving agriculture and rural development high priority in the framework of the African Union and in the New Partnership for Africa's Development (NEPAD).

14. These steps are important and welcome, but pledges for higher assistance need to be translated urgently into action that makes a real difference in the lives of the poor. In addition to higher ODA flows, progress in the trade area is crucial for opening up opportunities for smallholder farmers and other small-scale producers. In fact, creating a truly global partnership for development is in itself one

¹ World Bank and International Monetary Fund, "Global Monitoring Report 2004 – Policies and Actions for Achieving the MDGs and Related Outcomes", Washington, D.C., 2004.

of the MDGs. An interesting step in this regard is the concept of a coherence index being elaborated by some developed countries. Such an index seeks to capture the overall effect of their development cooperation, trade, immigration and other policies on their developing country partners.

15. Developing countries face varying challenges. Some countries are emerging from conflict and civil strife, and others (especially in Africa) have been deeply affected by the HIV/AIDS pandemic. Fluctuating and declining commodity prices have created major constraints for development programmes and policy-making in low-income countries often dependent on two or three, sometimes even a single, commodity export for a substantial proportion of their export earnings. The combined effect of population growth and natural resource constraints is giving rise to problems of land degradation and desertification, and aggravating problems of soil fertility and water management. Recurrent droughts have had a severe impact in some countries especially in the Horn of Africa and Southern Africa. Exclusion and social inequalities render marginalized groups, such as minorities, indigenous peoples and rural poor women, especially vulnerable to the consequences of these factors. Specific and coherent strategies are required to overcome such problems, together with sustained material and policy support, both domestically and externally.

16. High levels of external indebtedness continue to hinder economic performance in many developing countries. Here the Debt Initiative for Heavily Indebted Poor Countries (HIPC) can make a major contribution. The Initiative has made some progress towards meeting its objective of reducing the debt burden of these countries, but several problems have become apparent. Delays in the process have been attributed to problems in preparing poverty reduction strategy papers (PRSPs) or meeting fiscal targets. The achievement of debt sustainability, even after implementation of full debt relief, remains a concern in some countries, especially in the context of rising oil prices and declining commodity prices.

17. The influence of markets and trade on reducing poverty has been recognized both in the MDGs and in the Monterrey Consensus. International trade can, of course, be a key factor in enhancing production, exports and incomes. As regards least developed countries (LDCs), some initiatives to enhance their market access have been launched such as the European Union's 'Everything but Arms Initiative' and the African Growth and Opportunity Act of the United States. But the potential for both LDCs and developing countries in general remains constrained by tariff and non-tariff barriers especially for agricultural products. In this context, a timely and successful outcome of the Doha Development Agenda trade negotiations would be one of the most important contributions that the international community could make to accelerate development and poverty reduction.

18. Poverty reduction is also shaped increasingly by the involvement of the private sector and civil society, as well as by increased partnerships among countries and agencies. Despite legal and logistic challenges, many agencies and countries are undertaking innovative programmes for forging partnerships with the private sector.

19. Remittances now constitute a growing source of finance for a number of developing countries. Remittances were officially estimated to be about USD 93 billion in 2003², but unofficial estimates range up to USD 175 billion per year, and are thus, for the recipient countries concerned, much larger than ODA and foreign direct investment combined. They are helping to raise the consumption and living standards of many poor families in these countries. Remittances could play an even stronger role if some proportion could be devoted to building durable assets and enhancing savings and investment. IFAD and the Inter-American Development Bank (IDB) are collaborating on an innovative and promising initiative on remittances in Latin America to reduce transaction costs and deepen their impact.

² World Bank, *Global Development Finance 2004*. World Bank, IDB estimates.

20. The overall context for development and poverty reduction has to be viewed in the light of the close interlinkages among peace and security, development and conflict prevention. IFAD programmes are contributing to peace-building and are relaunching development in several countries emerging from conflict or vulnerable to conflict. The Fund is also intensifying collaboration with other international financial institutions (IFIs) and United Nations organizations to strengthen its efforts in this important area.

(b) Internal Context

Strategic Framework and Institutional Priorities

21. Management will strive to achieve a programme of work in 2005 of USD 500 million, subject to the availability of resources. For reasons of prudence, however, the present document is formulated on the basis of a somewhat smaller budget of USD 475 million, with sufficient projects and programmes in reserve to reach the USD 500 million level if the resource position in 2005 permits.

22. The planning of the 2005 programme of work and budget has taken place in a context of being in the mid-term range (2005) of the implementation of the *Strategic Framework for IFAD 2002-2006* (see Annex I), as well as having undertaken initiatives agreed as a result of the Sixth Replenishment of IFAD's Resources (see Annex I). Some initiatives mandated by IFAD VI have been completed, while others form part of the main activities in the coming year. IFAD is well advanced in delivering the core business in compliance with the policy agenda of IFAD VI. During this strategic framework period, IFAD has undergone major transitions to improve and strengthen its ability to enable rural poor people to overcome poverty. It has, for example:

- launched a new framework for a results and impact management system (RIMS) (see Annex IV) to improve the measurement, reporting and assessment of the results and development impact of IFAD-supported operations;
- launched independent external evaluation (IEE);
- adapted the role, status and operating methods of IFAD's evaluation function, leading to the new evaluation policy, recommended by IFAD VI and approved by the Executive Board, and the establishment of an independent Office of Evaluation;
- developed and began implementing a performance-based allocation system (PBAS) to focus IFAD's financial assistance on the best opportunities for sustained rural poverty reduction and to improve the impact and effectiveness of IFAD's programmes and projects;
- developed a programme to enhance IFAD's field presence and in-country capacity, and initiated a pilot programme to test different approaches in 15 borrowing countries;
- developed a new policy for IFAD's grant programme, which is grounded in IFAD's strategic framework and includes a new window for country-specific grants;
- developed and began implementing an action plan for mainstreaming gender in IFAD operations for 2003-2005;
- developed and presented new policies on rural finance and rural enterprise;
- initiated development of a strategy on engagement with the private sector; and
- started to develop a new asset liability management framework to improve financial resource management and to reduce exposure to financial risks.

23. The above-mentioned actions have all been taken within the context of the eight institutional priorities (see Annex II) developed and agreed upon as part of the current strategic framework. These institutional priorities were first presented to the Executive Board in the 2004 programme of work and budget, and are now being represented to the Board with an expanded definition of the eighth priority.

24. During 2005 IFAD will also carry out the Seventh Replenishment consultations and respond to the IEE mandated by IFAD VI.

Activity-Based Budgeting

25. There is a broad trend among public sector institutions towards activity-based budgeting (ABB). IFAD started to formulate the programme of work and budget on the ABB basis in 2003. Planning, implementing, monitoring and reporting will continue to be challenging and vital in the future: with limited resources, IFAD will be asked to plan its work with a clear understanding of what to accomplish in terms of critical goals.

26. The benefit of budget figures expressed in ABB terms, instead of just the traditional expenditure categories (item expenditure), is a more transparent presentation of the use of IFAD's resources within the context of its strategic framework. ABB is more geared to reflecting the core activities of the Fund.

27. Significant effort has been made to consult with divisions and create a list of activities that best reflects the work being carried out and that supports the institutional priorities. The three-tier IFAD activity tree structure is shown in Annex III.

28. It is important to note that the presentation of budgets expressed in ABB does not preclude the Fund from providing further details according to items of expenditure. In fact, as requested by the Executive Board, the budget to be presented to the December 2004 Board will show details according to activities, as well as information regarding expenses such as staff costs, travel and consultant fees.

29. ABB and results-based management are being used both in the United Nations and in the IFI community. Strategic-based budgeting and performance-based monitoring and resource allocation is being developed within many IFIs. For example, the Asian Development Bank has formed the Results Management Unit, which is part of its Strategy and Policy Department.

Results and Impact Management System

30. RIMS introduces a structured management approach designed to keep an organization clearly focused on its expected results throughout the management process. It must be noted that the approach and system are designed to generate benefits for better project management and greater impact achievement. RIMS provides a structured and logical model for identifying expected results and the inputs and activities needed to accomplish those results, as illustrated in Annex IV.

31. In support of strengthened governance, the RIMS approach will provide IFAD with an increased ability to:

- operationalize strategies by setting clear goals and objectives for the organization and for individual programmes and operations;
- plan operations and allocate resources to implement strategic objectives;
- manage programmes and operations;
- learn from experience; and
- report on and be accountable for its achievements.

32. The Fund's RIMS is based on a logical framework (or logframe) approach, using a number of strictly defined concepts, such as the 2002-2006 objectives, expected results, performance indicators and outputs (see Annex IV). In the logframe of IFAD's lending programme, great care has been taken to ensure that IFAD's results management system and its reporting on results would not only support the MDGs and the strategic framework objectives but also cover the impact domains of the methodological framework for project evaluation. Indicators on institutional transformation (policies and organizations) will also be part of normal RIMS reporting and related to the PBAS.

33. While aggregate reporting on the results and impact of IFAD's loan portfolio will start as of April 2005, full implementation of the proposed RIMS will take from three to four years, that is, until such time as normal mid-term reviews have been made of projects that started up recently.

Performance-Based Allocation System

34. "The Structure and Operation of a Performance-Based Allocation System for IFAD" (document EB 2003/79/R.2/Rev.1), approved by the Executive Board at its September 2003 session, introduced IFAD's system of linking the allocation of resources to country programmes on the basis of performance (broad framework, rural development policy and portfolio performance) as well as population and per capita gross national income. PBAS allocation exercises operate on the basis of three-year cycles. In the year immediately preceding the first year of the cycle, the allocation exercise determines ex ante allocations to be committed over the following three years. Within each cycle, IFAD will annually review ex ante allocations to reflect the results of the annual performance assessments produced under the PBAS, as these capture significant changes in country needs and/or achievements in the sphere of the policy and institutional framework. Commitments will be made on the basis of annual programmes of work approved by the Executive Board, within the framework of the PBAS allocations.

35. The first allocation exercise is to cover the period 2005-2007. The first PBAS performance assessments were produced by the end of the second quarter of 2004. The calculation of ex ante allocations was to take place in the third quarter of 2004, but was anticipated to allow for presentation to the Executive Board in September 2004 of a programme of work for 2005 within the framework of the PBAS, with final Board approval of the programme of work in December 2004. The programme of work approved in 2004 for activities in 2005 would involve the application of the PBAS within the framework of regional allocations as adopted by the Executive Board in 1999.

36. The detailed results of the recently completed first country performance assessment cycle and the resulting country allocations are provided in document EB 2004/81/R.27. The proposed 2005 programme of work in Part I, Section C of this paper will be implemented in the context of the PBAS, and more specifically within the context of the country allocations as they result from this first allocation process.

37. The in-house review of the 2005 country allocations has revealed operational issues and, in the context of the understanding that the PBAS is work in progress and that it will evolve in the light of the experience gained, IFAD management proposes some PBAS-consistent interim measures for the 2005 transition period (see details in document EB 2004/82/R.30), for approval by the Executive Board.

B. Departmental Overview

38. IFAD is strengthening its ability to be an innovative and flexible institution. In recent years, it has developed effective methodologies, products, solutions and capabilities to address poverty reduction. To achieve the set objectives for this strategic framework period, the Fund will continue to address eight institutional priorities (see Annex II), and consequently individual budget holders within

IFAD will plan their budgets with reference to these. Divisions have planned and estimated the cost of activities that relate to these priorities, thereby ensuring that the Fund's resources support its overall objectives.

(a) Programme Management Department

39. The Programme Management Department (PMD) will continue to have as its priority the design, management and implementation of the programme of loans and grants to achieve results within country programme frameworks, together with an emphasis on policy dialogue, coordination and harmonization. The pipeline for the lending programme will be strengthened to handle an increased volume and more resources will be devoted to deliver and implement a larger grant programme through the country and regional/global windows. Project portfolio monitoring and management will receive priority attention, and PMD will focus more on results by means such as the introduction of a new strategic portfolio review and improved implementation support and supervision.

40. PMD will also continue to implement the IFAD VI policy agenda, including, among others, the PBAS, the Field Presence Pilot Programme (FPPP) and the RIMS. Greater efforts will be made to ensure a closer alignment of country strategic opportunities papers (COSOPs) to country-owned poverty reduction processes such as the PRSP and sector-wide agricultural programmes (SWAPs). Through the loan and grant programme, the FPPP and a more strategic country programme approach, a wide range of opportunities will arise to engage in policy dialogue and partnership-building, and in generating and sharing knowledge. For IFAD to remain at the cutting edge, PMD will strive to seek innovation in the loan and grant programme, an endeavour that will be reinforced by the start-up of the Initiative for Mainstreaming Innovation (IMI), with a full-scale launch of this multi-donor supported programme expected in 2005.

41. PMD will also support the Seventh Replenishment consultations through the preparation of substantive background/thematic documents, by leading the dialogue with borrowing Member States and by raising awareness of the Fund's mandate and its significant contribution to the empowerment of the rural poor.

(b) External Affairs Department

42. The External Affairs Department (EAD) will strengthen its partnerships and focus on marshalling the resources it needs to engage both in international forums related to the implementation of the MDGs and in other major conferences. The United Nations common system and other multilateral mechanisms' joint programming exercises will be addressed more thoroughly, particularly in the context of harmonization processes. EAD's active participation in these processes is expected to lead to more recognition of the Fund's specific contribution to the reduction of rural poverty in developing countries. In order to enable IFAD to play a more influential role, EAD intends to give particular attention to strengthening its Policy Division and to implementing a communication programme that will help achieve IFAD's knowledge management objectives. The focus of the Office of the Secretary and the EAD Front Office will be to enhance IFAD's relationship with Japan, including in the context of the Fund's engagement in the Pacific Island States; continue involvement in the African Union, NEPAD and other intergovernmental bodies (e.g. the Organization of the Islamic Conference, the Association of South East Asia Nations, the League of Arab States, and the Organization of the Petroleum Exporting States (OPEC)); and support the Governing Council structure and contribute to the IFAD VII consultation sessions.

(c) Finance and Administration Department

43. The Finance and Administration Department (FAD) is committed to improving the support provided to all areas of the Fund to increase the efficiency of its operations. Its main focus in 2005 will be the monitoring and reporting of financial results, with the timely generation of reports that analyse financial, treasury, budgeting and loan administration data. Improvements in the financial model and use of the asset liability management (ALM) system will provide a better analysis of risks and the financial impact of operations. Improved linking of budgets and results to the strategic framework will provide valuable information for future planning and resource allocation. The PeopleSoft modules that have already been implemented will be enhanced to ensure that maximum benefit is received from the new system, and the Management Information Systems Division (FM) will focus on supporting these modules. FM will also focus on the full implementation of a Web-based architecture to enable reaching IFAD partners outside Headquarters. The Loans and Grants Unit will continue to support the loan administration and to streamline procedures through the enhancement of the loans and grants system.

44. In addition to providing financial information, FAD will also provide an enabling environment for the planned Seventh Replenishment consultations by ensuring availability of the conference sites, information technology and other services. It will focus on preparing for the move to the new Headquarters building that will bring IFAD departments under one roof.

45. FAD will also continue its major human resource reform, which includes such initiatives as participation in the International Civil Service Commission (ICSC) Pay for Performance pilot programme and modernizing human resources policies and procedures.

(d) Office of the President and Vice-President

46. As mentioned in the introduction, ER is temporarily reporting to the President to provide a special emphasis to the tasks required for IFAD VII. ER will develop a strategy and coordinate an institutional structure to achieve a successful outcome of the Replenishment consultation, which will be launched at the Governing Council in February 2005. In this context, its main objectives in 2005 will be to manage the Replenishment consultation process, prepare relevant material, and strengthen Member States' positions through strategic approaches to countries, consolidating IFAD's relationships with them. In addition, ER will continue to improve the management of contributions from past Replenishments and Supplementary Funds, and enhance the Fund's partnerships with the private sector and foundations.

47. OL has a demand-driven workload. Approximately 50% of its workload is to provide support for operations under the loans and grants programme. In this respect, OL will strive to promote good governance and the development of grass-roots institutions. The remaining 50% relates to providing institutional advice on a broad range of matters including investment contracts, human resource issues, headquarters lease contracts and other service contracts. OL will continue to work with other organizations to harmonize approaches with sister agencies on legal matters and internally, and it will support good governance while identifying areas where innovative approaches could be developed.

48. OA will focus on risk management in 2005. During 2004, it commenced work on the development of a risk management framework, and in 2005 it will consolidate and further develop the approach. OA will also review the procedures in relation to the decentralization of the budget and carry out work on the implementation of an anti-corruption policy and the introduction of a structured policy and procedural framework.

49. See Annex V for details of departmental priorities and activities.

C. The 2005 Programme of Work

50. Subject to the availability of resources, the programme of work is expected to reach USD 500 million. However, for planning of required resources, the programme of work is planned at USD 475 million (SDR 331.8 million³ compared with SDR 323 million in 2004). The programme is projected to increase by approximately 2.7% over the 2004 level, i.e. from USD 462.5 million to USD 475.0 million (see Table 1). In line with the agreement reached during IFAD VI, 90% of the programme of work will be allocated to the lending programme and 10% to the grant programme (inclusive of ex-grant items transferred to the PDFF).

**Table 3: Proposed 2005 Programme of Work
(USD '000)**

Fund type	Amount	% of Total
Grants (country)	10 250	2.2%
Ex-grant items transferred to PDFF (country) ^a	13 500 ^a	2.8%
Grants (global/regional)	23 750	5.0%
Loans	427 500	90.0%
Total	475 000	100.0%

^a This figure should be considered provisional and may be subject to revision.

(a) Lending Programme

51. The 2005 lending programme is projected to be raised from the 2004 level of USD 416.3 million to USD 427.5 million (2.6% increase) subject to the availability of resources (See Table 1). This lending programme is expected to support at least 27 projects to be submitted to the Board. To allow for enhancement of the lending programme, if resources permit, several reserve projects will be developed. The regional strategies and details of the reserve projects are presented in Annex VI.

52. Proposed loan activities are programmed to address the strategic framework objectives (SOs):

- **SO1** Strengthening the capacity of the rural poor and their organizations;
- **SO2** Improving equitable access to productive natural resources and technology; and
- **SO3** Increasing access to financial services and markets.

53. Gender mainstreaming and HIV/AIDS are cross-cutting issues that will continue to receive particular attention from the Fund in 2005. 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.

54. The Fund will emphasize more strongly the alignment of its country strategies (COSOPs) with the countries' own rural poverty reduction policy frameworks and strategies. These country frameworks are taking various forms such as PRSPs and SWAPs, beside the more country-specific national strategies. The consequence of this alignment of IFAD's country strategies with the countries' own strategies, combined with the Fund's efforts to increase its impact on the countries' policies and programmes, is the gradual development of IFAD project design towards a more programmatic and policy-oriented approach. Future programmes will build on past country experience, support the countries' own strategies to prioritize IFAD engagement to ensure strategic

³ For ease of comparison, the exchange rate of 1.43178 SDR/USD, used by the February 2004 Governing Council when approving the 2004 programme of work, has been applied to the 2005 programme of work.

selectivity, and combine poverty reduction investments with efforts towards pro-poor policy and institutional transformation. Moreover, an approach more focused on country programmes will offer a wide range of opportunities to engage in policy dialogue and partnership-building, and to generate and share knowledge. The lending programme, therefore, remains a crucial instrument for IFAD to engage in policy initiatives and/or expand policy dialogue with governments on key issues related to rural poverty reduction. Annex VI provides specific information on how the regional lending programmes intend to address the SOs. As in the past, IFAD will identify cofinancing opportunities with other IFIs and bilateral agencies.

(b) Grant Programme

55. In line with the revised grant policy approved in December 2003 (see document EB 2003/80/R.5/Rev.1), the grant programme is projected to be approximately USD 47.5 million. This represents 10% of the proposed 2005 programme of work and an increase of 2.8% over 2004 (see Table 1). As stipulated under the grant policy, this amount is allocated on a 50/50 basis between two windows, the global and regional grants window and the country-specific grants window, each receiving USD 23.75 million. The amount of grant resources available for commitment under the country-specific window will include a PDFF equalling approximately 2.8% of the total proposed programme of work (see Table 3).

56. The 2005 grant-financed programme of work is shaped by the revised grant policy, which draws on the strategic framework and sets out the guidelines of the proposed new directions for IFAD grant support. Under the revised grant policy, the objectives and expected impacts, rather than grant-recipient and budget considerations, will guide the allocation of IFAD grants.

57. Following the approval of the revised policy, comprehensive guidelines and procedures for the implementation of the grant programme have been developed. These include a more coherent and streamlined set of rules for internal administrative and financial management, and for internal review and approval mechanisms. The governance for *all* grants will be based on rigorous screening, review and approval, and the 2005 programme of work will thus follow a comprehensive, transparent and competitive approach.

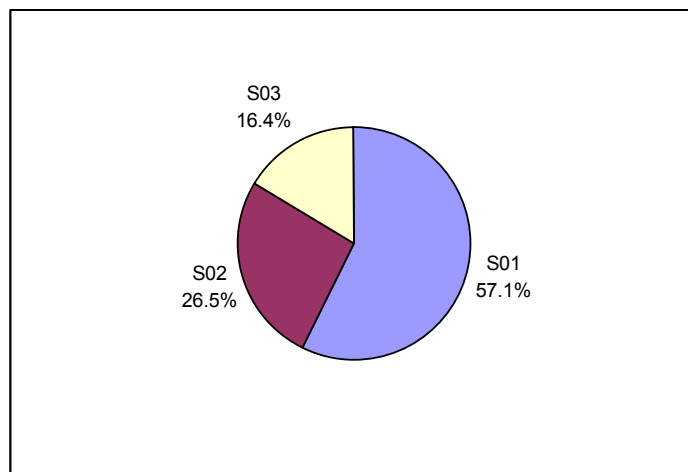
58. The programme of work for grants under the global/regional window will focus on initiatives to create options for poverty reduction by promoting knowledge and information exchange through regional research and innovation networks – those led by the Consultative Group on International Agricultural Research (CGIAR) and others. The year 2005 will be the first full-year application of country-specific grants. Grants under this window will be guided by PBAS assessments of critical rural development and poverty reduction issues, and the assessment of the policy and institutional factors bearing on the effectiveness of lending operations. The important principle for country-specific grants within the country-specific PBAS will be conformity to and consistency with the individual country strategy for a mix of loans and grants as reflected in COSOPs and in line with PRSPs – with a focus on addressing institutional weaknesses through grant-supported capacity-building.

59. While the advent of the country-specific window is considered likely to increase the proportion of operations with budgets ranging between USD 100 000 and 200 000 interacting directly with the loan portfolio (in close collaboration with IFAD's regional divisions), for now no incremental human or financial resources are proposed for implementing the larger grant programme.

60. The following chart shows the linkage to the SOs (see paragraph 52) in a consolidated manner for the global and regional and the country-specific grants. Pro-poor research and innovation will remain a significant component, building on the success of past such investments. The entire country-

specific grant window is linked to SO1, and the focus will be mainly on institutional capacity-building. Support will also be extended to regional and thematic initiatives.

2005 Total Grant Allocation by IFAD Strategic Objectives



D. The 2005 Programme Development Financing Facility and the Field Presence Pilot Programme

(a) Programme Development Financing Facility

61. Since 2001 all country programme development activities and their costs have been brought under a single integrated facility with its own specific and unified rules and procedures – the PDFF. The main benefit of this decision has been full flexibility in using resource allocations to achieve an integrated business process and increased cost-effectiveness. The PDFF will, as in prior years, be devoted to country programme development.

**Table 4: 2005 Programme Development Financing Facility
(USD '000)**

Fund Type	2004 Approved	2005 Estimate	% Change
New development	13 407	13 983	4.2
Ongoing portfolio	15 041	15 517	3.1
Total	28 448	29 500	3.6

(b) Field Presence Pilot Programme

62. The creation of a field presence pilot programme was one of the initiatives mandated by IFAD VI. The Fund does not have any formal representation in the countries in which it operates. Recognizing the increasing need for direct support to project implementation follow-up, stronger policy dialogue, partnership-building and knowledge management, members requested that the issue of field presence be examined in detail and options identified for enhancing IFAD's in-country presence and capacity.

63. The Executive Board approved a three-year field presence pilot programme in 2003 and authorized IFAD to undertake 15 pilot projects (at a total cost of about USD 3.0 million) in order to assess pertinent, ongoing field presence arrangements. Examples are project liaison offices, local

consultants or facilitators, networks, outposted staff members, and offices shared with other United Nations agencies. The year 2005 will be the second year of this pilot programme.

E. The 2005 Administrative Budget

64. The administrative budget for 2005 is proposed at USD 54.1 million, which represents an increase of 3.8% over 2004 (USD 52.1 million). Considering the high-level budget figures for 2005, the same exchange rate (prevailing at the 2004 approval date) has been used for ease of comparison. The detailed budget to be presented to the December 2004 Board will be prepared using an updated EUR/USD rate.

65. The 3.8% increase consists of a general inflation factor of 2.2% and specific cost increases relating to the regular and temporary staff costs. As in prior years, projected regular and temporary staff costs incorporate increases in staff salary scales and entitlements in line with the United Nations common system.

F. Resource Management

(a) Zero Real Growth

66. IFAD has managed its resources within the context of zero real growth for the past ten years, which has strained some areas of the budget. Last year's programme of work and budget included a recommendation, which was accepted by the Governing Council, to allow the carry-forward of unobligated appropriations to the extent to 3% at the close of the financial year. See sub-section (b) below for a summary of the use of the funds carried forward from 2003.

67. While over time the Fund may require additional budgetary resources to support an expanding programme of work, at this stage management considers that, in addition to the efficiency gains expected from the Strategic Change Programme (SCP), the following factors are enabling IFAD to meet its growing programme of work requirements within prudent budget norms: (i) the ongoing review of the use of human and financial resources, highlighting opportunities for reallocation during the budget year; and (ii) the availability of the carry-forward funds. Therefore, the norms adopted by management for planning the 2005 strategic priorities and programme of work and budget include a zero real growth constraint on both the baseline administrative budget and the PDFF.

68. The method used by the Fund for implementing the zero real growth results in levels of administrative budget and PDFF resources that amount to the *previous year's figures plus an increase that reflects unit cost increases* (such as appropriate inflation factors, projected price increases of cooperating institutions' charges, and increases in staff salary scales and entitlements in line with the United Nations common system).

69. Because of the nature of one-time costs, zero real growth is applied to the baseline administrative budget and the PDFF, while one-time costs have been separately identified. This has been the practice so far, in accordance with policies and procedures approved by the Executive Board.

(b) Carry-Forward Funds

70. After the completion of the 2003 IFAD financial statements, the amount available to be carried forward for use in 2004 was USD 1.464 million. While the loans and grants, and to some extent the PDFF, constitute multi-year commitments, the administrative budget remains an annual instrument. Carry-forward simply extends to the administrative budget rules already applied to other resource uses, and enables a more complete and higher-quality budget execution.

71. Table 5 below shows the allocation to date of the USD 1.464 million carried forward from 2003. The ratio of staff to non-staff costs within the carry-forward has been maintained when allocations have been approved.

**Table 5: 3% Carry-Forward Funds
Status at 3 June 2004
(USD '000)**

	Staff	Non-Staff	Total
Carried forward from 2003 administrative budget	802.0	662.0	1 464.0
PMD – Staff transfers from FAD and the Global Mechanism	333.0		
EAD – NALO and Communications Division	334.0		
EAD – Communications Division activities, Governing Council costs		307.0	
FAD – Office of the Treasurer, Front Office and Strategic Planning and Budget Unit	135.0		
FAD – Headquarters childcare facility and utility costs increase		147.5	
OPV – Office of Evaluation and Headquarters activities		92.5	
Total approved	802.0	547.0	1 349.0
Balance as at 3 June 2004	0	115.0	115.0

(c) Human Resources Summary

72. IFAD, excluding OE, has 301 approved regular posts. In prior years, the programme of work and budget document has shown the breakdown of these approved posts and the number of staff funded by the supplementary funds administrative budget. Board members have expressed a wish to see a summary of human resources, including temporary staff, in order to gain a better overview of IFAD's operations. Table 6 below shows the estimated number of staff for 2005, broken down into regular posts and temporary staff, for the administrative budget, PDFF and one-time costs. Final figures and further breakdowns will be made available in the detailed programme of work and budget to be presented to the Audit Committee in November 2004 and to the December 2004 Executive Board Session.

Table 6: Human Resources Summary

	Regular Posts ^A	Temporary Staff (# of FTEs) ^B	Total
Administrative budget	301	54	355
PDFF	0	30	30
One-time costs	0	9	9
Total	301	93	394
Supplementary funds administrative budget	11	7	18
Total	312	100	412

^a Excluding Office of Evaluation. ^b Full-time equivalents (FTE) of one staff member employed for 12 months.

PART II – THE 2005 WORK PROGRAMME AND RESOURCE ISSUES FOR IFAD’S OFFICE OF EVALUATION

A. Background

73. **Background.** This is the second work programme prepared by the Office of Evaluation (OE) following the approval of the IFAD Evaluation Policy by the Executive Board in April 2003. In approving the said policy, 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. As per the Board’s decision and consistent with the approach taken last year, the OE work programme and budget for 2005 is presented together with IFAD’s annual work programme and budget, but as a separate submission. Therefore, Part II of the present document is exclusively devoted to the preview of the OE work programme and budget for next year.

74. As per the decision of the Executive Board in April 2004, the OE work programme and budget will be considered by the Audit Committee in November 2004 together with IFAD’s programme of work and budget. In the meantime, this preview was discussed with the Evaluation Committee during its Thirty-Seventh Session on 3 September. The chairman of the Committee has provided his report to the Board summarizing the Committee’s deliberations and its recommendations on the document. Following the discussion at this session of the Executive Board and based on the guidance and comments provided by Board members, as per the practice in the past years, OE will prepare its comprehensive work programme and budget for discussion with the Evaluation Committee during its next session on 15 October 2004.

75. **Achievements in 2004.** OE had three main priorities in 2004: (i) evaluation work requested by the Executive Board and Evaluation Committee and/or included in the Report of the Consultation on the Sixth Replenishment of IFAD’s Resources; (ii) conduct of selected CLEs and country programme, thematic and project evaluations; and (iii) further development of the evaluation methodology.

76. Overall, at this point in time, OE has been able to accomplish the main priorities and implement almost all activities planned for the year. The specific achievements against the priority areas are listed in Annex I. These achievements were reached despite the transfer of one evaluation officer and the OE deputy director to other IFAD divisions in April and September respectively. Although the recruitment procedure for their replacements is well advanced, the new recruits are likely to join OE only in late 2004 or early 2005, thus creating an important gap in OE human resources in 2004. This gap has caused a delay in the implementation of a few OE activities, namely the CLE on the direct supervision pilot programme and the development of a thorough briefing package for OE consultants in the division’s evaluation methodologies.

77. **Priorities for 2005.** In addition to the aforementioned, in developing its priorities for 2005 OE took into consideration IFAD’s strategic guidelines for the preparation of the 2005 unit work programmes and the core objectives of the *Strategic Framework for IFAD 2002-2006*. Moreover, OE recognizes that 2005 will be an important year for IFAD in light of the Consultations on the Seventh Replenishment of IFAD’s Resources. In this process, the division will need to be ready to respond to the eventual requirements of IFAD Member States on evaluation-related issues.

78. Following the above considerations, OE developed priorities for 2005 that, on the one hand, satisfy the requirements of the evaluation policy and, on the other hand, are aligned with the key institutional priorities for 2005 (see following box). The key processes and policy issues agreed in the framework of the Sixth Replenishment will continue to be of high priority for IFAD.⁴

B. OE Priority Activities in Relation to IFAD's Institutional Priorities for 2005

Institutional Priorities for 2005 ⁵	OE Priority Activities for 2005
1. Independent External Evaluation (IEE) of IFAD Operations	Overall supervision of the IEE
2. Independent Evaluation Function	<p>2.1 Full implementation of the Evaluation Policy</p> <p>2.2 Development of the 2006 OE work programme and budget</p> <p>2.3 OE Review of the President's Report on the Adoption and Implementation of Evaluation Recommendations</p>
3. Measuring results and impact	<p>3.1 Independent evaluation of selected IFAD operations and policies</p> <p>3.2 Consistent use of methodological framework for project evaluation that allows for the assessment of results and impact</p> <p>3.3 Production of the third ARRI</p>
4. IFAD's catalytic role	Undertaking the evaluation of regional strategies and of selected country programme and thematic evaluations

79. Evaluation activities will be included in the OE work programme based on the selection criteria agreed with the Board in December 2003. In line with these criteria and in order to ensure maximum value for the institution and its partners from independent evaluation work, OE will make certain that, to the extent possible, evaluation activities feed into the corresponding planning processes within IFAD. For instance, the division will evaluate those regional or country strategies where there is an intention to prepare a new strategy or further develop existing strategies following the completion of the corresponding OE evaluation. Another example is the undertaking of interim project evaluations before the initiation of the formulation of a further phase of an IFAD-financed project.

80. For 2005, therefore, OE has identified **four main priority areas**. These are:

- (i) supervision of the IEE;
- (ii) conduct of selected corporate-level, regional strategy, country programme, thematic and project evaluations;
- (iii) specific evaluation work required by the Evaluation Policy for presentation to the Executive Board and the Evaluation Committee; and
- (iv) methodological development, evaluation outreach and other activities.

⁴ As stated in the strategic guidelines of IFAD management dated 27 April 2004.

⁵ As contained in the strategic guidelines of 27 April and in the report of the Consultation on the Sixth Replenishment of IFAD's Resources.

81. Under priority area (i), OE will continue and complete the supervision of the independent external evaluation exercise on behalf of, and accountable to, IFAD's Executive Board. This evaluation is expected to be discussed with the Executive Board in April 2005. Thereafter, OE will ensure an appropriate dissemination of the final evaluation report.

82. Under priority area (ii), OE will finalize the CLE on the direct supervision pilot programme, which will be discussed in the Evaluation Committee during 2005. In addition, OE will commence another CLE⁶ in the second half of the year. There are several important themes⁷ emerging from the second ARRI and various evaluations that could be chosen as the topic for next year's CLE. However, it is proposed to wait until the first draft report of the IEE is available in October. The IEE is likely to outline some key areas that may require additional analysis in the near future and would merit inclusion in the 2005 OE work programme.

83. In addition to the above, the division will undertake for the first time the evaluation of two IFAD regional strategies. OE attributes significant importance to this new type of evaluation, which will contribute to assessing the relevance, effectiveness and impact of the current regional strategy and lay the ground for its further development. Regional strategies are important because they provide the overall framework for the IFAD country strategies in a given region and for lending and non-lending activities in the various countries of the region. Moreover, such evaluations will review the coherence of the thrusts and priorities of the regional strategies in relation to the IFAD strategic framework and the emerging rural poverty concerns in the region. Specifically, the plan is to evaluate the regional strategies of the Asia and Pacific Division and of the Near East and North Africa Division. Moreover, OE will work on about three country programme evaluations, one or two thematic evaluations⁸ and 14 project evaluations. The exact figures will be determined based on a review of the actual progress in the implementation of the 2004 OE work programme that will be undertaken in the second part of 2004 and other considerations that may arise at the time.

84. In priority area (iii), the division will prepare the third ARRI, which is a requirement of the evaluation policy. The report aims at consolidating and synthesizing the results and impact of IFAD operations based on evaluations undertaken in 2004, and identifying cross-cutting issues and lessons learned of wider interest related to IFAD operations. As per the practice since 2003, this report will be discussed both with the Evaluation Committee and the Executive Board during their respective sessions in September 2005. The third such report will build on its previous two editions and on the comments and guidance received from Committee and Board members.

85. In accordance with the evaluation policy, OE will prepare for Board presentation a paper on the second Report of the President on the Status of Implementation of Evaluation Recommendations. The OE report will be discussed together with the second President's report with both the Evaluation Committee and the Executive Board at their respective sessions in 2005.

86. In December 2003, a President's Bulletin was issued outlining a number of internal implementation and organizational arrangements to ensure a smooth implementation of the evaluation policy. This bulletin was shared with the Executive Board for information this year. In 2005, the division will continue to monitor the implementation of such arrangements and, if required, propose

⁶ As agreed with the Board, in light of the complexity of such evaluations and the corresponding resource requirements, OE can only undertake one CLE at any given time during the year.

⁷ For example, the determinants of sustainability of IFAD operations; partnership and cofinancing; policy dialogue; rural finance policy; IFAD's approach in poorly performing/middle income countries, and others; in addition to the gender policy evaluation planned in 2005.

⁸ This is less than in previous years, as in 2005 OE plans to undertake the overall evaluation of two IFAD regional strategies. Thematic evaluations, on the other hand, normally only focus on assessing one key area of a particular regional strategy.

any adjustments needed to further facilitate and improve the overall implementation of the evaluation policy.

87. Next year will mark the first year of implementation of the revised terms of reference and rules of procedure of the Evaluation Committee.⁹ Up to five sessions¹⁰ of the Evaluation Committee will be held and any other additional special sessions that may be required during the year, and a field visit for the Evaluation Committee will also be organized.

88. In priority area (iv), enhanced oversight will be exercised in the application and proper use of the OE evaluation methodologies to ensure comparable quality evaluation results and outputs. This will in turn also lead to further improvements in the evaluation information base available for the preparation of the ARRI. Staff skills will be upgraded in the required areas to allow for an even better application of the division's core methodologies. The comprehensive briefing package for consultants in the OE evaluation methodologies will be developed and implemented next year. As in the past, resources will be reserved for the communication and dissemination of evaluation results.

89. **Other activities.** OE will also participate in the deliberations of the United Nations Evaluation Group and seek access to the Evaluation Cooperation Group of the Multilateral Development Banks.

90. **Human resource requirements.** In 2005, OE will require the same staff levels as this year. This includes a director, deputy director, six evaluation officers and 7.5 General Service staff. Table 4 in Annex VIII contains a summary of OE human resource requirements for 2005.

91. **Financial resource issues.** It is foreseen that the above-outlined priorities and work programme should not entail an increase in real terms in the OE budget and human resources from the level approved by the Governing Council in February 2004. The final 2005 budget, which OE will present to the Board in December 2004, will, as for the rest of IFAD, take into consideration the restatement of the approved budget as a result of inflation and the depreciation of the United States dollar against the euro, and it will also include adjustments to staff costs resulting from changes in staff entitlements or salary increases dictated by the United Nations Common System. In addition, as for the rest of IFAD, the OE budget proposal has been shown on both an expenditure and an activity basis (see Tables 1 and 2 in Annex VIII). Table 3 in Annex VIII provides an overview of the IEE funds, which are administered by OE.

92. The rationale outlined in the 2004 budget submission for including a contingency in the OE budget continues to remain pertinent in 2005, in particular because the OE budget is separate from the IFAD budget. Consequently, OE will not be able to request additional resources during the year from IFAD's administrative budget to meet unforeseen costs that might arise. Moreover, since 2005 will only be the second year of the implementation of the new evaluation policy, some unanticipated costs may emerge as a result of its full implementation that will only be known once the activities are actually implemented. Therefore, as in 2004, the OE budget will include a contingency to meet unforeseen costs that may arise.

93. However, in 2005, the contingency has been reduced to 2.5% of the rest of the OE budget as compared with 5% in 2004. The reason for this reduction is that various expenditures charged to the 2004 contingency have been internalized into the regular budget, especially those related to staff reclassification and promotions that took place in 2004. It is important to retain a contingency for unforeseen costs next year related to the work of Evaluation Committee, which at this stage cannot be

⁹ The Evaluation Committee will be submitting its revised terms of reference and rules of procedure for the Executive Board's approval during the latter's December 2004 session.

¹⁰ This will be precisely determined in December 2004 when the Board approves the Committee's revised terms of reference and rules of procedure.

precisely quantified. That is, in 2005 the Committee is expected to operate within the framework of its revised terms of reference and rules of procedure that will be considered by the Board in December 2004 for approval. The implementation of the revised terms of reference and rules of procedure will lead to changes to the overall functioning of the Committee, in particular with regard to the number of its sessions and their length. These changes are likely to have cost implications that cannot be entirely absorbed by the Office of the Secretary of IFAD in light of the zero real growth directive on the IFAD administrative budget. The contingency will also cover the costs related to any unforeseen changes in staff entitlement or salary increases dictated by the United Nations Common System. The Director of OE will report separately to the Executive Board on the utilization of the contingency amount, providing a summary of activities financed.

94. In sum, the level of the OE budget for 2005 is expected to remain within the 2004 level. Therefore, the total budget proposal will be around USD 4 491 425. The exact figure will be determined at the time of the submission of the OE 2005 work programme and budget to the Board in December 2004 based on the considerations in paragraphs 83 and 91.

PART III – RECOMMENDATIONS

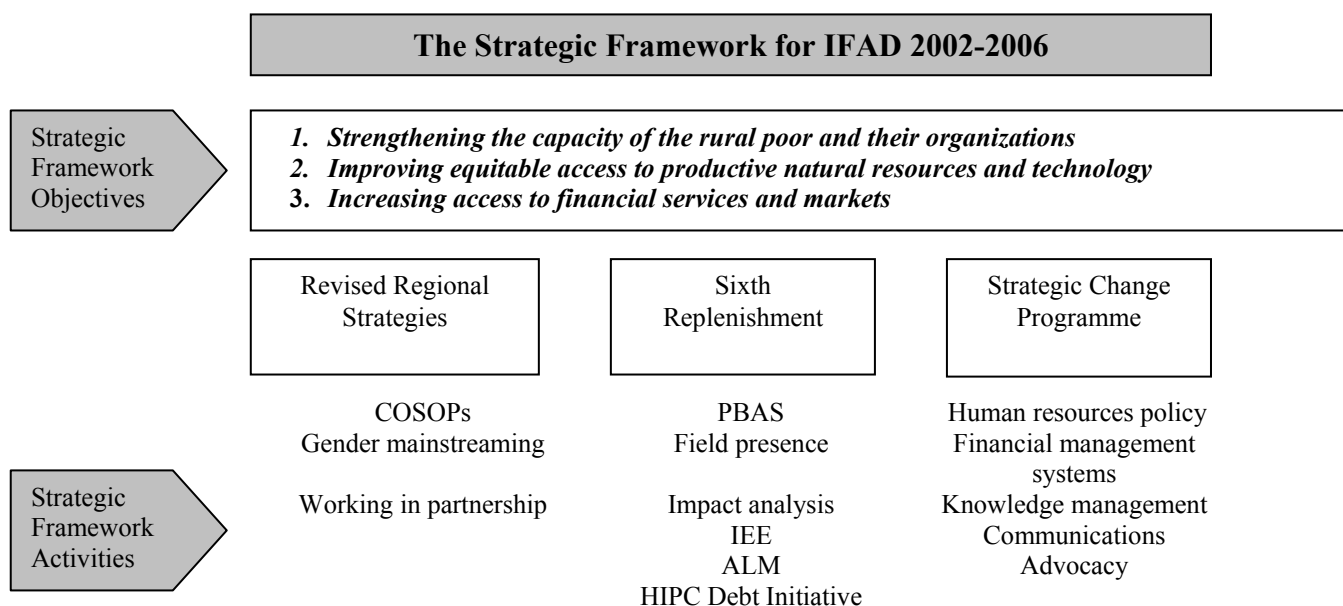
95. The Executive Board is invited to:

- (i) provide comments and guidance on the strategic priorities and proposed programme of work for IFAD for 2005 as described in Part I of this paper, including the level of the programme of work, PDFF and administrative budget; and
- (ii) provide comments, guidance to the Office of Evaluation on the proposed programme of work and budget presented in Part II of this paper.

96. 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 2005, for consideration by the Audit Committee at its November 2004 meeting as well as by the Executive Board at its Eighty-Third Session in December 2004.

STRATEGIC FRAMEWORK FOR IFAD 2002-2006

1. The *Strategic Framework for IFAD 2002-2006* is conceived as part of the broad global commitment to achieving the Millennium Development Goals. IFAD’s mission is to “enable the rural poor to overcome their poverty”, and the strategic framework consists of three strategic objectives implemented through a certain number of related activities:



2. As a result of the Sixth Replenishment consultation, IFAD has been requested to implement a performance-based allocation system (PBAS) and to consider field presence and various other initiatives as listed in the table above. These issues have been dealt with in 2004, but most of them have implications for 2005 and beyond, which have been taken into account while unit work programmes were planned.

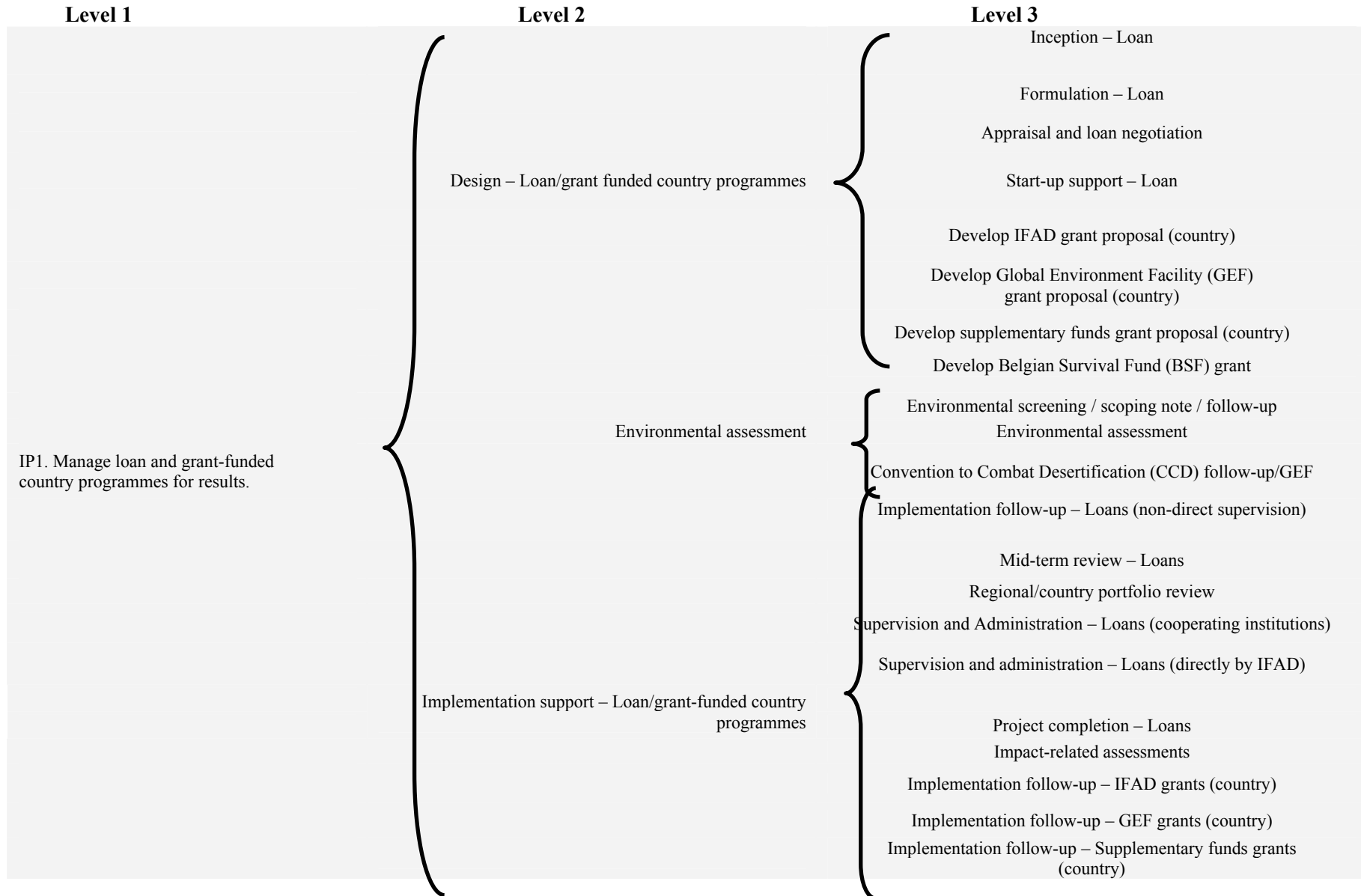
INSTITUTIONAL PRIORITIES FOR 2005

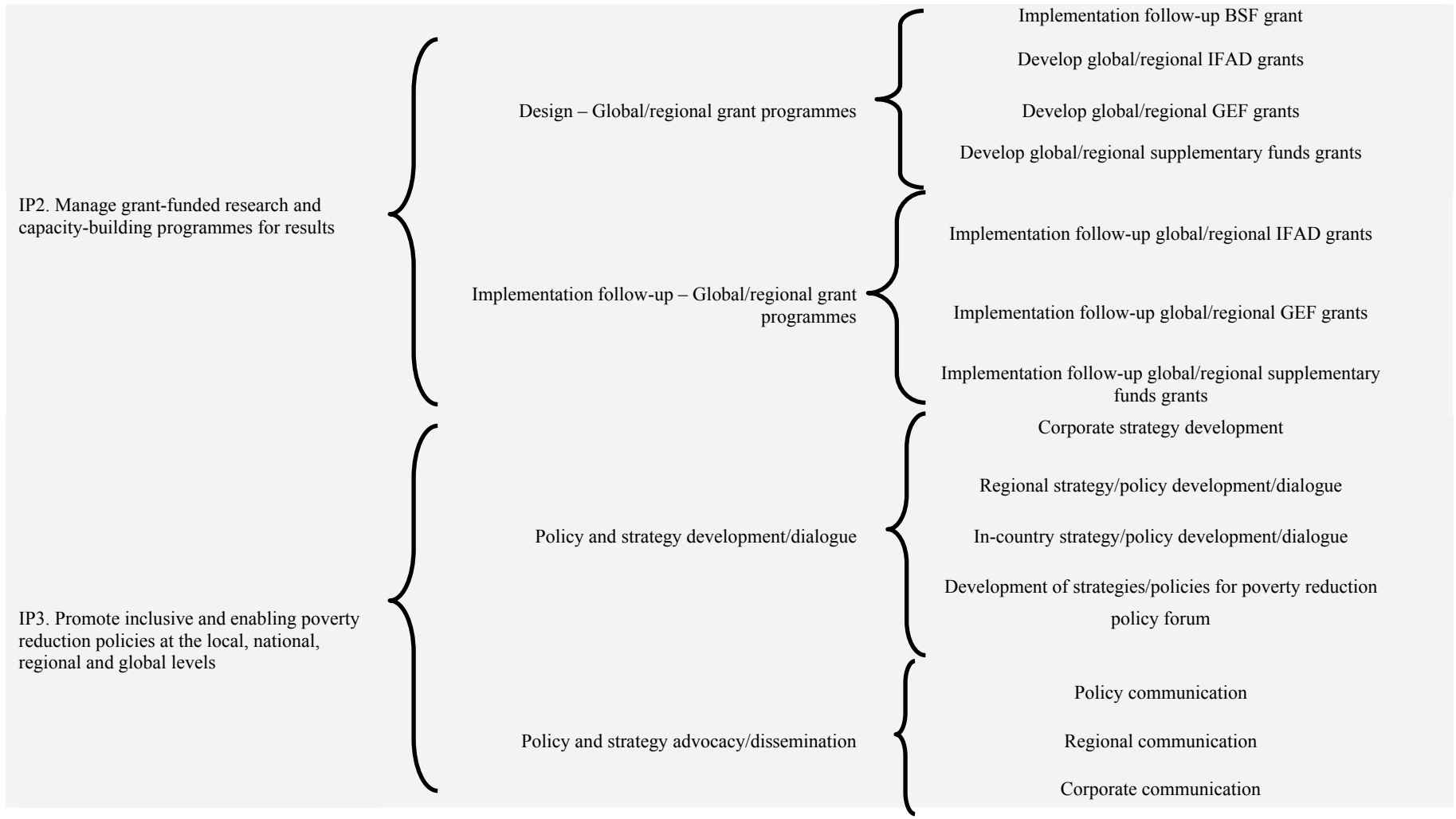
During the 2004 programme of work and budget process, senior management guidelines, issued after the Strategic Forum, identified eight institutional priorities (IPs). These eight priorities, with an expanded definition for IP8, were reconfirmed and emphasized by senior management after the Strategic Forum for the 2005 budget process and are shown in the box below.

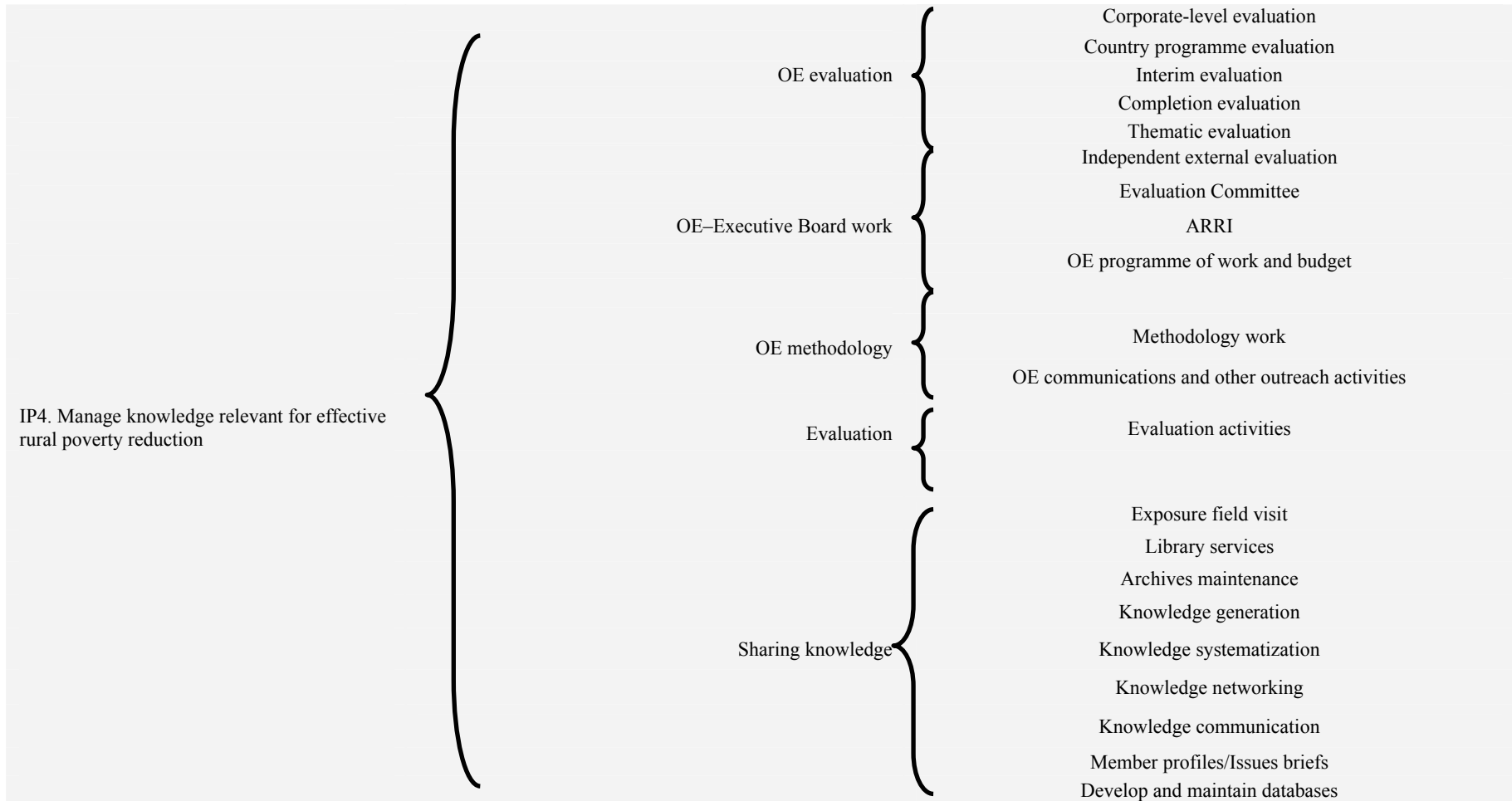
IFAD's Institutional Priorities

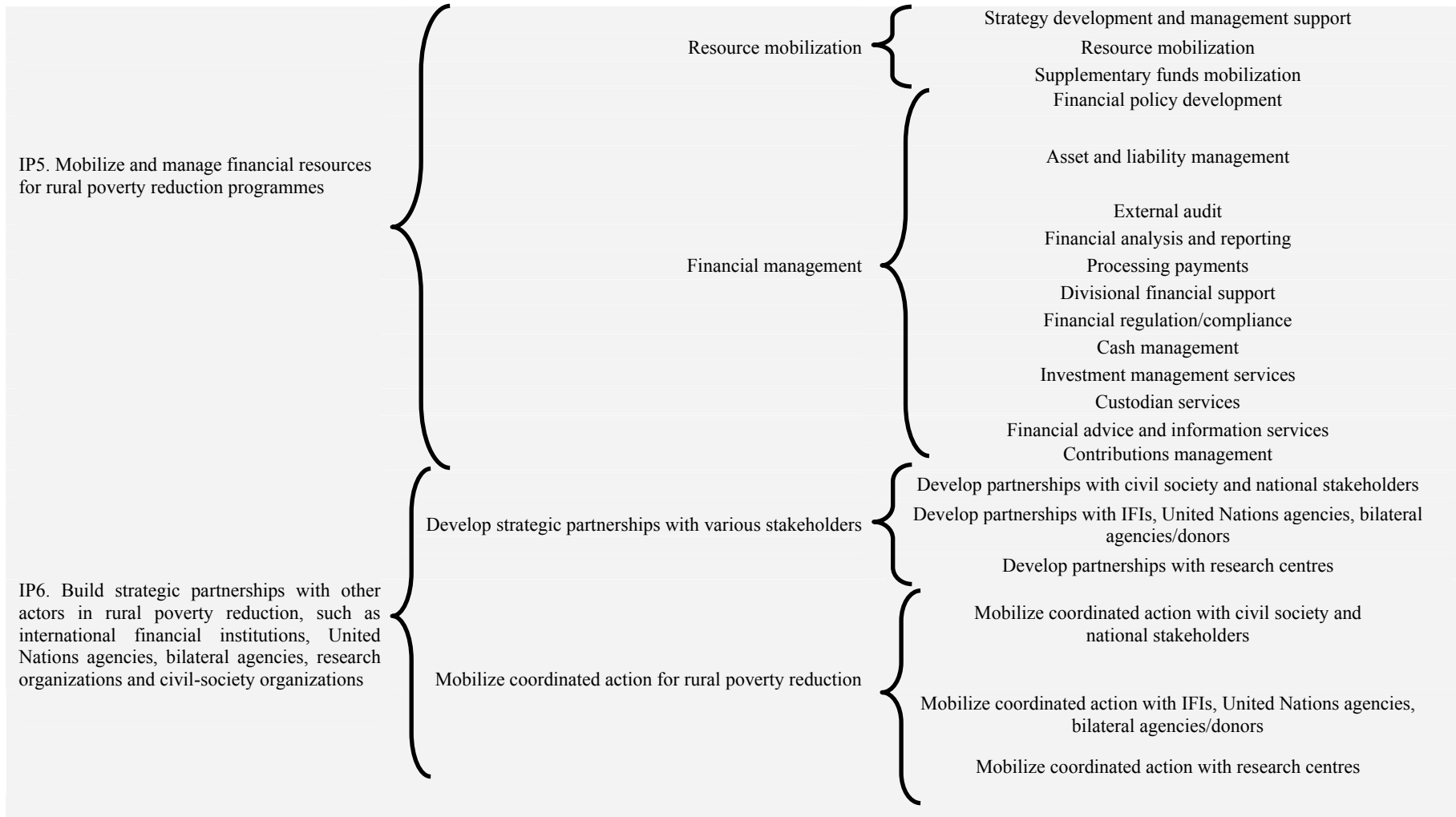
IP1.	Manage loan and grant-funded country programmes for results
IP2.	Manage grant-funded research and capacity-building programmes for results
IP3.	Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels
IP4.	Manage knowledge relevant for effective rural poverty reduction
IP5.	Mobilize and manage financial resources for rural poverty reduction programmes
IP6.	Build strategic partnerships with other actors in rural poverty reduction, such as international financial institutions, United Nations agencies, bilateral agencies, research organizations and civil-society organizations
IP7.	Develop innovative approaches to rural poverty reduction
IP8.	Manage institutional governance, including human resources, information technology and legal and administrative support, for enhanced effectiveness

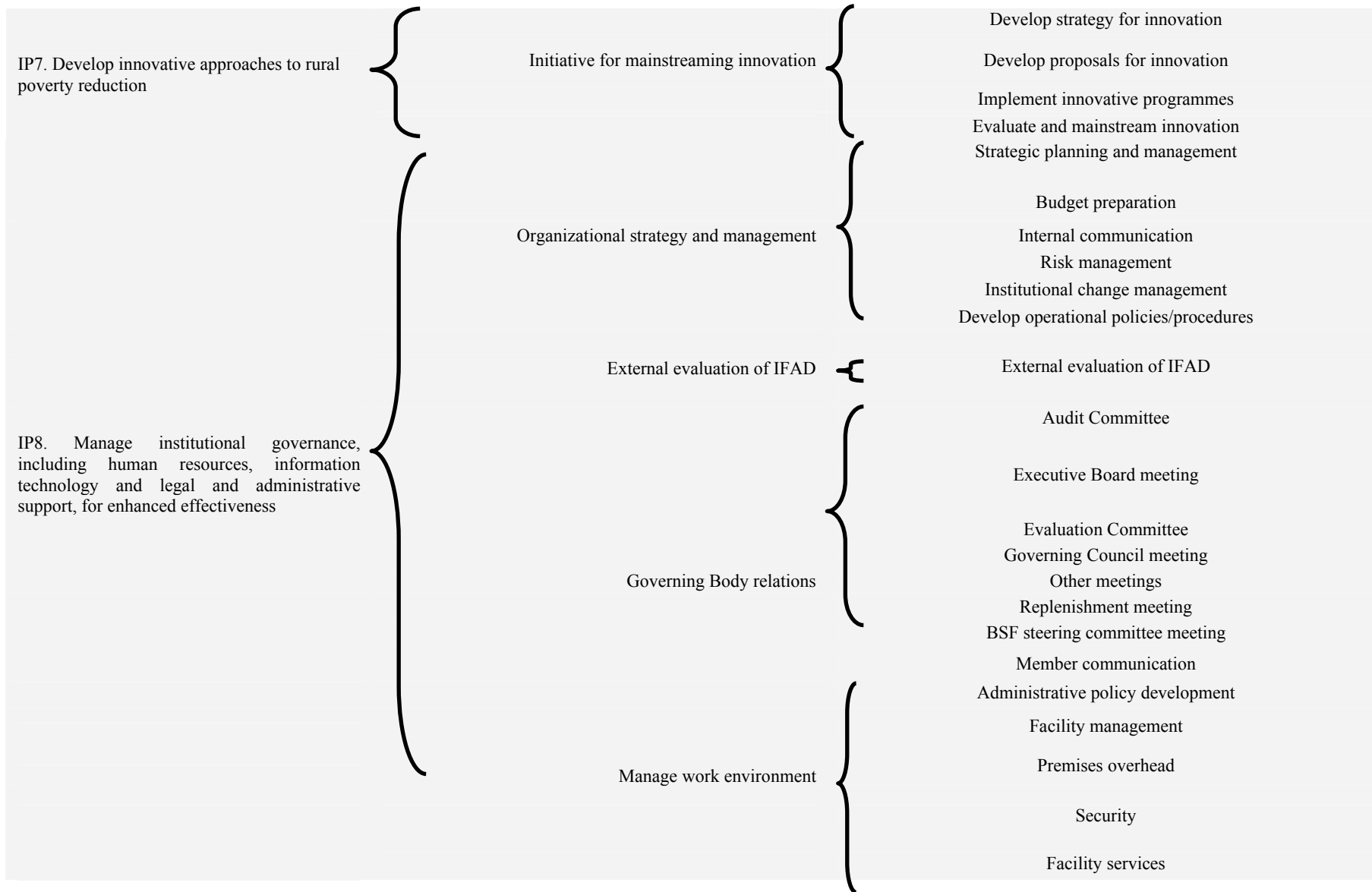
IFAD'S ACTIVITY TREE

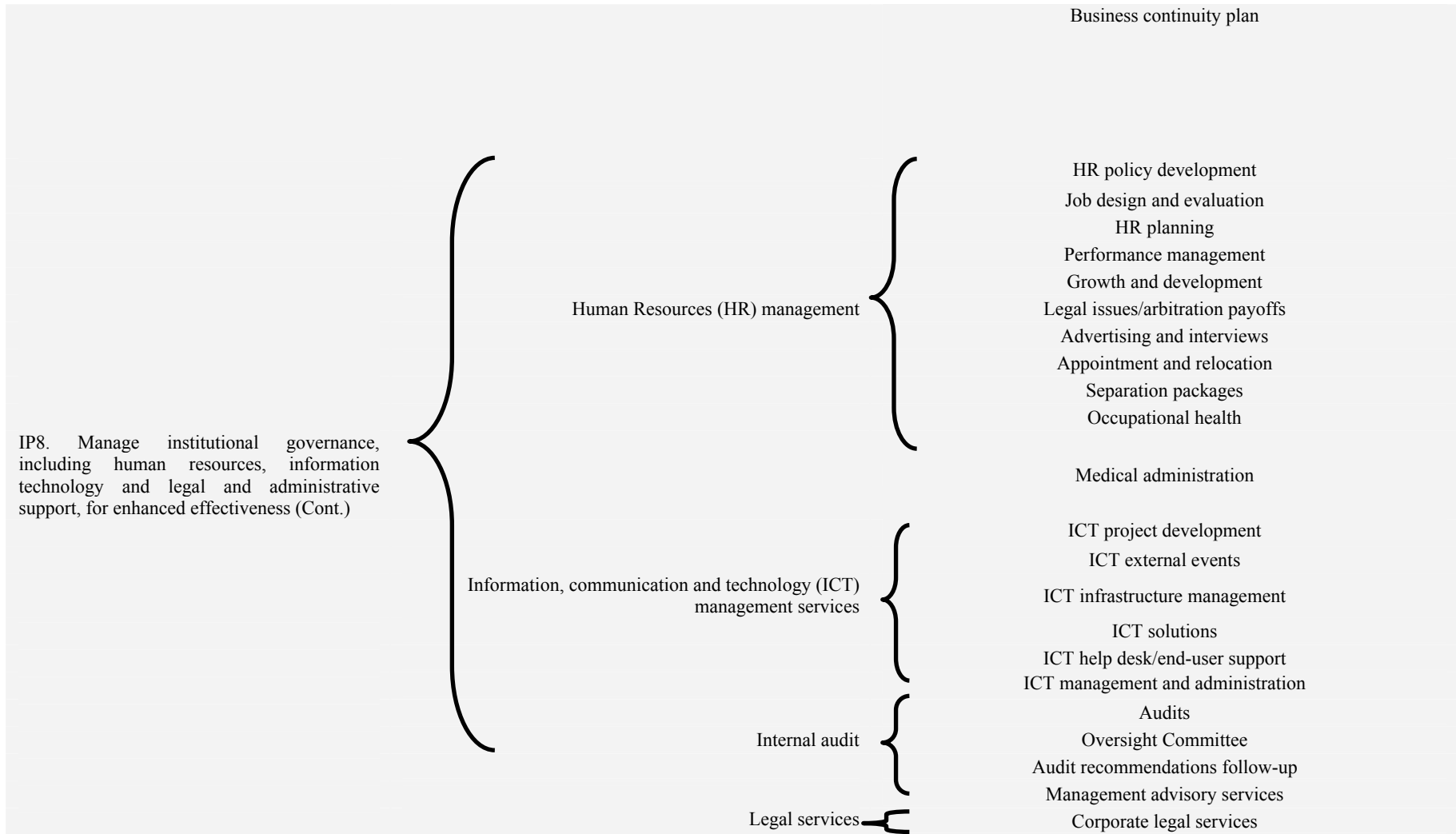




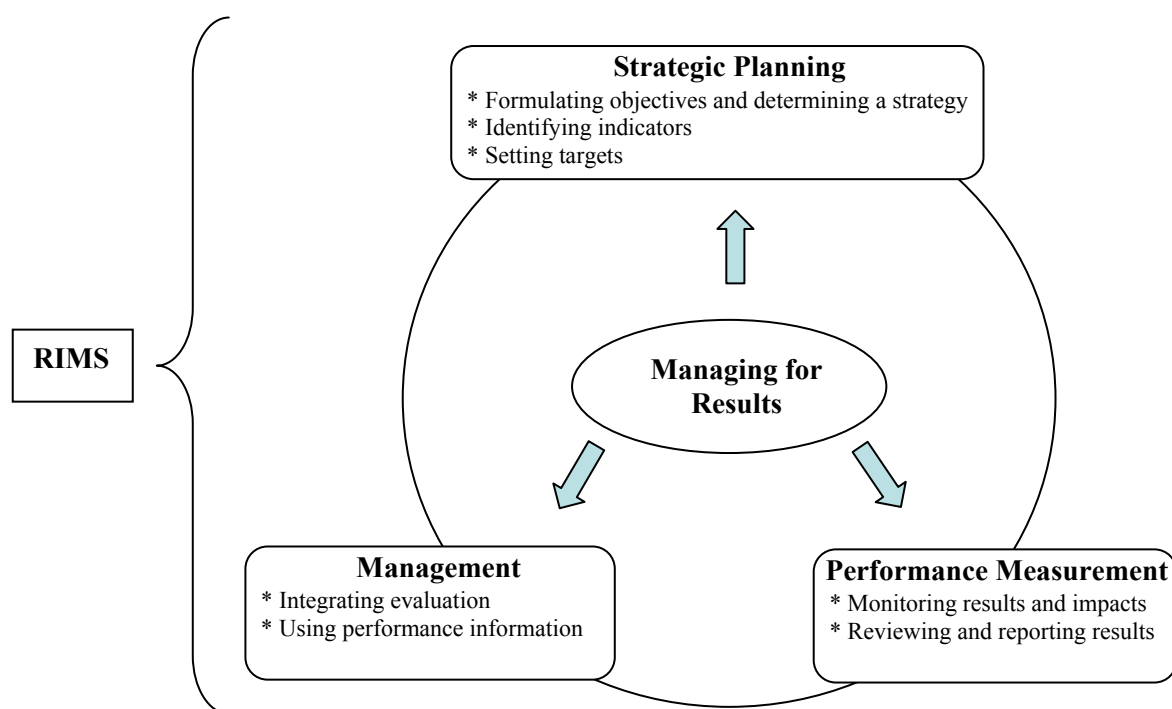








THE RESULTS AND IMPACT MANAGEMENT SYSTEM (RIMS) PROCESS



Strategic Planning

Define the results expected and a strategy for achieving them, through a participatory process that includes all stakeholders. Define the data needed to monitor performance against expected results and develop plans for collecting and reporting performance data.

Performance Measurement

Collect data required to monitor performance and conduct evaluations as necessary to understand the causes of performance that falls above or below expectations. Report performance measurement information to internal and external partners/stakeholders to support decision-making and future planning. Results achieved will be the basis to assess long-term effects (impacts) produced by the development intervention.

Management

Provide relevant performance management information to managers and teams so they can review and adjust, as necessary, their plans and strategies and continuously improve their work activities in order to maximize results.

The following steps have been defined in the RIMS process:

Formulating objectives and determining a strategy. Within this step, IFAD has been clearly identifying, in measurable terms, the results being sought and how to achieve them:

RESULTS		
Impact (third-level result)	Outcomes (second-level results)	Outputs (first-level results) of the entire portfolio
Enabling the rural poor to overcome their poverty	(i) developing and strengthening the organizations of the poor to confront the issues they define as critical; (ii) increasing access to knowledge so that poor people grasp opportunities and overcome obstacles; (iii) expanding the influence that the poor exert over public policy and institutions; and enhancing their bargaining power in the marketplace.	<ul style="list-style-type: none"> • Human capital development for rural households • Institutional development (institutional transformation, policy change) • Management and coordination (including monitoring and evaluation) • Marketing, storage and processing • Natural resource management • Research, extension and training • Rural community development • Rural enterprises development • Rural financial services • Rural infrastructure development • Smallholder agriculture development • Smallholder livestock development • Small-scale fisheries development

Reviewing and reporting results. Together with the progress report on the project portfolio, IFAD will submit aggregated reports to the April sessions of the Executive Board on the above-mentioned results and indicators of impact. These reports will be complemented by OE's annual report on results and impact. The reporting on qualitative results and impact indicators, or on indicators that require different and non-annual methodologies, will follow a different periodicity, specific to the methodologies selected.

DEPARTMENTAL PRIORITIES AND ACTIVITIES

Each department has identified a certain number of activities in which they will engage in order to address the institutional priorities.

A. Programme Management Department

DEPARTMENT	PLANNED INSTITUTIONAL PRIORITIES	
PROGRAMME MANAGEMENT (PMD)	IP1 and IP2	Manage loan and grant-funded country programmes for results and manage grant-funded research and capacity-building programmes for results
	ACTIVITIES	<ul style="list-style-type: none"> • Introduction of results and impact management system (RIMS) • Technical assistance grants for strengthening management capacity in IFAD projects • Improved implementation support and supervision, more focused follow-up actions, organization of workshop in Africa I, subregional portfolio review workshop (South Asia), country portfolio reviews and thematic evaluations • Improved monitoring and evaluation (M&E) system • Consultations with cooperating institutions (CIs) to discuss: (i) key implementation issues and (ii) enhance information exchange • Allocation of additional human resources to provide necessary implementation support/participation to supervision/follow-up missions • Field Presence Pilot Programme (FPPP): expected to have positive impact on country programmes and capacity-building. • Introduction of new strategic portfolio review, focusing more on results of (i) individual projects and (ii) total projects. • Grants: (i) implementation progress reports with clear implementation monitoring parameters and (ii) field supervision for large grants
	IP3 and IP6	Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels and build strategic partnerships with other actors in rural poverty reduction

DEPARTMENT	PLANNED INSTITUTIONAL PRIORITIES	
PROGRAMME MANAGEMENT (PMD) (cont.)		<p>Global/regional</p> <ul style="list-style-type: none"> • In collaboration with the Policy Division, position IFAD in global development policy agenda (e.g. donor harmonization, agricultural subsidies, enhanced aid flows, aid effectiveness) • Develop strategic partnerships (e.g. NEPAD, other IFIs, CCD/GEF, etc.) • Support regional policy initiatives (e.g. common agricultural policy for West Africa, market access) • Water for life and governing this water (United Nations Water) • The promising IFAD/German Agency for Technical Cooperation (GTZ) collaborative initiative launched in the area of poverty reduction strategy papers (PRSPs) <p>National level</p> <ul style="list-style-type: none"> • Engage in poverty reduction strategies (e.g. PRSPs, SWAPs, etc.) • Replicate policy initiatives from one country to another (e.g. decentralization, land reform) • Engage in policy dialogue linked to PBAS • FPPI in 15 countries • Realize policy impact of field presence
	IP4	Manage knowledge relevant for effective rural poverty reduction
	ACTIVITIES	<ul style="list-style-type: none"> • Through the loan and grant programme and the FPPI, a wide range of opportunities will arise to engage in generating and sharing knowledge
	IP5	Mobilize and manage financial resources for rural poverty reduction programmes
	ACTIVITIES	<ul style="list-style-type: none"> • PMD will support the IFAD VII exercise by: supporting the preparation of background/thematic documents; advocating for IFAD in key countries of the regions; raising awareness about IFAD's mandate at local, national, regional and international levels; and influencing the PRSP and other country-owned rural poverty reduction strategies to allocate more resources for rural poverty reduction programmes.
	IP7	Develop innovative approaches to rural poverty reduction
	ACTIVITIES	<ul style="list-style-type: none"> • Results of the pilot IMI will allow IFAD to launch in full scale in 2005 the multi-donor supported initiative

DEPARTMENT	PLANNED INSTITUTIONAL PRIORITIES	
PROGRAMME MANAGEMENT (PMD) (cont.)	IP8	Manage institutional governance, including human resources, information technology and legal and administrative support, for enhanced effectiveness
	ACTIVITIES	<ul style="list-style-type: none"> • To overcome the staffing constraints in various consecutive years, PMD has financed Chapter X staff (Professional and General Service) through PDFF and supplementary funds. Results are best achieved in a favourable working environment, in terms of adequate manpower (and contractual arrangements), career development opportunities, IT support and training programmes

B. External Affairs Department

DEPARTMENT	PLANNED INSTITUTIONAL PRIORITIES	
EXTERNAL AFFAIRS (EAD)	IP3	Promote inclusive and enabling poverty reduction policies at the local, national, regional and global levels
	ACTIVITIES	<ul style="list-style-type: none"> • Continue and maintain dialogue and engagement started since 2002 • Enhance coalition-building with United Nations and civil society in the context of new opportunities (Permanent Forum for Indigenous Issues) • Increase recognition of IFAD's approach, thereby supporting IFAD VII • Enhance IFAD's relationship with Japan, also in the context of the Fund's engagement in the Pacific Island Developing States as per the Barbados Plan of Action; provide support to the African Union, NEPAD and other intergovernmental bodies; provide support to the Governing Council structure; and contribute to IFAD VII consultations.
	IP4	Manage knowledge relevant for effective rural poverty reduction
	ACTIVITIES	<ul style="list-style-type: none"> • Enhance learning and sharing through the virtual IFAD and with development partners (develop the rural poverty portal) • Exposure field visit programme • Refine reference and documentation services • Preserve institutional memory
	IP5	Mobilize and manage financial resources for rural poverty reduction programmes
	ACTIVITIES	<ul style="list-style-type: none"> • Prepare substantive policy briefs • Arrange and contribute to consultative sessions for IFAD VII • Prepare communication plans

DEPARTMENT	PLANNED INSTITUTIONAL PRIORITIES	
EXTERNAL AFFAIRS (EAD) (cont.)	IP6	Build strategic partnerships with other actors in rural poverty reduction
	ACTIVITIES	<ul style="list-style-type: none"> • Maintain and enhance existing partnerships with bilateral and multilateral organizations (broad-based selected intergovernmental organizations such as the European Union, the Group of Seventy-Seven and the African Union) and IFIs (Arab financial institutions, regional development banks, the OPEC Fund) • Enhance advocacy, partnership and coalition-building with IFAD Member States for increased political support and mobilization for IFAD VII, as well as for IFAD's re-engagement in the Pacific) • Contribute to discussion papers and notes based on IFAD policies and experiences in policy and project support • Consolidate catalytic role within IFAD to ensure adequate and timely follow-up to and implementation of policies adopted by United Nations bodies and in major international conferences
	IP7	Develop innovative approaches to rural poverty reduction
	ACTIVITIES	<ul style="list-style-type: none"> • In collaboration with PMD, implement the Initiative for Mainstreaming Innovation • Explore innovative approaches to policy dialogue and communication (EAD staff field exposure)
	IP8	Manage institutional governance, including human resources, information technology and legal and administrative support, for enhanced effectiveness
ACTIVITIES	<ul style="list-style-type: none"> • Streamline internal processes connected with EAD • Enhance the effectiveness of all activities through internal communication • Contribute to institutional governance and enhance management of human resources • Optimize relations with Member States • Contribute to governing body meetings including IFAD VII consultation sessions 	

C. Finance and Administration Department

DEPARTMENT	PLANNED INSTITUTIONAL PRIORITIES	
FINANCE AND ADMINISTRATION (FAD)	IP1 and IP2	Manage loan and grant-funded country programmes for results and manage grant-funded research and capacity-building programmes for results
	ACTIVITIES	<ul style="list-style-type: none"> • Support loan administration by providing current and historical data concerning resource availability and forecasting and sharing of knowledge of financial trends • Provide administrative assistance to enable IFAD colleagues to participate in these corporate priorities and activities such as processing payments for travel, consultants, cooperating institutions, suppliers and payroll • Develop and generate timely management reporting and analysis. Provide detailed analysis of costs and revenues by specific country, project and lending terms; support an increased lending programme, which will include PBAS indicators
	IP5	Mobilize and manage financial resources for rural poverty reduction programmes
	ACTIVITIES	<ul style="list-style-type: none"> • Provide the enabling environment for the planned consultations by ensuring availability of the conference sites and smooth set-up of the areas as well as providing the required operational, administrative and IT support and necessary resources • Participate actively in the IFAD VII exercise by providing financial analysis through the financial model and financial expertise on technical issues
	IP8	Manage institutional governance, including human resources, information technology and legal and administrative support, for enhanced effectiveness
ACT FINANCE & ADMINISTRATION (FAD) ACTIVITIES	<ul style="list-style-type: none"> • Provide management of human resources by: implementing the review of pay and performance increments as part of the ICSC pilot study; training with an aim to increase capacity of staff through the personal development programme within the Development Centre for IFAD; improving managerial skills • Ensure the security and safety of staff (implementation of the United Nations minimum operating security standards) • Provide management of financial resources by: improving the financial monitoring and reporting of financial results including loans and grants data; improving the financial management of the supplementary funds; organizing training workshops for borrowers on loan and grant administration and project audit reporting; implementing the recommendations of the security of investment report and the asset liability management report; linking the strategic framework to the programme of work and budget and actual results through the full introduction of ABB and the development of reporting systems; • Provide management of information systems by: fully implementing the Web-based architecture to enable reaching IFAD partners outside Headquarters • Implement recommendations from final outcome of the IEE 	

D. OPV Group

Office of the General Counsel

DIVISION	PLANNED INSTITUTIONAL PRIORITIES	
OFFICE OF THE GENERAL COUNSEL (OL)	IP1	Manage loan and grant-funded country programmes for results
	ACTIVITIES	<ul style="list-style-type: none"> • Finalize any work resulting from the review and evaluation of the role of CIs in the supervision and administration of IFAD loans • Provide support to enhance IFAD's assistance through the implementation of its pilot programme on field presence
	IP2	Manage grant-funded research and capacity-building programmes for results
	ACTIVITIES	<ul style="list-style-type: none"> • work to implement the new grant policy and, in particular, to develop and refine procedures for its implementation
	IP3	Promote inclusive and enabling poverty reduction policies at the local, national, regional and global levels
	ACTIVITIES	<ul style="list-style-type: none"> • Assist in the drafting and negotiation of agreements and arrangements for the development of local and liaison IFAD offices as decided by IFAD • Continue implementing its part of the Gender Action Plan
	IP5	Mobilize and manage financial resources for rural poverty reduction programmes
	ACTIVITIES	<ul style="list-style-type: none"> • Continue to provide legal support for the implementation of the IFAD V and VI and assist during the preparation and negotiation of IFAD VII • Continue to provide legal support with respect to the mobilization and negotiation of supplementary funding agreements and arrangements • Within the parameters of the Agreement Establishing IFAD, attempt to maximize the receivability and usability of regular, HIPC Debt Initiative, supplementary, complementary and special resources
	IP6	Build strategic partnerships with other actors in rural poverty reduction
	ACTIVITIES	<ul style="list-style-type: none"> • Continue to work closely with the Global Mechanism and the International Land Coalition • Build new and maintain existing strategic partnerships with bilateral and multilateral entities through support in the formulation and negotiation of the partnership parameters and modalities in the light of IFAD's structure and rules, and the related drafting and administration of the arrangements • Endeavour to ensure harmonization with the approaches of sister agencies/other IFIs with respect to legal affairs/approach

DIVISION	PLANNED INSTITUTIONAL PRIORITIES	
OFFICE OF THE GENERAL COUNSEL (OL) (cont.)	IP8	Manage institutional governance, including human resources, information technology and legal and administrative support, for enhanced effectiveness
	ACTIVITIES	<ul style="list-style-type: none"> • Continue to be involved in the Oversight Committee and handle and advise on matters related to the Administrative Tribunal of the International Labour Organization/Joint Appeals Board • Develop good governance policies and procedures for IFAD and the projects and programmes it funds • With the cooperation of OA, OL will continue to implement the new IFAD legal framework and disseminate it on the Intranet • Extensive assistance to ensure the full and successful implementation of the SCP

Office of Internal Audit

DIVISION	PLANNED INSTITUTIONAL PRIORITIES	
OFFICE OF INTERNAL AUDIT (OA)	IP8	Manage institutional governance, including human resources, information technology and legal and administrative support, for enhanced effectiveness
	ACTIVITIES	<ul style="list-style-type: none"> • Implement the anti-corruption policy in order to support the impact of IFAD's projects and align the Fund's practices in this regard to those of other IFI's • Rationalize the existing structured policy and procedural framework: extend the procedural guidance and complete the Intranet-based IFAD manual • Provide further support by developing and consolidating the institutional risk management framework launched in 2004 • Enhance levels of responsibility and accountability by decentralizing decision-making process: in strict connection with the SCP, propose balance controls that safeguard flexibility while ensuring accountability over each process (reporting/results review/management investigation)

Resource Mobilization Unit

DIVISION	PLANNED INSTITUTIONAL PRIORITIES	
RESOURCE MOBILIZATION UNIT (ER)	IP3	Promote inclusive and enabling poverty reduction policies at the local, national, regional and global levels
	ACTIVITIES	<ul style="list-style-type: none"> • Continue focusing on the strategic framework through the implementation of policies resulting from inputs given by Member States during the Replenishment process.
	IP4	Manage knowledge relevant for effective rural poverty reduction
	ACTIVITIES	<ul style="list-style-type: none"> • Acquire stronger knowledge of Member States' priorities • Improve communication with Member States • Engage with advocacy groups • Operate a Replenishment communication strategy with the Communications (EC) division
	IP5	Mobilize and manage financial resources for rural poverty reduction programmes
	ACTIVITIES	<ul style="list-style-type: none"> • Manage IFAD VII • Manage core, supplementary funds and other innovative resources (e.g. funds available under the Initiative for Mainstreaming Innovation) • Mobilize political and financial support, and identify opportunities for supplementary/thematic funds (mobilize higher contributions from Lists B and C; follow up with countries in arrears; focus on new developing/emerging donor countries; and contribute to IFAD's involvement in debt management instruments, including the HIPC Debt Initiative) • Prepare policy briefs • Pay attention to new developing and emerging donor countries
	IP6	Build strategic partnerships with other actors in rural poverty reduction
	ACTIVITIES	<ul style="list-style-type: none"> • Develop partnerships with the private sector and other IFIs
	IP8	Manage institutional governance, including human resources, information technology and legal and administrative support, for enhanced effectiveness
	ACTIVITIES	<ul style="list-style-type: none"> • Make sure the unit work programme uses the best funds available and continue to establish link between resources and priorities during work planning

**2005 PROGRAMME OF WORK BY REGIONS
(USD '000)**

	Western and Central Africa	Eastern and Southern Africa	Asia and the Pacific	Latin America and the Caribbean	Near East and North Africa	Total
Recommended allocation	78.6	78.6	132.6	72.8	64.9	427.5
Percentage of total programme	18.4%	18.4%	31%	17%	15.2%	100%
Number of projects	6	5	6	5	5	27
Planned country list ^a	<ul style="list-style-type: none"> • Benin • D.R. Congo • Ghana • Guinea Bissau • Nigeria • Senegal 	<ul style="list-style-type: none"> • Madagascar • Mozambique • Rwanda • Tanzania, United Republic of • Uganda 	<ul style="list-style-type: none"> • Bangladesh • Bhutan • China • India • Laos • Philippines 	<ul style="list-style-type: none"> • Bolivia • Colombia • Costa Rica • Mexico • Nicaragua 	<ul style="list-style-type: none"> • Armenia • Georgia • Jordan • Sudan • Tunisia 	
Reserve	<ul style="list-style-type: none"> • Congo • Gabon • Niger • Sierra Leone 	<ul style="list-style-type: none"> • Kenya 	<ul style="list-style-type: none"> • Pakistan • Sri Lanka 	<ul style="list-style-type: none"> • Brazil • Dominican Republic • El Salvador • Haiti • Paraguay 	<ul style="list-style-type: none"> • Morocco • Yemen 	14
Total	10	6	8	10	7	41

^a The country list may be subject to change.

WESTERN AND CENTRAL AFRICA REGION

Update on Regional Strategy

1. The Western and Central Africa region continues to evolve rapidly but unevenly on both the political and economic fronts. These developments have a direct bearing on the health of the IFAD programme in the region.

2. Important strides have been made in the areas of arrears clearance and portfolio reactivation in a number of countries in the region. These include The Congo, the Democratic Republic of The Congo, Gabon and Sierra Leone. Projects have already been approved by the Executive Board for three of these four countries (The Congo, the Democratic Republic of The Congo and Sierra Leone) to assist in post-conflict rehabilitation efforts.

3. However, the civil conflict that has plagued Côte d'Ivoire over the last two years has had a severely negative effect on subregional economies and poverty reduction efforts. Difficulties in Guinea have resulted in that country's programme being suspended, beginning in early 2004. Continued instability in several other countries has prevented portfolio reactivation for a number of years now. The Division continues to monitor the situation in these countries closely.

4. The regional strategy of the Western and Central Africa Division was validated in regional seminars in Dakar, Senegal, and Yaoundé, Cameroon, in January and May 2002 respectively, and finalized shortly thereafter. In November 2002, a regional project implementation workshop was held to develop an action plan to operationalize the strategy, and this action plan is now being implemented and monitored. Initiatives have been undertaken to improve project implementation, strengthen synergies between loans and grants, enhance policy dialogue and knowledge management, improve communications and mainstream gender issues. Specific actions in progress include the following:

- Implementation of major activities identified in the rural finance action plan validated at the Governing Council in February 2004;
- Scaling up of pilot cassava market linkage initiatives begun in Ghana and Nigeria in 2004;
- Support to follow-up actions recommended at the workshop held in Mali in March 2004 on farmer innovation and participatory research and development. This effort is being closely coordinated with Fidafrique and the Regional Policy Hub;
- Significant progress made in assisting farmers' federations in developing their advocacy capacity at subregional and continental levels. Much of this work has been accomplished within the context of NEPAD and by providing input to subregional economic organizations such as the West African Economic and Monetary Union;
- Institutional analysis guidelines and training materials being finalized in 2004 with IMI pilot-phase funding. These materials are relevant for both project development and policy analysis. If it is determined that there is IFAD-wide interest in pursuing this training initiative for staff, consultants and regional stakeholders, future efforts would be supported with funds from the full IMI phase;
- In partnership with EAD, a media-supported advocacy and communication for development programme established in 2003 continuing in 2005 in order to boost the catalytic role of IFAD in communicating the importance of agricultural and rural development for effective poverty reduction. This programme will work in three areas: policy advocacy; awareness raising about rural poverty and IFAD's role in reducing it; and information and communication for development; and
- In 2003 and 2004, significant progress made in mainstreaming gender concerns into operations. The Division accomplished this in three ways: achieving the objectives of the IFAD gender plan of action by providing support to country programme managers (CPMs) upon request (review of formulation and appraisal main documents, participation in project development teams, provision of gender specialists, financing of gender activities); integrating the IFAD gender plan of action in all ongoing projects in Cape Verde, Ghana, Guinea and Senegal through gender-sensitization and training workshops; and producing, in partnership with the United Nations Development Fund for Women, the first draft of the joint strategy for empowering rural women in Western Africa

Regional Policy Development Agenda for 2005

5. Building on ongoing reflections on prioritizing PRSP activities, the Division will strategically target several countries for PRSP support in 2005. This work will be financed with a combination of supplementary funds and in-country grants.

6. The Regional Policy Hub will take on a central strategic role in identifying priority policy issues emanating from loan and grant field experience and initiating policy dialogue at national and regional levels.

7. Five COSOPs will be prepared, and these will provide an important opportunity to engage in policy dialogue in those areas most relevant to shaping country programmes, and to provide information for the PBAS process.
8. The Division will continue to support the Secretariat of NEPAD and farmers' organizations in providing input and voice to the definition of NEPAD priorities, in close collaboration with the Eastern and Southern Africa Division and the Near East and North Africa Division.
9. Building on strategic reflections undertaken in 2004, the Division will pursue policy dialogue on local development and decentralization in selected countries in 2005.
10. Another priority policy advocacy area in 2005 will be globalization and regional integration. This will build on analytic work initiated this year with the Policy Division, France and the Organisation for Economic Co-operation and Development (OECD).
11. Policy dialogue will be a key concern not only to existing divisional staff, but also to the new field presence staff, to be placed in Abuja, Dakar and Kinshasa.

2005 New Operational Programme Development

12. **Loans.** The 2005 lending level is forecast at approximately USD 79 million for six projects. Given the inherent uncertainty in the region, three projects are also included as reserves. Proposed loan activities clearly reflect strategic framework priorities. To respond to SO1, all 2005 loan projects will place a strong emphasis on grass-roots institutional capacity-building. Regarding SO2, loans to the Democratic Republic of The Congo and Ghana will focus on boosting agricultural productivity and developing processing and marketing opportunities. In line with SO3, the Benin and Nigeria projects will focus on employment generation and the development of national rural financial systems.
13. The Division will endeavour to achieve a cofinancing level that is 20% higher than the anticipated 2004 level.
14. **Grants.** Follow-up in a number of areas will necessitate greater availability of grant resources, if these initiatives are to be fully effective. Activities that need to be accompanied by grant resources include support to NEPAD and other policy initiatives, field presence (so that knowledge management and policy dialogue can be properly supported), and follow-up measures related to the Rural Finance Action Plan, local development and the project implementation workshop planned for early 2005. The Division will continue to place high priority on grant financing of post-conflict activities as a bridge to longer-term development activities in countries emerging from civil conflict. A combination of regional, in-country and supplementary fund grant resources will be used to support work in these areas.
15. Fidafrigue will continue to be an important means for networking between regional project staff and other regional stakeholders in 2005. A major focus of the technical assistance grant (TAG) programme will be continuing implementation of 'second generation' PA-initiated agricultural research TAGs. Major focuses will include continuing to strengthen links with loan projects, boosting socio-economic capabilities and promoting exchange of best practices among grants.
16. Community-based seed multiplication systems for dissemination of NERICA ("the New Rice for Africa") rice will be developed with a combination of ongoing loan resources and strategically targeted grant resources

Managing the Ongoing Portfolio for Development Results

17. The overall thrust of the 2005 programme will be to maintain a strong emphasis on enhancing impact through measures aimed at improving project implementation performance. A TAG for strengthening management capacity in IFAD projects, to be submitted to the December 2004 Executive Board, will begin to be implemented in 2005. Priority measures for improving results-based project implementation performance will be developed at a workshop later this year and will be implemented in 2005.

18. The Division will continue a practice initiated in 2002 of participating in at least one half of supervision missions where annual workplans and budgets are discussed and developed.

Implementation of Institutional Change Agenda

19. **Direct supervision.** The Division continues to learn from its direct supervision efforts in three countries – Benin, The Gambia and Mali. To enhance institutional learning from implementation experience, a project design and implementation partnership is being established for the Sahelian Areas Development Fund Programme in Mali operating in the regions of Koulikoro and Segou. This programme is also a flexible lending programme (FLM) loan.

20. **Field presence.** Under the FPPP, initiatives are scheduled to begin in three countries (the Democratic Republic of The Congo, Nigeria and Senegal) this year and be fully operational in 2005. Each of the initiatives emphasizes knowledge management, policy dialogue and enhanced effectiveness of programme performance. The Dakar-based regional field support manager will support both the Gambian and Senegalese country programmes, and will interact with other Dakar-based regional initiatives, most notably Fidafrigue and the Regional Policy Hub. It is anticipated that key areas for policy dialogue and knowledge management will include farmer and civil society empowerment, decentralization and rural financial services.

21. The Nigeria representative will build on the current solid partnerships linking the Federal Government, a number of state governments, IFAD and other donor organizations operating in the country. There will also be a strong emphasis on working with regional organizations based in Nigeria. Specifically, the field representative will focus on: enhancing IFAD's role in policy dialogue in areas such as local development, rural services delivery and rural financial systems development; developing operational approaches to implementation and supervision of IFAD projects for greater impact and knowledge sharing; supporting the development/implementation of a comprehensive common agricultural policy by the Economic Community of West African States; and maximizing synergy among the different types of IFAD financing, and instituting closer and more explicit links between IFAD loans and grants and the International Institute of Tropical Agriculture.

22. The representative of the Democratic Republic of The Congo will be based in Kinshasa and will assist in programme reactivation in both the country and in the neighbouring Republic of The Congo. This person will play a critical role in the implementation of IFAD's post-conflict strategy in those two countries – a strategy, enunciated in the two countries' COSOPs, that emphasizes the importance of combining loan and grant resources in order to bridge the gap between humanitarian assistance and long-term development.

EASTERN AND SOUTHERN AFRICA REGION

Update on Regional Strategy

23. The regional strategy has focused on strengthening the capacity of smallholders to cope with and profit from market relations in key areas: market organization; access to finance; access to technology; and access to water. In 2005 a solid basis will also be in place to assist stakeholders in supporting the rural poor to address the cross-cutting theme of securing and maintaining access to land in the context of economic and social transformation processes. The implementation of a number of major programmes in all the existing strategic focus areas, together with diagnostic analyses by programme managers, is clarifying the critical issues involved in scaling up projects and policy dialogue, which will be core activities for the Division in 2005. Part of this work will revolve around issues of public expenditure and associated policy (especially in PRSPs and derivatives). Part will focus on creating a more supportive framework for private-sector operations, and particularly for an enhanced presence of medium- and large-scale private-sector agroindustrial and financial service operators in the rural economy. A recent heavy concentration on the social and institutional issues involved in rural poverty reduction will be balanced by greater engagement with resource conservation and management issues in collaboration with the Global Mechanism of the Convention to Combat Desertification (CCD) and the Global Environment Facility (GEF). The Division has addressed gender issues as an integral dimension of the strategic themes, and this will be deepened in the key area of land – including, but not restricted to, gender issues in access to land in situations of high HIV/AIDS prevalence.

Regional Policy Development Agenda for 2005

24. It is widely understood that making broad progress in poverty reduction requires major changes in national structural conditions to make them more clearly responsive to the opportunities and constraints of the rural poor. The major objective for 2005 will involve putting the rural poverty agenda, and IFAD's experience-based perspective, more firmly in national policy, planning and resource allocation processes. From a medium-term perspective, this will involve systematic application of the PBAS to identify key issues in rural poverty reduction – and the elaboration of coherent country-level programmes to address them, building upon the stock of ongoing subsectoral programmes aimed at, inter alia, policy and institutional factors accumulated since the beginning of the IFAD strategic framework period. The focus of activity (within a funded programme with dedicated full-time staff) will be upon influencing key national mechanisms for policy development and resource allocation – namely, the PRSP and SWAP-like mechanisms – mobilizing project-type instruments only within a learning and innovation logic, or in the exceptional situations where special management mechanisms are essential for impact.

2005 New Operational Programme Development

25. **Loans.** The region's allocation of the total planned 2005 lending programme is approximately USD 79 million. Plans are for six projects: a marketing programme in Uganda (a pillar of the Plan for the Modernization of Agriculture – the Ugandan SWAP equivalent); a livestock production and marketing programme in the United Republic of Tanzania (within the agricultural sector development strategy – the Tanzanian SWAP equivalent); participation in the second Agricultural Sector Investment Programme in Mozambique (the Mozambican SWAP equivalent); a smallholder marketing and technology programme in Kenya (linked to national plans for further sectoral market reform); a land tenure and management programme in Madagascar (PF's first major investment in the land tenure area); and a project to support in-field learning for sectoral policy development in Rwanda (PF's first loan explicitly organized around learning and innovation).

26. **Grants.** Regional and global grants will be mobilized to enhance regional capacities to support rural financial services, market linkages and public/project planning and monitoring. The new country-level grants will be mobilized to support national-level capacities for rural development planning and agriculture sector change – focusing on issues in smallholder commercialization (Kenya), the PRSP/Poverty Eradication Action Plan process in Uganda, and monitoring and planning public sector agricultural investment in Ethiopia.

27. **Partnerships and cofinancing.** Closer integration into PRSP and SWAP processes will involve a higher and more systematic level of partnership with national and international stakeholders, facilitated in some countries by enhanced direct representation of IFAD. More specific partnerships are envisaged for key upgrading processes, such as IFAD's relation to PRSPs. A continuing shift towards support for development and financing of broad programmes implementing national strategies means that the traditional form of cofinancing will decline, although PF will seek new partnerships for its more project-type operations.

Innovation and Scaling-Up

28. All IFAD programme activities in the region are oriented towards exploring innovation, and the emerging emphasis on effective integration into broader national system development reflects the objective of bringing lessons learned to bear upon framework conditions. Nonetheless, the learning objectives and knowledge-capture mechanisms of many IFAD projects – as well as the means of making these effectively responsive to the needs of scaling-up and policy dialogue – have been inadequately developed. Therefore, in 2005 PF will begin the process of improving the learning and innovation dimensions of its major instrument – the lending programme.

Managing the Ongoing Portfolio for Development Results

29. **Regional level.** Support will focus on empowering national-level institutions to address key implementation issues involved in sustainable impact. Continuing support will be given to knowledge sharing among projects in the areas of water management and market linkages development, while regional support facilities and partnerships are planned for the areas of rural finance, water management, and project planning and management. Support operations through CPMs will continue to be backstopped by a full-time professional working on implementation in IFAD in Rome.

30. **Follow-up on evaluation recommendations.** The two most recent interim evaluations (for projects in Namibia and the United Republic of Tanzania) involved projects that will be closed by 2005. The interim evaluation of the Eastern Lowlands Wadi Development Project in Eritrea is expected to focus on sustainable farmer organization of resource use and maintenance, and the project will address these issues during a further extension of one year.

31. **RIMS.** All projects beginning implementation in 2005 will have monitoring systems incorporating RIMS reporting requirements, and retrofitting ongoing projects will continue in the context of special monitoring system performance support and mid-term reviews.

Implementation of Institutional Change Agenda

32. **Direct supervision.** The District Development Support Programme in Uganda has provided an extraordinary platform for continuous support to district-level capacity-building – and for strengthening planning and monitoring systems. It has generated a much better understanding of the issues for agricultural development support involved in decentralization. It will be extended for a year to allow a full follow-through on capacity-building, and to permit the fruits of investment in monitoring to be fully captured. Direct supervision of the Smallholder Enterprise and Marketing

Programme in Zambia has permitted close tracking of management issues, and timely intervention for change – while also allowing real time feedback on experience with a new type of programme into regional portfolio planning. Of the three projects under direct supervision, one (the Smallholder Irrigation Support Programme in Zimbabwe) is under loan suspension, and is not being actively implemented.

33. **Field presence.** Under the FPPP, IFAD representation is supported in Ethiopia, the United Republic of Tanzania and Uganda – with support and coordination arrangements in Madagascar and Mozambique. In the United Republic of Tanzania and Uganda representation is designed to permit a better input from IFAD into coordination with government, other national stakeholders and donors into sector-wide agricultural programmes (and PRSPs). In Ethiopia, which has IFAD's largest lending programme in the region, representation will raise coordination, and seek to support the focused development of a medium-term programme reflecting PBAS issues in a context in which the implementation of the PBAS may lead to a significant increase in commitments.

ASIA AND THE PACIFIC REGION

Update on Regional Strategy

34. **Developments in regional strategy.** *IFAD's Strategy for Rural Poverty Reduction in Asia and the Pacific* was developed in 2002 based on the *Strategic Framework for IFAD 2002-2006* and the Regional Assessment of Rural Poverty. PI followed a participatory approach in preparing the regional strategy by involving regional partners and experts in analysing rural poverty issues and identifying potential approaches/programmes to address these issues. The draft regional strategy was reviewed by the Governing Council and shared with a large number of stakeholders in two regional workshops organized in Medan, Indonesia, and Chennai, India.

35. As part of the process to update and improve the regional strategy, PI has been preparing, since 2003, subregional strategies for the Pacific Islands and Central Asia. These two subregional strategies will be integrated into the regional strategy in 2005. A number of thematic studies will underpin the revision of the regional strategy.

36. **Progress in implementation.** The COSOPs and new projects formulated by PI since the preparation of the regional strategy have followed the priorities identified in the strategy document. The bulk of these projects have focused on less-favoured areas (uplands, mountains, dryland areas) and on the most disadvantaged segments of society (women, indigenous peoples, landless and marginal farmers). The grant programme of the Division has also been directed to provide support to IFAD project beneficiaries in these areas.

37. **Strategic alignment.** As indicated above, the regional strategy follows from the corporate strategy and it guides the country strategies and future projects and programmes for the region. Through engagement in the PRSP/United Nations Development Assistance Framework processes at the country level, PI also makes efforts to establish collaboration with government and other donor programmes.

38. **Gender mainstreaming.** The economic and social empowerment of women is an important goal of PI's projects and programmes. Gender issues are addressed at all stages of the project cycle – design, implementation and evaluation. A regional grant-funded programme will continue to provide support to loan-funded projects in gender mainstreaming. Country-specific projects in China and Laos will provide support to projects in these countries.

Regional Policy Development Agenda for 2005

39. **PBAS assessment.** Allocation of resources (loans and grants) will be made to borrowing Member States on the basis of PBAS assessments beginning in 2005. For this, necessary assessment exercises will be completed in 2004 and a medium-term lending programme developed.

40. **PRSPs.** IFAD provided PRSP preparation support to Cambodia, Mongolia and Nepal. Additional support will be provided to these and other countries in 2005 based on demand for such help, particularly in incorporating agriculture/rural development dimensions in these documents.

2005 New Operational Programme Development

41. **Loans.** The division will prepare six or seven new investment projects for presentation to the Executive Board during 2005, for a total of USD 132.6 million. The projects will be in Bangladesh, Bhutan, China, India, Laos and The Philippines. In view of the PBAS requirements, the total number of new projects will increase and include two or three reserve projects. In 2005 two reserve projects will be prepared, for Pakistan and Sri Lanka.

42. **Grants.** In 2005 four regional grants will be developed and processed in the areas of pro-poor research for a total value of USD 6.4 million. Likewise, the Division will prepare 18 country-specific grants for a total of USD 3.8 million.

43. **Partnerships.** Strategic partnerships will be maintained and nurtured to improve the influence of IFAD initiatives. Work will continue to develop networks for sharing experiences and ideas on programmes for women, indigenous peoples and upland areas through grant programmes. The annual meeting with the World Food Programme will continue in 2005, and the Division will pursue the initiation of an annual meeting with the Asian Development Bank.

44. **Cofinancing.** Although no financial target for cofinancing will be set for 2005, efforts will continue to be made to develop partnerships with governments, donors and in-country partners with potential for complementarity and for scaling-up.

Innovation and Scaling-Up

45. PI will continue to emphasize innovative features in its projects and programmes, and will work with governments and other donors to scale up its successful initiatives. Resources available through the IMI window will be used to pilot-test new innovative programmes and document successful innovations in IFAD projects.

46. **Post-conflict.** Pilot initiatives will be undertaken in selected post-conflict countries (e.g. Afghanistan, Timor-Leste) in implementing programmes for economic regeneration and capacity-building, primarily through grant resources.

Managing the Ongoing Portfolio for Development Results

47. **Regional level.** PI will organize a subregional portfolio review workshop for South Asia in 2005 to discuss project and programme implementation issues with major stakeholders – project directors, senior government officials, civil society, cooperating institutions and regional partners. It will also hold regular meetings with the United Nations Office for Project Services to find ways to improve project implementation performance.

48. **Follow-up on evaluation recommendations.** PI will continue to use the evaluation recommendations in the preparation of COSOPs and implementation of country programmes.

49. **RIMS.** All new projects to be developed in 2005 will include the indicators proposed under RIMS, and their achievement will be regularly monitored. A regional grant-funded programme will be implemented to develop the capacity of IFAD projects to monitor the achievement of such indicators.

Implementation of Institutional Change Agenda

50. **Direct supervision.** Through its direct supervision of three projects in the past, the Division has learned important lessons about the provision of effective and timely supervision for better project impact. Direct project supervision will continue in 2005, with increased efforts to share experiences more widely with the Division and beyond.

51. **Field presence.** One regional and two country-level field presence initiatives launched in 2004 will be continued in 2005. Additional pilot activities on proxy field presence will be introduced in other countries where the need arises. The progress achieved will be monitored regularly, and lessons learned will be documented and shared.

LATIN AMERICA AND THE CARIBBEAN REGION

Update on Regional Strategy

52. During 2004 the Latin America and the Caribbean Division has continued to update and expand its regional strategy, with emphasis on three areas: (i) knowledge management and innovation; (ii) partnership-building; and (iii) the impact of globalization on the rural poor. In 2005, the Division will pay greater attention to poverty reduction strategies, comparing the experience of countries with and without PRSPs in the context of the MDGs, and examining linkages between poverty reduction strategies and public expenditures. In implementing the regional strategy, the Division gives priority to the development of partnerships, such as the partnership with IDB in the Multi-Donor Programme for the Eradication of Rural Poverty in the region; the partnership with the Global Mechanism of the CCD and the GEF; and activities with the Inter-Agency Group on Rural Development in Latin America and the Caribbean (which consists of IFAD, the Economic Commission for Latin America and the Caribbean (ECLAC), the Food and Agriculture Organization of the United Nations (FAO), the German Agency for Technical Cooperation (GTZ), the Inter-American Development Bank (IDB), the Inter-American Institute for Cooperation on Agriculture (IICA), the United States Agency for International Development (USAID) and the World Bank). Promoting market access and market development for small rural producers, the role of remittances and the sustainable management of natural resources are high priorities in the Division's loan portfolio and its TAGs. These priorities are closely aligned with the strategic framework and the increasing priority given to innovation and knowledge management. In implementing this strategy, the Division pays particular attention to gender mainstreaming, an area in which it is actively involved.

Regional Policy Development Agenda for 2005

53. In 2005, the Division's policy development agenda will be linked to the PBAS exercise in order to ensure that national processes include rural poverty issues in their own poverty reduction strategies. The identification of key policy issues to be addressed by governments will constitute a core activity during the year, with the aim of producing changes in institutions and budget structures in countries in the region. A rural territorial development approach will be followed to encourage and facilitate the simultaneous productive and institutional transformation of rural territories.

2005 New Operational Programme Development

54. **Loans.** The lending programme has been designed taking into consideration the progress made to date on the PBAS system, as approved by the Executive Board. Responding to demand, the Division will address poverty issues in Bolivia, Brazil, Colombia, Costa Rica, the Dominican Republic, El Salvador, Haiti, Mexico, Nicaragua and Paraguay. The Strategic Rural Development Initiatives Support Project in Colombia will contribute to identifying and supporting productive opportunities to improve the livelihoods of rural poor people living in a transitional conflict situation. In Bolivia, the Regional Programme for the Development of South American Camelids (PRORECA) will take stock of the previous investments that IFAD has made in the livestock sector, thus not only improving producers' social and economic conditions but also defining a more responsive institutional and policy framework for camelid producers. In Paraguay, PRORECA will focus on increasing the social capital of poor small producers. In Costa Rica, El Salvador and Nicaragua, it will take into consideration the opportunities provided by the Central American Free Trade Agreement (CAFTA). In all of these countries, PRORECA will provide rural producers and service providers greater access to local and regional markets. A new project will be designed in the Dominican Republic for the extension of the Social and Economic Development Programme for Vulnerable Populations in the Border Provinces; in Haiti, the Division, in partnership with other donors, will address a relevant issue related to the use of irrigation by the rural poor. The Small-Scale Irrigation Schemes Rehabilitation Project – Phase II will improve the rural poor's access to and management of productive natural resources such as water. The water users' associations already established in Phase I will play a major role in Phase II. The Community Development Project for the Rio Gaviao Region (PROGAVIAO) – Phase II in Brazil will build on and strengthen the positive results obtained in Phase I, increasing sustainability while expanding the outreach of the benefits. The project's general objective will be to increase the income and improve the living conditions of the rural poor in the semi-arid region of the Rio Gaviao basin. A new programme for Mexico will be designed to address poverty issues in the semi-arid region of the country and in areas with high land degradation.

55. **Grants.** TAGs with regional coverage will have objectives directly related to IFAD's strategic framework. FIDAMERICA IV will give priority to promoting innovation to support learning processes and to systematizing good practices, thus strengthening the capacities of beneficiaries and project staff to define development activities. Phase III of the Rural Microenterprise Support Programme in Latin America and the Caribbean (PROMER III) will focus on facilitating the access of rural microenterprises to local, regional and global markets; strengthening their capacities; and finding markets niches. Phase II of the Regional Programme to Consolidate Gender-Mainstreaming Strategies in IFAD-Financed Projects of Latin America and the Caribbean (PROGENDER II) will focus support on initiatives that improve gender equity and women's development capacity. A TAG devoted to ensuring that issues related to rural poverty are considered in free trade agreements and connected policies will be designed for the CAFTA countries.

56. **Partnerships.** Given the complexity of rural poverty in the region, attacking its multiple and interrelated causes requires more than one organizational actor. The coexistence of various targeted programmes could lead to overlapping and policy fragmentation. Partnership and interagency coordination are essential to an improved institutional framework for the eradication of rural poverty in the region. Strengthening existing working alliances such as the Inter-Agency Group on Rural Development in Latin America and the Caribbean and the implementation of a new phase of the Regional Unit for Technical Assistance (RUTA VI) will help reinforce cooperation between donors and local institutions working in the region. The design of a new TAG to support governments and rural grass-roots organizations in the context of CAFTA will also support partnership building. The implementation of the Multi-Donor Programme for the Eradication of Rural Poverty in Latin America and the Caribbean involving IFAD, IDB and the Italian Government will constitute an objective in the individual performance planning and appraisal system of CPMs, regional economists, and the

Division's director. Ongoing networks such as the Programme for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty-Alleviation Projects (PREVAL), FIDAMERICA, PROMER, PROGENDER, the Regional Programme for Rural Development Training (PROCASUR) and the Regional Network in Rural Finance will contribute to the Division's efforts to build alliances. The implementation of the recently approved TAG on remittances will provide insights into ways and means to build alliances with civil-society organizations to finance rural development. Activities already mentioned with the Global Mechanism, the International Land Coalition and GEF are also an important part of the Division's engagement in building partnerships.

57. **Cofinancing.** Efforts to mobilize resources for the Multi-Donor Programme for the Eradication of Rural Poverty will continue. The proposed lending programme for 2005 will seek parallel cofinancing and/or other types of collaboration with IFIs and bilateral donors. In particular, the IDB is seen as an appropriate partner for IFAD activities in the region under the agreement signed with this organization and the Government of Italy. Furthermore GEF financing will be sought for specific countries (Argentina and Nicaragua) to complement IFAD investments in rural development in the region. Complementarities will be sought with the Global Mechanism of the CCD to support national strategies to combat desertification in the Dominican Republic and Haiti; and with the International Land Coalition in areas related to land property rights (indigenous people) and the role of natural resources in long-term economic development in the region in a context of rapid land use changes characterized mainly by the conversion of tropical forests and other natural habitat to commercial agriculture and by familial agriculture spoiled by mining investments. Supplementary funds will be linked to initiatives related to market access. In particular, support will be given to rural microenterprises working on non-traditional agricultural products that are more suitable for small farmers rather than helping small farmers operate in sectors dominated by large producers and buyers. Supplementary funds will also be requested to help finance objectives related to gender and knowledge management programmes.

Innovation and Scaling-Up

58. During 2005 the Division will continue its strong emphasis on promoting innovation and scaling-up, key features in its recent work. It will continue to develop its innovation strategy as part of a knowledge management system to be prepared and discussed in the Division. It will give priority to the five thematic areas of knowledge management defined in its strategy: (i) rural financial services; (ii) decentralization and empowerment; (iii) development of markets for services relevant to the rural poor; (iv) indigenous peoples; and (v) access to dynamic regional and international markets. Two cross-cutting themes are gender mainstreaming and the sustainable management of natural resources. The Division will develop and fully implement its proposed Partnering for Market Access and Market Development, which is part of the IMI and closely linked to the third strategic objective highlighted in IFAD's strategic framework.

Managing the Ongoing Portfolio for Development Results

59. **Regional level.** TAGs will continue to provide support to IFAD programmes and service providers in thematic areas and on technical issues or problems identified during implementation. Areas of support covered by the regional networks include gender issues, financial services, microenterprises, training, monitoring and evaluation, and natural resource management. Special attention will be paid to activities to improve supervision standards and alignment with IFAD's corporate and regional strategy of cooperating institutions.

60. **Follow-up on evaluation recommendations.** The interim evaluation of PROGAVIAO in Brazil and the Sustainable Rural Development Project for the Semi-Arid Zones of Falcon and Lara States (PROSALAFSA) in Venezuela provided the Division with important insights that will be

considered in the forthcoming COSOPs for Brazil and Venezuela. An eventual second phase of PROGAVIAO will, as recommended, consider a territorial approach, continue to strengthen grass-roots peasant organizations and pay greater attention to post-harvest and marketing issues. PROSALAFI II, approved in December 2003, incorporates in its design soil and water use, productive support services, financial services and activities to strengthen the sustainability of grass-roots organizations.

Implementation of Institutional Change Agenda

61. **Direct supervision.** The three directly supervised projects under implementation in the region have provided lessons on implementation progress. The Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East in Brazil provided insights on the disbursement issue and on the formulation of suitable programmes of work for individual components. The South Western Region Small Farmers Project – Phase II in the Dominican Republic has generated a good understanding of marketing, decentralization, gender and financial services, especially in the bateys (settlements for seasonal migrant workers). The Development of the Puno-Cusco Corridor Project in Peru has provided a methodology for the identification, recruitment and selection of appropriate project staff.

62. **Field Presence.** Under the FPPP, two initiatives were approved for the region. The first one involves the mobilization for three years of an IFAD field support manager (FSM) based in Honduras, but also following up projects in Nicaragua. Both countries were selected because of national and international poverty reduction strategies being launched in the framework of the HIPC Debt Initiative. The primary tasks of the FSM will be to support project implementation, consolidate partnerships and provide inputs to the Division allowing it to initiate policy dialogue. The second initiative, in Bolivia, is intended to strengthen the institutional support provided by IFAD to combat poverty. The FSM post was created in response to a request from the Bolivian Government that a continuous IFAD presence be established in Bolivia; it is also in line with an IFAD Executive Board recommendation to increase the organization's field presence so as to strengthen the impact of its operations through better coordination with other international and local partners and more active participation in policy dialogue on poverty reduction. A new initiative for Haiti will be submitted for consideration.

NEAR EAST AND NORTH AFRICA REGION

Update on Regional Strategy

63. Within the overall IFAD corporate strategic framework, the Division's strategic goal is to contribute, with its partners, to the improvement of the livelihoods of poor people living in marginalized rural areas in the Near East and North Africa (NENA) and Central and Eastern Europe and Newly Independent States (CEN) subregions, empowering them to create their own opportunities for sustainable development, and to be more involved in decision-making and employment creation. Achieving this goal requires accomplishing three interdependent objectives: (i) investing in building and accessing assets; (ii) promoting pro-poor policies and institutions; and (iii) providing equal opportunities to women and men.

64. The implementation of IFAD's strategic framework, initiated in 2002, has had continued progress in 2004. The Division, especially through its ongoing loan and grant portfolio, continues to support the achievement of these objectives, which are operationalized through a strong focus on sustainable natural resource management; support for the development of pro-poor grass-roots organizations; enhanced access to financial services, markets and land; and the promotion of

appropriate technologies for rainfed farming in low potential areas where the rural poor are particularly vulnerable.

65. The Division will continue to enhance its ongoing policy dialogue activities in several respects. At country level, it will focus on a number of country-specific policy issues of relevance to the poor, including land reform (The Sudan), participatory local development (Albania, Algeria, Azerbaijan, Georgia, Morocco, The Sudan, Tunisia and Yemen), empowerment of the rural poor (all borrowing countries) and devolution of responsibilities to end users in the management of natural resources (Armenia, Azerbaijan, Egypt, Georgia, Morocco, Tunisia and Turkey).

Regional Policy Development Agenda for 2005

66. The Division will focus on: (i) analysing and proposing policy change strategies for improved market access for smallholders in the CEN region; (ii) enhancing water use efficiency and empowering end users in the management of common natural resources in both subregions; (iii) mainstreaming gender in IFAD programmes; (iv) engaging in the PRSP process; and (v) continuing with the PBAS assessment and operationalization process initiated in 2004.

2005 New Operational Programme Development

67. **Loans and grants.** The Division will submit for Executive Board approval five projects (in Armenia, Georgia, Jordan, The Sudan and Tunisia) for a total lending value of approximately USD 64.9 million, while also developing two additional reserve projects. In addition, it will process three regional grants in support of: (i) improved access to technology and natural resource management in the Caucasus; (ii) implementation support for results and impact; and (iii) promoting poverty reduction policies and knowledge management. The Division will also process a number of country grants focusing on mainstreaming rural financial services, innovation, policy dialogue, enhancing water use efficiency and empowering grass-roots organizations.

68. **Partnerships and cofinancing.** The Division will continue its efforts to foster existing strategic partnerships, and to develop new relationships with region-specific institutions, such as the Council of Europe Development Bank and the Black Sea Trade and Development Bank in the CEN countries. It will continue efforts to secure cofinancing for at least three projects (two with the OPEC Fund and one with the World Bank). Grant cofinancing from bilateral donors will be sought for capacity-building through technical assistance and training for operations in the CEN subregion.

69. **Post-conflict.** The Division will continue to follow the development of the situation in Iraq, and, should it be warranted, develop an initial grant-financed post-conflict rural poverty reduction programme in close collaboration with other United Nations agencies. It will also carefully follow the evolution of the security situation in Gaza and the West Bank in the hope of reactivating and enhancing the implementation of existing programmes there.

Managing the Ongoing Portfolio for Development Results

70. The Division will continue to focus on enhanced implementation support and improved results measurement and impact assessment. This will be facilitated by the expected approval and implementation of the TAG for results and impact support (in support of the RIMS), and by enhanced CPM follow-up and regular participation in supervision missions. The Division will also implement, as required and in line with resource availability, the recommendations made by the external evaluation of IFAD.

Implementation of Institutional Change Agenda

71. The Division will continue with the direct supervision of the remaining two ongoing projects (the third was successfully closed, well ahead of schedule, over a year ago). The implementation of the FPPP in Egypt, The Sudan and Yemen will also allow the Division to be increasingly active in accessing ongoing regional and donor groups and becoming a strong partner in these groups, thus enhancing IFAD's policy dialogue and generating and sharing knowledge.

TECHNICAL ADVISORY DIVISION

Update on Grant Policy and Strategy

72. The revised IFAD Policy for Grant Financing was approved by the Executive Board in December 2003. The Division initiated a process for the operationalization of the policy in January 2005. The policy guidelines are based on the strategic alignment of all grants to the two strategic objectives that drive the new grant policy: (i) promoting pro-poor research on innovative approaches and technological options to enhance field-level impact; and (ii) building pro-poor capacities of partner institutions, including community-based and non-governmental organizations (CBOs and NGOs). Two mutually exclusive windows, one for "global and regional grants" and the other for "country-specific grants", guide allocations. The PDFF budget is included within the country-specific window, and the resources available for commitment/approval under this window will be net of PDFF.

2005 New Operational Programme Development

73. The Division is the responsible unit for grants that fall within the first objective above, under the global and regional grants window. As in the past, all regional divisions will participate with the Division in developing and managing a programme that is based on rural innovation and research-based capacity-building. Pro-poor agricultural research will be the significant component, and grant recipients will receive support through CGIAR-led research and training networks, and other centres of excellence. In terms of partnerships, they will typically involve a number of national agricultural research systems (NARS) partners (including civil-society organizations and CBOs contributing to and benefiting from regional collaborative research and development (R&D) networking. The Global Forum on Agricultural Research, also initiated by IFAD and its partners, will provide a platform for establishing such R&D partnerships, where appropriate. Research on policies and institutions will include access to markets, natural resource management and the development of pro-poor institutions; it will also include participatory research governance mechanisms. The latter will involve decentralization of research and will build on farmer innovation, local knowledge systems and informal science within participatory research programmes.

74. The Division also co-chairs the design team for IMI, an initiative that intends to make innovation an integral part of existing IFAD core activities, enhance learning and sharing of lessons on innovation, and develop an organizational innovation culture, capability and competence. Following the IMI preparatory phase, which helped provide the initiative's conceptual and technical basis, 2005 will be the year of full-phase start-up. In 2005, the IMI will proactively develop activities to pilot innovations and to scale up and mainstream innovation in the programme portfolio.

Managing the Ongoing Grant Portfolio for Development Results

75. The Division's grant portfolio has, over the years, become more manageable in size (with shared task-managerial responsibilities across the regional divisions) and focused on a key IFAD concern – technologies to improve the livelihoods of the rural poor. Currently 31 ongoing grants cover this concern for a variety of clients. Evidence from implementation reporting suggests increasing

numbers of innovations potentially relevant to investment projects. These will also be made available and accessible through information-sharing with regional divisions, by early 2005, e.g. in the form of technical advisory notes (TANs) based on research findings.

76. Grant support continues to expand capacities of NARS for participatory development and the adaptation and dissemination of pro-poor technology in many countries, particularly in Africa. Through past IFAD grant support, exemplary participatory R&D approaches are already widespread. As concluded by the OE Evaluation of IFAD's Technical Assistance Grant Programme for Agricultural Research: through the programme "IFAD has played a strong advocacy role in redirecting the focus of the CGIAR system towards more poverty-focused research, taken the lead in opening up new research areas, and continued to play a pro-poor advocacy role in a number of international forums related to agricultural research". Lessons from past participatory methodology applications will be used progressively to give more scope to farmer-led innovation.

77. In response to OE recommendations, ongoing implementation shows more systematic support and supervisory contact between the Division's task managers and field managers. The frequency and intensity of these contacts needs to increase, even though divisional budget resources may still be inadequate for formal, individual supervision of every one of the grants. Grant steering committees, technical workshops and other means to plan or review work take place regularly and report outputs. TANs discussed at such events will be carefully monitored in 2005. The Division will also strive to improve further the designs and targeting of R&D programmes that benefit from socio-economic inputs, and to fine-tune the methods used to assess relevance and impact. Regarding the use of logframes in TAG design, it will ensure greater references to monitoring and evaluation, with emphasis on quantitative records of progress.

Implementation of Institutional Change Agenda

78. **Learning and knowledge-sharing.** To support further learning and knowledge-sharing, the Division will continue in 2005 to coordinate thematic groups and project development teams. These multidisciplinary teams will organize discussion and advance knowledge and policy on topics of concern to IFAD (and will also provide inputs to the newly established Policy Forum). There are currently three thematic groups: on rural finance; gender and targeting; and community-based natural resource management. In 2005, the TAN's Website will be formally reviewed for technical robustness and further enriched with new TANs to aid the design of projects by providing replicable solutions, under similar conditions, validated through community participatory research. These TANs will strengthen IFAD Learning Notes (which summarize IFAD-financed research/study on a topic and consider sources of expertise outside IFAD). IFAD has also refined a short list of 'anchor' indicators of impact as part of the initiative to develop a RIMS. In 2005, the Division will continue to provide support in the further development and refinement of these indicators. It will also provide implementation support in this area through training on the use of practical tools for field project staff, including survey guidelines and childhood malnutrition assessment techniques. This support will be dependent on the institutionalization of a Chapter X position in this area, previously under extrabudgetary support from the United States.

Quality Assurance

79. The Division's learning and knowledge-sharing activities are integrated effectively with the quality assurance function, and cover technological, institutional, economic and financial, gender and policy contexts and social equity concerns. This function corresponds to technical support to enhance the potential impact of IFAD's development interventions, through: selectivity and effectiveness; technical robustness and financial viability; measurement of results and impact; and targeting and gender mainstreaming. The Division's technical support is provided in a spectrum of areas, ranging

from household food security, health and nutrition, to rural financial services, to sustainable natural resource management focused on issues of both project design and implementation. All technical advisers participate in proactive design support through project development teams as well as in rigorous quality control in technical review committees and in terms of operational policy support through the operational strategy committee meetings. Finally, technical support to environmental assessment aspects of project design will be further strengthened in 2005 to put greater emphasis on GEF components and on greater interaction with the Global Mechanism.

ACHIEVEMENTS IN 2004 AGAINST STATED OE PRIORITIES AND PLANNED ACTIVITIES

OE Priority 2004	Achievements ^a
<p>1. Evaluation work requested by the Executive Board and Evaluation Committee and/or included in the Report of the Consultation on the Sixth Replenishment of IFAD's Resources</p>	<p>1.1 Supervised the Independent External Evaluation (IEE) of IFAD, including, inter alia, commenting on the four deliverables provided by the IEE service provider: (i) inception report; (ii) desk review report; (iii) ten country working papers and report on the preliminary findings, issues and main themes; and (iv) first draft report. Furthermore, presentation to the Board of three progress reports on the status of the IEE, and field visits to Bangladesh, Bolivia and the United Republic of Tanzania to monitor the work of the evaluation team at the country level</p> <p>1.2 Facilitated the preparation of the revised terms of reference and rules of procedure of the Evaluation Committee, as well as the organization of five sessions of the Committee and presentation to the Executive Board of various OE documents and reports</p> <p>1.3 Organized the field visit to Indonesia for the Committee and other Executive Board members in March</p> <p>1.4 Prepared the 2005 OE work programme and budget</p> <p>1.5 Prepared the second ARRI and presented it to the Evaluation Committee and Executive Board together with a proposal on assigning weights to the various evaluation criteria</p> <p>1.6 Reviewed, and provided comments on, the President's Report on the Adoption and Implementation of Evaluation Recommendations</p>
<p>2. Conduct of selected corporate-level, country programme, thematic and project evaluations</p>	<p>2.1 Initiated the corporate-level evaluation on the direct supervision pilot programme</p> <p>2.2 Completed the Benin, Bolivia, Egypt and Indonesia country programme evaluations</p> <p>2.3 Worked on the thematic evaluations on decentralization in Eastern and Southern Africa and organic agriculture in Asia; completed the thematic evaluation on marketing and competitiveness; held a regional workshop on extension in Western and Central Africa</p> <p>2.4 Completed project evaluations in Eritrea, Jordan, Laos, Lebanon, Paraguay, Senegal, Tunisia and Viet Nam (2)</p> <p>2.5 Initiated project evaluations in Ethiopia and The Gambia</p> <p>2.6 Started four other projects evaluations, in Ghana^b, India, Uganda and Venezuela in the last quarter of 2004</p>
<p>3. Further development of the evaluation methodology</p>	<p>3.1 Piloted country programme evaluation methodology in Benin, Bolivia and Egypt</p> <p>3.2 Undertook the customization of the monitoring and evaluation guide in both the Eastern and Southern Africa and in the Near East and North Africa regions</p> <p>3.3 Rigorously applied methodological framework for project evaluation in all evaluations</p>

^a Various other activities were also undertaken, including tasks in relation to the communication and dissemination of evaluation results (such as the enhancement of the evaluation section on the IFAD website to bring it in line with the evaluation policy), participation in the annual meeting of the United Nations Evaluation Group, participation in selected project development teams, Technical Review Committee and Operational Strategy and Policy Guidance Committee meetings as well as in other in-house working groups (such as the working groups on the RIMS, field presence and policy forum).

^b This has been included in the place of the Guinea project evaluation contained in the 2004 work programme. The latter project evaluation has been deferred to 2005 in light of the suspension of IFAD activities in Guinea due to arrears. Consequently, the planned second phase of the relevant Guinea project will only be initiated after the recommencement of IFAD operations in the country and the finalization of the planned interim project evaluation.

OE 2005 BUDGET PROPOSAL

Table 1: OE 2005 Budget Shown as Expenditure Basis

	2004 ^a (USD)	2005 ^b (USD)
Staff Costs (Estimated June 2004)	1 780 000	2 075 875^c
Regular and fixed term	1 516 000	1 833 116
Temporary staff	251 000	229 473
Overtime	13 000	13 286
Evaluation Work	1 955 000	1 994 200
Corporate-level evaluations and other activities	457 000	436 000
Regional strategy evaluations ^d	-	220 000
Country programme evaluations	377 000	580 000
Thematic evaluations	224 000	40 000
Project evaluations	897 000	718 200
Evaluation Committee	60 000	61 320
Staff Travel	245 000	250 390
Contingency	202 000^e	109 640^f
Total	4 242 000	4 491 425

^a As approved by the Governing Council in February 2004.

^b As for the rest of IFAD, OE has applied an inflation rate of 2.2% in relation to the 2004 approved budget.

^c Increase in staff cost estimates are due to the reclassification and promotions in 2004 and the increases in salaries and benefits dictated by the United Nations Common System and not to increases in staff numbers.

^d There was no allocation in 2004 or earlier as OE will undertake such an evaluation for the first time in 2005.

^e Contingency for 2004 = 5%.

^f Contingency for 2005 = 2.5%.

Table 2: OE 2005 Budget Shown According to Activity Basis

OE Priorities 2004	(USD)	(%)	OE Priorities 2005	(USD)	(%)
1. Evaluation work requested by the Evaluation Committee and Executive Board and/or included in the Report of the Consultation on the Sixth Replenishment of IFAD's	688 000	16	(i) Supervision of the IEE	41 517	1
2. Conduct of selected corporate-level, country programme, thematic and project evaluations	3 088 000	73	(ii) Conduct of selected corporate-level, regional strategy, country programme, thematic and project evaluations	3 165 115	70
3. Further development of the evaluation methodology	466 000	11	(iii) Specific evaluation work required by the Evaluation Policy for presentation to the Executive Board and the Evaluation Committee	913 723	21
			(iv) Methodological development, evaluation outreach and other activities	371 070	8
	4 242 000	100	Total	4 491 425	100

Table 3: IEE Budget^a

Committed^b: USD ('000)	
Subcomponents	
A. Total cost of the evaluation team	1 248
B. Total cost for OE advisers and consultants	211
C. Total costs of Steering Committee	13
Total	1 472^c

^a See EB 2003/79/R.7 for further budget details.

^b Against a budget approved by the Executive Board of USD 1.7 million. A total of USD 815 690 has been received towards this amount as voluntary contributions to the IEE from various donors. These include: Belgium USD 87 690, Canada USD 228 000, Denmark USD 300 000, Norway USD 50 000, Sweden USD 100 000 and Switzerland USD 50 000. The United Kingdom contributed GBP 50 000 to cover the costs for drafting the preliminary terms of reference of the IEE in 2003.

^c Includes commitments till mid-September 2004.

Table 4: OE Human Resource Requirements for 2005

	Human Resource Category	Numbers
Regular	Professional Staff ^a	
	Director	1
	Deputy Director	1
	Evaluation Officers	5
	Evaluation/Information Officer	1
	General Staff	
Administrative Assistant	1	
Evaluation Assistants	6	
GIS Assistant	1 (part time)	
	Subtotal^b	15.5
Temporary (Chapter X)	Professional Staff	
	Evaluation Officer	1
	General Staff	
Evaluation Assistants	2	
	Total	18.5

^a Currently, OE had three associate professional officers (APOs) funded by various donor countries. In 2005, the division has the assurance of the services for 12 months of only one of these APOs. The contracts of two APOs will expire in November 2004 and February 2005, respectively. Procedures have been initiated to replace the two concerned APOs, although this will depend on the availability of donor funding and the identification of suitable APO candidates for OE within the required timeframes.

^b Consists of 15.5 posts, including one Chapter X post converted into a permanent evaluation assistant post approved by the Governing Council in February 2004.

