



IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Governing Council – Twenty-Fifth Anniversary Session

Rome, 19-20 February 2003

PROGRAMME OF WORK AND ADMINISTRATIVE BUDGET
OF IFAD FOR 2003

1. In accordance with Article 6, Section 10, of the Agreement Establishing IFAD and Regulation VI of the Financial Regulations of IFAD, and on the recommendation of the Executive Board, the President hereby presents the Programme of Work and Administrative Budget of IFAD for 2003 to the Governing Council and submits the administrative budget for approval.
2. The programme of work for 2003 was reviewed by the Executive Board at its Seventy-Seventh Session. A level of SDR 342.4 million or USD 450 million in nominal terms, using the traditional presentation, has been approved for planning purposes subject to review during the course of 2003. The critical element in deciding whether to adjust the work programme level will be the level of resources available, bearing in mind the planned overall limit for Advance Commitment Authority in 2003 of USD 400 million. The Executive Board also approved a Programme Development Financing Facility of USD 27.6 million for 2003.
3. The Executive Board reviewed the proposed administrative budget of IFAD for 2003. The Board noted the proposed 2003 level with zero real growth amounting to USD 45.2 million. The Executive Board recommended that the President be authorized to submit the administrative budget to the Governing Council. It was also recommended that the Governing Council authorize the Executive Board to approve any funding still required, after the receipt of voluntary contributions, for the external independent evaluation of IFAD. This would be recorded as a one-time below the line cost of the proposed 2003 administrative budget.
4. Accordingly, it is recommended that the Governing Council adopt the attached draft resolution, approving the 2003 administrative budget in the amount indicated, inclusive of the further funding authorization above.

DRAFT RESOLUTION ON THE ADMINISTRATIVE BUDGET OF IFAD FOR 2003

Resolution .../XXVI

Administrative Budget of IFAD for 2003

The Governing Council of IFAD,

Bearing in mind Article 6.10 of the Agreement Establishing IFAD and Regulation VI of the Financial Regulations of IFAD;

Noting that, at its Seventy-Seventh Session, the Executive Board reviewed and agreed upon a programme of work of IFAD for 2003 in the amount of SDR 342.4 million and a total Programme Development Financing Facility of USD 27.6 million;

Having considered the review of the Seventy-Seventh Session of the Executive Board concerning the proposed administrative budget of IFAD for 2003;

Approves the administrative budget of IFAD for 2003, as contained in document GC 26/L.6, in the amount of USD 45.2 million¹ determined on the basis of a rate of exchange of Euro 1.116/USD 1.00, and further authorizes the Executive Board to approve any funding still required after the receipt of voluntary contributions for the external independent evaluation of IFAD, which would be recorded as a one-time below the line cost of the proposed 2003 administrative budget; and

Decides that in the event the average value of the United States dollar in 2003 should change against the euro rate of exchange used to calculate the budget, the total United States dollar equivalent of the euro expenditures in the budget shall be adjusted in the proportion that the actual exchange rate in 2003 bears to the budget exchange rate.

¹ This figure will require adjustment in accordance with the prevailing euro/United States dollar exchange rate, as decided by the Governing Council. A document indicating the recommended rate and the resulting total budget will be tabled at the Twenty-Fifth Anniversary Session of the Governing Council.

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INTRODUCTION

1. IFAD has designed and is implementing a new strategic planning and resource allocation process, which is more comprehensive and all-inclusive. The process emphasizes the allocation of resources based on the Fund's mission and strategic objective, and is divided into two distinct phases: (i) the analysis and planning phase; and (ii) the resource allocation phase. The first phase resulted in the preparation of the document EB 2002/76/R.7 entitled Strategic Priorities and Programme of Work of IFAD for 2003 which was reviewed by the Executive Board at its Seventy-Sixth Session in September 2002. The result of the second phase is the document Programme of Work and Administrative Budget of IFAD for 2003, which is herewith presented to the Board, taking into account the feedback received from the Board during the discussions of the earlier document in September 2002. Consequently, some changes have been introduced in the document, both in the structure and in some of the tables.

2. The new process has been a challenge. The Fund, building on lessons learned, will improve the process and make it more efficient and streamlined next year. This new process, which is still work in progress, needs to be seen also in the context of the agenda of the Secretary General of the United Nations to strengthen and reform the United Nations (Fifty-Seventh Session of the General Assembly, document A/57/387). This agenda calls for (i) an alignment of activities with the Millennium Development Goals (MDGs); (ii) more coordination among the various organizations of the United Nations and between civil society and the private sector; (iii) a better resource allocation process; and (iv) making the United Nations a better work place. IFAD's new strategic planning and resource allocation process is contributing to these objectives.

3. Thus, the instruments/elements to guide the Fund in fulfilling its mission consist of: the MDGs; the *Strategic Framework for IFAD 2002-2006*; and the regional strategies of the strategic framework.

4. The MDGs constitute a common framework for the development community. Eradication of extreme poverty and hunger; universal primary education; gender equality and empowerment of women; reduced child mortality; improved maternal health; the fight against Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome (HIV/AIDS), malaria and other diseases; and environmental sustainability are of relevance to IFAD in its work to fight rural poverty and promote rural development. While the importance of poverty reduction has now been overwhelmingly acknowledged, not enough attention is given to rural poverty reduction. IFAD's strategic framework is part of the broad global commitment to achieving the MDGs.

5. IFAD's strategic planning and resource allocation process is centred around the organization's mission, "Enabling the rural poor to overcome their poverty", and the three strategic objectives, that constitute the strategic framework:

- 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.

6. In relation to these objectives, the strategic framework emphasizes the need to achieve catalytic impact through field operations and through policy dialogue and advocacy. IFAD is committed to supporting countries in the preparation and implementation of country-owned poverty-reduction strategies. IFAD's country strategic opportunities papers (COSOPs) is a key vehicle for analysis and policy dialogue in this process. The ongoing poverty-reduction strategy paper (PRSP) process is key to efforts geared towards poverty reduction at the national level. To maximize the impact on rural



poverty, the Fund, in partnership with others, will enhance its advocacy and policy dialogue role to build greater national, regional and global support for rural development.

7. To implement the strategic framework successfully, the Fund will focus on impact and policy dialogue and partnership as priority areas.

8. The planned programme of work for 2003 amounts to 450 million United States dollars (USD). After adjustment for items now shown under the Programme Development Financing Facility (PDFF), the level is USD 436.6 million or 332.1 million Special Drawing Rights (SDR). This comprises an overall lending programme of some 26-28 projects at about USD 416.3 million and a technical assistance grant (TAG) programme of USD 20.3 million. The overall lending level will be reviewed at each session of the Executive Board during 2003, with possible adjustments based on the resources available to the Fund for commitment. Although the understanding is that use of the Advance Commitment Authority (ACA) would be limited to three years of expected loan reflows, or about USD 540 million, management has decided to limit utilization of ACA within a ceiling of USD 400 million for 2003.

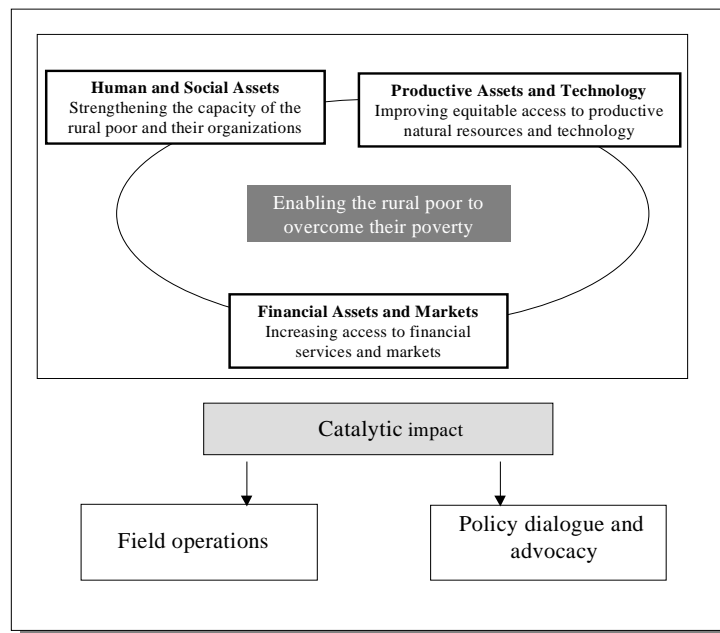
9. To achieve the planned Programme of Work for 2003 and to support the implementation of its ongoing portfolio, resource requirements under the PDFF and the Administrative Budget have been revised and reflect the priorities recognized under the strategic framework. The resource allocations for the PDFF in 2003 are proposed at USD 27.6 million, while the total Administrative Budget for 2003 is recommended at USD 45.2 million. For both areas, this represents no real increase compared with the 2002 levels; however adjustments have been made for price/inflation increases as provided under paragraph 101. The resource allocations within these proposals encompass recommendations previously shared with the Seventy-Sixth Session of the Executive Board under document EB 2002/76/R.7, and are based on management decisions and divisional proposals drawn from the 2003 Unit Work Programmes, in accordance with the Fund's new organizational structure of April 2002.

10. Section I below provides a brief description of the strategic priorities set out in the strategic framework. Section II outlines how the Fund's activities contribute to achieve better results at the field level and to shape regional and international policies. Section III deals with resource implications, following the traditional approach used in the budget documents so far. This same section deals with the Programme of Work, the Administrative Budget, PDFF, Supplementary Funds and Human Resources. The document closes with the Recommendation and Annexes.

I. STRATEGIC PRIORITIES

11. At its Seventy-Sixth Session in September 2002, the Executive Board endorsed IFAD's strategic priorities for 2003, presented in document EB 2002/76/R.7, entitled Strategic Priorities and Programme of Work of IFAD for 2003.

The Strategic Framework for IFAD 2002-2006



12. The *Strategic Framework for IFAD 2002-2006* provides the basis for the organization's activities and resource allocations. The attainment of IFAD's mission of 'Enabling the Rural Poor to Overcome Their Poverty' builds on three strategic 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. These objectives drive the Fund's Programme of Work for 2003. In order to achieve these broad objectives, the Fund will further enhance its catalytic role through field operations as well as enhanced policy dialogue and advocacy for poverty-reduction policies at the national, regional and international levels.

A. Field Impact

13. IFAD's main vehicle for improving the lives of the rural poor and for learning about what works and what does not work, are the country programmes. An impact-oriented approach will be incorporated in all stages from design to implementation and completion. Participation of poor women and men and other stakeholders in the planning, implementation and monitoring of activities has been of key importance to IFAD, and is crucial for programme success and sustainability. This approach will ensure that design and implementation decisions are based on the needs and perceptions of the poor themselves, and will also enable the poor to develop the tools they need to bring about

change and to sustain that change once external assistance has ended. Effective targeting will help ensure that the rural poor benefit fully from IFAD-assisted activities.

14. During implementation, the Fund will be more systematic in measuring differential impacts (among other things, by including gender and socio-economic groups), and in making mid-course corrections, if necessary, to enhance programme impact. The new impact methodology with six impact domains, developed by the Office of Evaluation and Studies (OE), will be used to learn and to improve impact-oriented monitoring and evaluation (M&E) systems at the project level. The focus on impact will facilitate the process of developing measurable indicators that would demonstrate the results and sustainability of IFAD's interventions.

15. Enhanced implementation support in the form of training of project staff and the generation of knowledge through the new impact methodology will increase IFAD's knowledge about rural poverty. The ultimate objective of enhanced impact is to ensure that conditions are created that enable the rural poor to overcome their poverty.

16. During the Fourth Session of the Consultation on the Sixth Replenishment of IFAD's Resources the issue of enhancing IFAD's field presence and in-country capacity was discussed. It was underlined that IFAD should develop innovative mechanisms, particularly through the use of local resources, because of the ultimate goal to strengthen in-country local capacity for programme implementation and policy development. IFAD has already started with some initiatives and will build on these in 2003. A document, entitled A Proposal to Enhance IFAD's Field Presence by Strengthening In-Country Capacity (EB 2002/77/R.9) that reviews the main issues and sets forth a time plan for further action is being presented to the current session of the Executive Board.

B. Policy Dialogue and Partnership

17. Policy dialogue in IFAD has two dimensions, the first of which is policy dialogue at the national level. As mentioned earlier, country programmes are IFAD's main vehicle for implementing the strategic framework. Local and community-based responses to poverty will work better in a more supportive policy context. Consequently, projects need to have effective links to the policy level, using knowledge generated in a more systematic manner. IFAD's goal is to enable the rural poor and their organizations to influence institutions (including policies, laws and regulations) of relevance for poverty reduction. In this connection, IFAD still has a role to play in serving as an advocate for the rural poor until such time as their capacity is sufficiently strengthened to be able to promote their own interests.

18. The second dimension is policy dialogue at the international level. In this context, IFAD not only develops and shares knowledge generated from its country programme experience but also seeks to influence regional and international policies that shape rural development options.

19. Country-level operations and partnerships are conceived as an interrelated process of ensuring the sustainable impact of IFAD-supported activities and enabling the rural poor to influence the policy agenda. IFAD is well placed to facilitate policy dialogue between grass-roots organizations and national-level decision-makers. At the international level, IFAD will need to seek partnerships in order to have an impact on policy decisions that shape the international development agenda. This requires increased coordination and enhanced communication with other organizations, as well as strategic partnerships with external stakeholders.

II. THE PROGRAMME OF WORK

A. Regional Programme

20. Table 1 summarizes IFAD's proposed lending programme for 2003. The regional programmes which were provided to the Seventy-Sixth Session of the Executive Board in document EB 2002/76/R.7 have been updated. It is anticipated that between 26 and 28 projects will be submitted for approval during 2003; consequently, as a contingency against force majeure and other delays in project processing, more projects are shown in the table below than will be ultimately submitted to the Board.

Table 1: Indicative Lending Programme for 2003

Strategic Objectives	Regional Lending Level ¹	Projects under the 2003 Lending Programme
1. Strengthening the capacity of the rural poor and their organizations 2. Improving equitable access to productive natural resources and technology 3. Increasing access to financial services and markets	Western and Central Africa (Africa I Division) USD 76.5 million	Burkina Faso: Community Investment Programme in Agricultural Fertility Improvement in the East Cameroon: Roots and Tubers Market-Driven Development Project Chad: Kanem Community Development Project Guinea-Bissau: Agricultural Development Support Programme Nigeria: Rural and Microfinance Institution-Building Project Senegal : Agricultural Development Project in Matam – Phase II Sierra Leone: Rural Poverty Reduction Support Programme
	Eastern and Southern Africa (Africa II Division) USD 75.0 million	Angola: Rural Reconstruction Ethiopia: Pastoral Community Development Programme Kenya: South Nyanza Project Madagascar: Agricultural Development in Mavam Mozambique: Rural Finance Support Programme Tanzania, United Republic of: Agricultural Technology, Extension and Research Programme
	Asia and the Pacific Division USD 131.8 million	Bangladesh: Microfinance and Technical Support Project Cambodia: Rural Poverty Reduction Project in Prey Veng and Svay Rieng China: Rural Finance Sector Programme India: Livelihood Improvement Project for the Himalayan Region Iran: Forsat Mosawi Finance Programme Pakistan: Community Development Project Philippines: Rural Microenterprise II Sri Lanka: Sustainable Livelihood Support in Marginal Dry Zones
	Latin America and the Caribbean Division USD 70.0 million	Brazil: San Francisco River Basin Microenterprise Development Project Guatemala: Technical Assistance Support Programme for Small Farmers and Indigenous Communities Mexico: Sustainable Agricultural Development Project in the Arid and Semi-Arid Regions of Mexico Nicaragua: Programme for the Economic Development of the Dry Region in Nicaragua Venezuela: Support Project for Small Producers in the Semi-Arid Zone of Falcon and Lara States - Phase II (PROSALFA)
	Near East and North Africa Division USD 63.0 million	Algeria: Project for the Management of Watershed Basins Republic of Moldova: Agricultural Financial Services Project Morocco: Livestock and Pasture Development Project In the Eastern Region – Phase II Sudan: Gash Flood Irrigation Project Turkey: Sivas Erzincan Development Project
Total	USD 416.3 million	

¹ The figures for the lending programme are indicative. However, the overall 2003 lending programme will not exceed the total SDR amount approved by the Executive Board for planning purposes.



21. Operationalizing the strategic framework will continue to be the focus for the 2003 programme of work of the Programme Management Department (PMD). This process began in 2002 with a departmental retreat followed by retreats by each division to set objectives and define activities for 2002 and 2003 in support of the strategic framework objectives. PMD's objectives and activities have been prioritized for 2003 as follows: (i) impact enhancement; (ii) knowledge management, including new activities and processes financed by additional resources; and (iii) safeguarding the lending programme to ensure delivery of the targeted annual volume of lending.

22. Improving the well-being of rural populations calls for the strengthening of local organizations, both private and public, so as to give the rural poor a greater voice in decisions affecting them. Although some institutional capacity exists in many rural areas, greater focus and support is needed to build an explicit link with IFAD's operations. Efforts to improve incomes should focus both on increasing agricultural production and productivity and on the promotion of non-agricultural activities in order to develop the sector's competitiveness. This is essential if advantage is to be taken of new market opportunities in the context of globalization.

23. **Impact enhancement** is the cornerstone of PMD activities for 2003. In support of better achievement (and reporting) of impact, the *Guide for Project M&E*, developed by OE in cooperation with PMD, will be introduced to ongoing and new projects and customized in accordance with requirements. This can be seen as a third step in a logical sequence to promote results-oriented management throughout the project cycle; previous steps include the systematic use of the logical framework approach and the introduction of the Key File. The two previous steps were more focused on the design stage. The systematic extension of this approach to implementation will be through improvement in local capacities, particularly of project managers, for results-oriented planning of work programmes and constant monitoring of progress made. In addition, impact achievement will be further enhanced by the use of existing and the search for new and innovative tools, to promote an IFAD field presence and in-country capacity, in particular through the active involvement of local resource persons, assistance to subregional support structures and collaboration with other development agencies.

24. **Policy dialogue and partnership building** have been mainstreamed in PMD's work for 2002 and beyond. The process for strengthening IFAD's catalytic role must be founded on a strong lending programme with complementary TAG support. Analysis, advocacy and policy dialogue will be pursued therefore, through the systematic integration of policy reform and institutional transformation into country-level operations at all stages of the project cycle. Such dialogue will – and must – remain selective, focusing on issues emerging through the programme development and implementation process, and taken up as and when there is sufficient basis to do so. This dialogue will be pursued directly with governments and indirectly through the provision of support to civil-society partners in order to enhance their capacity to actively take part in the process of policy reforms relevant to IFAD's target group.

25. Poverty-reduction strategies provide a framework for IFAD to enable poor people's organizations (farmer associations, community-based organizations) to take part in formulating strategies that respond to the needs and demands of the rural poor, and to build up their capacity to monitor the implementation of agreed reform agendas. In this context, facilitating dialogue between poor people, civil society and governments will be supported by IFAD through the funding of workshops and other forms of consultation at the local and national levels, both by project-based activities and through special processes financed through TAGs and supplementary funds.

26. The preparation of COSOPs is a key vehicle for institutional analysis and policy dialogue and for deepening in-country partnerships. Informal seminars held during Executive Board sessions in 2002 provided valuable suggestions on the structure and content of COSOPs and highlighted the importance of in-country consultations with stakeholders. In the process of formulating (or reviewing)



COSOPs, multi-stakeholder workshops will constitute a common tool throughout the regional divisions.

27. Close working relations between PMD and the new Policy Division of the External Affairs Department will be pursued as a means to ensure that concrete realities from the field are fed into the corporate-level policy-dialogue process.

Western and Central Africa Division (Africa I Division)

28. **Lending programme.** The Division plans to submit six-to-seven projects to the Executive Board in 2003 (Burkina Faso, Cameroon, Chad, Guinea-Bissau, Nigeria, Senegal and Sierra Leone) for a total of USD 76.5 million. Given the inherent uncertainty in the region, projects for The Congo and the Democratic Republic of the Congo are included as reserves.

29. **Cofinancing.** Several cofinancing relationships have been already identified, while others will be developed during the course of the further design of projects for submission to the Executive Board in 2003. IFAD intends to cofinance a World Bank/United States Agency for International Development (USAID) national rural microfinance programme in Nigeria. Discussions are also underway with other donors with regard to the possibility of their cofinancing a number of IFAD-initiated designs. These include the German Credit Institution for Reconstruction for Burkina Faso; the Government of Portugal and the African Development Bank (AfDB) for Guinea-Bissau; the West African Development Bank (BOAD) for Senegal and AfDB and the World Bank for Sierra Leone.

30. **Impact.** The Division will continue its practice, initiated in 2002, of ensuring that country portfolio managers (CPMs) participate in at least half the supervision missions during which annual workplans and budgets are developed. This will enable IFAD to be present when the most important decisions are being made by project staff and cooperating institutions. A training programme for project staff will be launched, building on input from several sources – the aforementioned *Guide for Project M&E*; the Agricultural Management Training Programme for Africa (AMTA); and draft training modules prepared by the *Société d'Assurance Technique et de Coopération* (French consultancy firm).

31. In 2003, FIDAFRIQUE II, – the second phase of the network of IFAD-sponsored projects in western and central Africa – will constitute an important link between regional project staff and other regional stakeholders. A major focus of the 2003 TAG programme will be on designing and implementing the 'second generation' of IFAD-initiated agricultural research TAGs with centres of the Consultative Group on International Agricultural Research (CGIAR). This will include: strengthening links with loan projects; boosting socio-economic capabilities; introducing a competitive grants system among national partners to ensure greater rigour and responsiveness to small farmer priorities; and promoting exchanges among grants on best practices. The Division's gender-mainstreaming grant (supported with Italian and Norwegian supplementary funds) will ensure a greater gender focus in ongoing and new projects. A project development and implementation plan for the Flexible Lending Mechanism (FLM)-financed project in Niger will be initiated to follow up the issue of harnessing innovation in the project context, and to assess the FLM triggers. Based on lessons learned from that exercise, the Division will systematically review the appropriateness of triggers in its four remaining FLM projects and devise a plan for modifying them, as appropriate. Within the context of a regional agricultural research grant for cow-pea development, the Division will support the development of tools for monitoring the impact of training in integrated pest management promoted through farmer-field schools.

32. **Policy dialogue and partnership building.** Subject to ongoing dialogue with governments, the Division plans to complete three-to-five COSOPs in 2003. Countries under consideration are: Benin, Burkina Faso, Cameroon, Equatorial Guinea, Gabon and Togo. The Division will continue to push for



adequate incorporation of rural development and agriculture in PRSPs by maintaining active dialogue with governments and partners and providing support in the form of consultant contributions and IFAD comments to early drafts. In addition, the Division will support direct involvement and participation of producer organizations, farmer groups and representatives of rural civil-society interest groups in the PRSP formulation and monitoring processes. In countries where a PRSP is being developed, it will ensure its alignment with the preparation and/or update of the COSOP.

33. In partnership with governments, civil society and like-minded donors, the Division will support policy reforms involving the development of appropriate legal and regulatory frameworks for microfinance in Benin and Cameroon; concrete measures to increase the poverty-reduction nature of decentralization in Ghana, Guinea and Senegal; and appropriate institutional frameworks for more effective delivery of rural services in Cameroon and Nigeria. Support to the West Africa regional network of producers' groups (ROPPA) will serve to strengthen the policy and advocacy capacity of this important stakeholder group. The multi-donor regional hub in Côte d'Ivoire will also be an important means to facilitate policy analysis and dialogue. The two Africa divisions and the Near East and North Africa Division will provide technical and advisory assistance to the New Partnership for African Development (NEPAD) Secretariat to further refine the rural poverty focus of the NEPAD business plan. In addition, through grants to farmer associations and to two regional organizations – the West African Economic and Monetary Union and the Permanent Interstate Committee for Drought Control in the Sahel – the Division will seek to strengthen the capacity of regional stakeholders to influence NEPAD decision-making.

34. In partnership with the External Affairs Department, a media-supported advocacy programme will be established, targeting major donor and regional/national decision-makers to boost the catalytic role of IFAD in communicating the importance of agricultural and rural development for effective poverty reduction. In this context, a number of activities are proposed, to be undertaken in 2003, IFAD's Twenty Fifth Anniversary year. These include a series of media reportage activities (television, radio, newspapers and publications) covering success stories from projects in the region; organization of a regional meeting of high-level decision-makers in order to build a regional coalition to fight rural poverty; and, in each country with an active IFAD portfolio, organization of a Rural Poverty Day by IFAD field projects, with the participation of all stakeholders present and high-level government representatives.

35. Partnerships are central to all the Division's operations, and it is intended to continue several initiatives from previous years (annual consultations with major multilateral and bilateral partners; pursuit of cofinancing; promotion of subregional collaboration through agricultural research TAGs and implementation of a multi-donor regional hub). Post-conflict assistance (in the Democratic Republic of the Congo and Sierra Leone) will be provided through coordinated common donor frameworks. All policy dialogue will be carried out in collaboration with other donors and the greatest possible civil-society participation.

Eastern and Southern Africa Division (Africa II Division)

36. **Lending programme.** The Division will present five-to-six projects (Angola, Ethiopia, Kenya, Madagascar, Mozambique, and the United Republic of Tanzania) to the Executive Board in 2003 for an aggregate sum of USD 75.0 million. In 2003, the priority objective will not be to increase the size of the lending programme, but to improve its quality in terms of both direct impact and of a significantly upgraded basis for generating catalytic effects.

37. **Cofinancing.** Projects will be cofinanced where there is a convergence of interest – sectoral, strategic, methodological – between the Division and a donor agency that can add value to the intervention. Cofinancing thus is pragmatic and strategic. At this point, cofinancing opportunities for 2003 include the Pastoral Community Development Programme in Ethiopia (major cofinancing with

the World Bank), the South Nyanza Project in Kenya (Belgian Survival Fund), the Mavam project in Madagascar (in partnership with the OPEC Fund), the Agricultural Technology, Extension and Research Programme in the United Republic of Tanzania (with the World Bank), and the Rural Finance Support Programme in Mozambique (with bilaterals).

38. **Impact.** Within the ongoing lending programme, increased inputs will concentrate particularly on: (i) supporting and enhancing the management capacity of programme implementation staff; (ii) ensuring that the management and supervision of ongoing programmes is focused squarely on the achievement and reporting of results; and (iii) promoting and sharing knowledge and experience among project staff.

39. The Division will increase the number and improve the focus of the country portfolio reviews, which (conducted on a joint basis with governments, IFAD, project staff and other local stakeholders) will provide the platform for assessing and guiding country portfolio operations. They will review, inter alia, salient issues in implementation and impact performance, the relation between portfolio 'direction' and the evolution of poverty, and replicability.

40. The Division's relationship with the United Nations Office for Project Services (UNOPS) is evolving, and the complementarity between the work of the Fund's CPMs and that of UNOPS project managers is one that will continue to be pursued during 2003. Ensuring that the regional strategy has been fully understood and internalized by UNOPS will be a starting point for the new relationship. Activities will include training and thematic workshops for project managers in the region, and direct technical support for implementation under the overall direction of CPMs.

41. Projects are becoming more and more programmatic and increasingly linked to fundamental economic policy and institutional issues. In some cases, this will require diversification of sources of supervision support. In two rural finance projects (one in Ethiopia and the other in Uganda), the World Bank will be IFAD's cooperating institution.

42. Governments and donor groups increasingly demand field presence. The Division will expand investment in in-country capacity and collaboration, particularly with regard to implementation support.

43. **Policy dialogue and partnership building.** Policy advocacy and dialogue is not only an area of increased importance to the Division; it is also one in which governments of the region – all of which are engaged in processes of policy reform – are ever more interested in engaging. The COSOP provides the mechanism for injecting the policy dialogue and reform processes into country lending programmes. For 2003, the Division foresees the development of about three COSOPs possibly for Malawi, the United Republic of Tanzania and Zambia. In addition, supplementary funds will be sought for providing assistance to the NEPAD Secretariat for developing the NEPAD dialogue on rural development and poverty reduction (see also paragraph 33).

44. The PRSPs – and, more broadly, the operationalization of poverty-reduction strategies that respond to the constraints and opportunities of the rural poor – will be a particular area of focus during 2003. The groundwork for this is already being laid through detailed analyses of all PRSPs in the region – with an eye to identifying priority countries and areas for follow-up in 2003.

45. In 2003, the Division will raise the level of its input on poverty reduction and rural development in international, regional and national fora (including those linked to the 25th Anniversary activities), both as a vehicle for learning more about the key issues in the region and as a means of influencing key policy-makers at the national, regional and international levels.

46. In 2003, increased emphasis will be placed on knowledge generation: reporting and analysing experiences and sharing these at the programme/project level. To develop synergies within and beyond the regional portfolio and to provide concrete options for the development of national policies and programmes, this will be done within the Division, across IFAD and with key partners. As part of the capacity-strengthening process, increased attention will be paid to enabling project coordinators working in similar thematic areas or on similar issues to learn from each other. Exchange visits and subregional workshops will represent important elements of such an approach. Within the Division, improved understanding must also be a crucial input into the policy dialogue process. Knowledge-sharing – in the form of greater cross-fertilization – will be pursued through the establishment of thematic-based fora, the strengthening of divisional representation in project development teams and the selective use of TAGs as a means of gaining cross-country experience. At the institutional level, the Division will actively support, and in some cases lead, knowledge-networking in selected thematic areas.

Asia and the Pacific Division

47. **Lending programme.** The Asia and the Pacific Division will submit seven new investment projects to the Executive Board in 2003 (for Bangladesh, Cambodia, China, India, Iran, Pakistan and Sri Lanka) for a total lending of approximately USD 132 million.

48. **Cofinancing** represents an important objective since it stimulates intellectual and financial partnerships driven by the common goal of poverty reduction. IFAD's 2003 lending programme for the Asia and the Pacific region envisages cofinancing in the Rural Poverty Reduction Project in Prey Veng and Svay Rieng in Cambodia with the United Nations Development Programme (UNDP); in the Livelihood Improvement Project for the Himalayan Region in India with the World Food Programme, the United Nations Development Fund for Women and the International Development Research Centre (IDRC); in the Community Development Project in Pakistan with the Food and Agriculture Organization of the United Nations (FAO); in the Forsat Mosawi Finance Programme in Iran with the Bank Keshavarzi; and in the Sustainable Livelihood Support in Marginal Dry Zones in Sri Lanka with UNDP and FAO.

49. **Impact.** A basis for strengthening IFAD's catalytic role and impact in the region is the improvement of the quality of the regional portfolio, with sharper focus on policy issues and impact achievement. The management and technical capacity of IFAD projects will be improved by ensuring greater complementarity between IFAD and its cooperating institutions. Capacity-building support will be provided to enhance M&E systems, and to mainstream participatory impact assessment into project management functions. This will be achieved in the context of the regionalization of the new IFAD *Guide for Project M&E*. At the same time, additional technical support will be provided by increasing the number of implementation follow-up missions, improving the quality of mid-term reviews, and by improving the coordination of inputs from IFAD grantee institutions in the region.

50. Sharing of knowledge and learning among various stakeholders will be promoted through the IFAD-funded initiative, Electronic Networking for Rural Asia/Pacific; subregional and/or country portfolio review workshops and exchange visits; improved in-house collaboration and teamwork; and thematic studies. In this context TAGs are proposed for: (i) a study on land reform in South Asia; (ii) a training programme on successful approaches to building sustainable organizations of the poor; and, (iii) three action research programmes on sustainable commercialization of medicinal and aromatic plants in Asia (IDRC); on poverty reduction through sustainable forest management (the Center for International Forestry Research); and on gender mainstreaming.

51. **Policy dialogue and partnership building.** The Division intends to update the COSOP for India during 2003 and to use the planned country portfolio evaluations for China and Laos as the basis

for revising COSOPs on those countries. The combination of project loans with TAG components will be a major tool for enhancing IFAD's catalytic role, in particular in China, India and Sri Lanka.

52. As part of 25th Anniversary activities, the Division will contribute to the organization of an international workshop on gender mainstreaming in the Asia region. This activity will be complemented by participation in national, regional and international fora especially through anniversary-related initiatives. Preparation of relevant publications will facilitate the process of enhancing IFAD's credibility as an advocate of rural development in the region. Active involvement in PRSP processes is planned in Cambodia through support to poverty mapping and, in Mongolia and Viet Nam, through follow-up of PRSP implementation.

Latin America and the Caribbean Division

53. **Lending programme.** Four projects are planned for 2003 (Brazil, Guatemala, Mexico, Nicaragua or Venezuela) for total lending of USD 70 million. The proposed lending programme highlights certain elements for strengthening IFAD's operations in order to implement effectively and efficiently IFAD's corporate and regional thrusts. These include: (i) designing country-level projects within the framework of the regional strategy; (ii) placing a major emphasis in 2003 on impact assessment of lending and non-lending activities; (iii) mobilizing resources for innovative poverty-reduction initiatives; and (iv) greater interactions both within the region and with other regions in order to develop new instruments for poverty reduction.

54. **Cofinancing.** The Division will continue to explore cofinancing opportunities for projects under design. The Central American Bank for Economic Integration (BCIE) and UNDP have shown interest in cofinancing the proposed new project in Guatemala and contacts with the Andean Development Corporation (CAF) are under way to provide cofinancing resources for the Venezuela project (PROSALFA – Phase II). Continuous contacts are maintained with the World Bank and the Inter-American Development Bank (IDB) with regard to potential joint financing operations.

55. **Impact.** The development of small towns and medium-sized cities, together with the promotion of economic corridors, creates an environment conducive to the reduction of poverty by stimulating the demand for goods and services on local markets and by creating job opportunities. Significant improvements could be achieved in IFAD operations through: partnerships; development of new products; and promotion of learning activities across regions. Thanks to greater interaction within and across regions, the Division expects to contribute both to increasing impact and poverty reduction in the region and to benefit from work in other regions.

56. The Division intends to reinforce existing working alliances such as that with the Interagency Group on Rural Development, which comprises the Economic Commission for Latin America and the Caribbean, FAO, the German Agency for Technical Cooperation (GTZ), IFAD, IDB, the Inter-American Institute for Cooperation on Agriculture, World Bank and the USAID. Technical studies, defined by the Division, will be conducted in strategic areas of knowledge management, such as decentralization of public-sector institutions, rural financial services, market access and indigenous people, in order to more effectively define future instruments and activities.

57. TAGs play a critical role in IFAD's strategy in the Division, in as much as they support projects, promote synergies and facilitate links with civil society. The Corporation for Regional Rural Development Training (PROCASUR II) will promote new ways of training and knowledge management in the region in support of the IFAD lending portfolio. The TAG for agricultural research will foster equitable access to new technologies and income-generating activities for small farmers in Argentina, Brazil and Paraguay.



58. **Policy dialogue and partnership building.** In 2003, COSOPs are planned for four countries in the region – Colombia, Guatemala, Ecuador and Chile (continuation) – the elaboration of which will be used to support the processes of policy dialogue and partnership building. The Division plans to enhance IFAD's visibility through communication of the proposed initiatives at the national and regional levels with the aim of increasing government interest in rural poverty issues. In addition, the Division will strengthen staff capacity for policy analysis and dialogue so as to be focused on a few countries in strategic areas. These efforts will be supported through TAGs and supplementary funds.

59. The Regional Programme in Support of Indigenous Peoples of the Amazon Basin – Phase III – will give priority to strengthening the capacity of indigenous populations in the Amazon and their organizations, promoting the sustainable management of natural resources in the tropical forest, and supporting indigenous peoples in local, national and international policy dialogues. The second phase of the support programme for the Southern Cone Common Market (MERCOSUR) area will aim to enhance IFAD's catalytic impact, with particular emphasis on the design of innovative policies to reduce rural poverty, taking advantage of the new opportunities created by the ongoing process of globalization and regional integration. The Division plans, for example, to organize fora for interaction among projects in Brazil and lusophone African countries starting with Angola, financed through supplementary funds; or fora for the exchange of experiences between Brazil and India; events to be financed through the PDFF.

Near East and North Africa Division

60. **Lending programme.** The Near East and North Africa Division (NENA) plans to submit five projects to the Executive Board in 2003 (for Algeria, the Republic of Moldova, Morocco, The Sudan and Turkey) for an aggregate of USD 63 million. The Division's loan portfolio focuses on the priority strategic objectives of accessing and sustainably managing natural resources (land, water and rangelands). In parallel to this, the objectives of empowering the poor, institution-building and providing rural financial services are built into the projects.

61. **Cofinancing.** The Division will continue to explore cofinancing opportunities for projects under design and secure more funds for the Relief and Development Programme in Gaza and the West Bank. It is expected that the OPEC Fund will cofinance the project in Turkey; cofinancing from a bilateral agency is being explored for the project in the Republic of Moldova.

62. **Impact.** Of the 50 ongoing projects in 2002: (i) some 25% will be followed closely on a priority basis through the provision of additional resources for enhanced backstopping for better performance and impact; (ii) five will benefit from IFAD/NGO Extended Cooperation Programme (ECP) grants for innovative pilot activities; and (iii) the ongoing NENA gender mainstreaming programme will be complemented by a similar programme in countries in Central and Eastern Europe and in the Newly Independent States. The North Africa Management Training in Agriculture Programme will become operational in Algeria, Morocco and Tunisia through workshops for project managers. Two subregional implementation workshops will be held, aimed at impact assessment, sharing of experience and capacity-building.

63. The TAG programme includes four regional TAGs to complement the lending programme and address the following priorities: (i) decision support systems for improving agricultural input efficiency and reducing cereal risks; (ii) efficient on-farm water use; (iii) development of biosaline agriculture; and (iv) electronic networking among IFAD projects.

64. **Policy dialogue and partnership building.** The COSOPs for Armenia and Egypt will be revised in 2003, with particular emphasis in both papers on opportunities for policy dialogue and partnership. Policy dialogue/reform activities will also involve support for decentralization, participation and rural finance in Albania, Morocco, the Republic of Moldova, Romania, Syria,

Tunisia and Yemen. The Division will provide active support for PRSP implementation in Armenia and the Republic of Moldova, and other countries where opportunities arise.

65. A campaign to promote gender mainstreaming and women as agents of change in the NENA region will consist of a roundtable discussion, an exhibition and awards to the community that is the most successful in advocating women's rights. IFAD's 25th Anniversary provides the Division with an opportunity to enhance advocacy efforts for rural development in the region. Regional workshops on devolution of water-management responsibilities to end-users will complement the advocacy programme.

B. Policy and Advocacy Programme

66. Multilateral and bilateral development partners as well as host country governments are increasingly demanding that IFAD engage more in policy dialogue on the basis of its insights in, and knowledge of, rural development.

67. A process has been initiated to elaborate the scope, objectives and modalities of defining IFAD's policy function. There are policy functions related to operations as well as other areas that need to be undertaken in a broader context. IFAD already has a set of project-related operational instruments, including: (i) COSOPs; (ii) workshops for providing fora for dialogue with stakeholders; (iii) involvement in the PRSP process to build consensus around rural development issues; and (iv) policy dialogue during the project development process to provide opportunities to shape policies. The Fund will build on existing networks (both within and outside IFAD) and create new networks, where needed, to foster synergies. For the policy function in a broader context, the Fund has established a Policy Division within the External Affairs Department, which will need to be fully operationalized in 2003.

68. The advocacy programme in 2003 will be mainly organized around the 25th Anniversary, which provides not only an opportunity for reflection on the Fund's operations and achievements over the last 25 years but also with a period of looking into the future and the challenge of poverty reduction in the context of the MDGs. It will also provide an excellent opportunity to build on the experience gained in connection with the *Rural Poverty Report 2001* and consultations held during the preparation of the regional strategies, and to advocate forcefully for rural development and issues affecting the rural poor.

C. Resource Mobilization

69. IFAD's average annual lending programme for the last three years amounted to USD 415 million. This lending level supported programmes/projects with an average total investment cost of USD 922 million per year which implies a leverage factor of 122%. In 2003, IFAD will seek to maintain the same leverage factor in its lending programme, mobilizing domestic resources and external cofinancing to meet the total investment cost of nearly USD 1 billion for the projects/programmes it finances.

70. As in past years, IFAD will strive to mobilize cofinancing at a level of no less than 30% of its operations, corresponding to at least USD 150 million, from multilateral and bilateral donor sources.

71. The mobilization of external financing for IFAD's obligation under the Debt Initiative for Heavily Indebted Poor Countries (HIPC) will continue. In this area, the objective is to secure, over time, about 66% of IFAD's costs. In July 2002, the total cost of HIPC to IFAD was estimated at



USD 308 million in net present value (NPV) terms. Thus far, pledges and payments by donors, including Belgium, European Union (EU), Germany, Italy, The Netherlands, Sweden and Switzerland amount to approximately USD 49 million.

72. Finally, in support of the Fund's strategic priorities as expressed in the strategic framework and the regional strategies, resource mobilization efforts for supplementary funds of approximately USD 8 million will be pursued along thematic lines, such as rural financial services, replicable innovations, post-conflict assistance, gender programmes and programmes for combating HIV/AIDS. A special effort will also be made in 2003 to mobilize Global Environment Facility (GEF) cofinancing for IFAD investments in environmentally degraded and marginal lands.

D. Corporate Services

73. In 2003, adequate provision of services to the operational units will be crucial for achieving better impact. IFAD can only operate efficiently and effectively if field operations are adequately supported with the necessary support services. Services to the operational units are provided in various forms and by various organizational units.

74. The Office of Internal Audit (OA) will place increased emphasis on a number of priority areas such as processes that directly support the operational outcomes of the Fund. The unit will be also actively involved in the Strategic Change Programme (SCP), formerly known as the Process Re-Engineering Programme (PRP), by providing both input in the design of processes, based on audit work completed to date, and independent oversight feedback on the implementation of the SCP to the programme management unit (PMU) and to senior management. Improving the efficiency of support services will continue to be a strategic objective of the unit.

75. The following five priority areas for 2003 have been identified by OE: (i) assessing, communicating and learning from IFAD's impact (e.g. implementation of the new impact methodology and establishment of impact-oriented M&E systems at the project level); (ii) contributing to IFAD's catalytic role (e.g. promoting innovative ideas and policy dialogue and advocacy); (iii) contributing to IFAD's organizational development by undertaking selected corporate-level evaluations; (iv) recasting relationships with IFAD's governing bodies on evaluation; and (v) developing and optimizing the use of human resources.

76. As well as assisting PMD in the implementation of the loan and grant programme, the Office of the General Counsel (OL) plans to have each lawyer follow one loan through all stages of the project cycle in the belief that earlier and fuller involvement of OL can improve the implementation of IFAD's loan portfolio.

77. The Loans and Grants Unit of the Office of the Controller (FC) intends to support regional divisions in strengthening the capacity of project staff to deal with financial issues. Other services, not mentioned here in detail, such as administrative services, are also prioritizing their activities to increase further their efficiency and effectiveness.

78. In 2003, many of these services will be reviewed and enhanced through the SCP. The latter will support FC in implementing a fully integrated financial information technology (IT) system with a view to increasing efficiency and accuracy. This will be achieved mainly by streamlining workflows and simplifying guidelines and procedures. Reporting and analysis will help to increase transparency and deliver quality information to other divisions and external stakeholders. The SCP will also investigate options to develop the loans and grants system into a web-based system in order to be able to communicate financial management data on loans and grants through the Intranet and Internet.



79. The Management Information Systems (FM) will continue to work on putting in place IT solutions that facilitate and support the operationalization of IFAD's strategy as formulated in the strategic framework. The efforts of FM will be fully aligned with the SCP in order to maximize the potential for the implementation of PeopleSoft accounting software for the institution as a whole.

80. IFAD's human resource procedures are currently under revision. In 2003, IFAD will address the areas in need of strengthening and prepare its staff for the opportunities and challenges that lie ahead, including in the context of the SCP. The Fund will seek better ways to: (i) strengthen management capabilities; (ii) attract and retain a qualified workforce, bearing in mind its strategic objectives; (iii) streamline internal business processes to use staff time more effectively and efficiently; and (iv) implement the recommendations of the human resources review, and enhance communications between the Office of Human Resources and its clients. In the development and nurturing of a management culture change inside the organization, IFAD will ensure that appropriate training is provided. Gender is a priority concern in IFAD, and a number of significant steps including training have been or will be taken.

81. As regards the SCP, a separate progress report (document EB 2002/77/R.30) is being presented to the current session of the Executive Board.

III. RESOURCE IMPLICATIONS OF THE PROGRAMME OF WORK

82. As noted earlier, at the Seventy-Sixth Session of the Executive Board in September 2002, management proposed a planned overall Programme of Work of around USD 436 million (or USD 450 million using the traditional basis, inclusive of amounts transferred to the PDFFF). This proposal was made for planning purposes to maintain a stable level compared with prior years, and will be reviewed at each Executive Board session during 2003 and adjusted on the basis of available resources. In order to be prudent, for 2003, although the understanding for maximum use of ACA is three years of reflows, (around USD 540 million), management has decided to put a ceiling of USD 400 million on ACA use in 2003.

83. The amounts of loans and grants approved by the Executive Board for the period 1997-2001, those currently projected for 2002 and the planned proposal for 2003, are presented below.

**Table 2. Loans and Grants Approved (Excluding Cancellations)
in 1997-2001; Projected for 2002; and Proposed for 2003**

	1997	1998	1999	2000	2001	2002 Projected	2003 Proposed
Number of loans	29	30	29	27	25	25	27 ²
(SDR million, rounded up)							
Total value of loans	288	304	307	312	317	292	317
Total value of grants ³	23	24	25	25	16	17	15
Total value of loans and grants	311	328	332	337	333	309	332

84. Table 3 gives the projections of Article 4 resources available to the end of 2003, in millions of United States dollars and of Special Drawing Rights. It will be recalled that, although the programme of work is planned in United States dollars, it is approved by the Executive Board in Special Drawing Rights. Detailed information on the latest situation of resources available is provided separately to the Executive Board in document EB 2002/77/R.4, which will be updated immediately prior to the Executive Board session.

² Approximately 26 to 28 projects.

³ Excluding items transferred to PDFFF from 2001.

Table 3: Projected Resources for Commitments, 2001 – 2003⁴

	USD million			SDR million		
	Actual 2001	Forecast 2002	Forecast 2003	Actual 2001	Forecast 2002	Forecast 2003
Committable resources at the beginning of the year ⁵	68	0	0	51	0	0
Loan cancellations	30	50	50	23	39	39
Exchange rate adjustments	(39)	6	-	(31)	9	1
Provision on existing contributions	10	10	-	8	8	-
Sub-total	69	66	50	51	56	40
Members' contributions ⁶	135	110	162	106	85	125
Loan reflows	170	165	170	133	128	132
Investment income/(loss) ⁷	(43)	14	72	(34)	11	56
Operating Expenses (including After Service Medical Scheme)	(54)	(50)	(49)	(41)	(40)	(38)
PDFF	-	(27)	(28)	-	(21)	(21)
SCP ⁸	(1)	(3)	(9)	(1)	(2)	(7)
Provision for the Debt Initiative for HIPCs	(4)	(14)	(23)	(3)	(11)	(18)
Resources after expenses	272	261	345	211	206	269
Commitments for loans and grants ⁹	(426)	(405)	(436)	(333)	(309)	(338)
Resources before ACA	(154)	(144)	(91)	(122)	(103)	(69)
Net use of ACA ¹⁰	154	144	91	122	103	69
Committable resources at the end of the year	0	0	0	0	0	0

⁴ These projections are clearly heavily dependent on the assumptions used for 5th and 6th Replenishment contribution payments.

⁵ 'Committable resources' are defined as being net of previous loan commitments and taking into account use of ACA.

⁶ Assumption made that outstanding Fifth Replenishment contribution payments will be received in 2003.

⁷ Net of projected direct charges against investment income (see Annex IV).

⁸ The programme was formerly known as the 'Process Re-engineering Programme'.

⁹ Commitments for loans and grants have been updated with approvals at the Seventy-Sixth Session of the Executive Board.

¹⁰ The programme of work for 2003 is estimated at USD 450 million, using the traditional format.

¹⁰ The table below shows details of the use of ACA.

	USD million			SDR million		
	2001	2002	2003	2001	2002	2003
Opening balance	0	154	298	0	122	225
Net use of ACA during the year	154	144	91	122	103	69
ACA to carry forward	154	298	389	122	225	294

A. Programme of Work for 2003

85. As mentioned earlier, the lending and TAG programmes for 2003 are planned at SDR 332.1 million – USD 436.6 million, or USD 450 million using the traditional basis, inclusive of amounts transferred to the PDFF.

Table 4. 2002 Approved and 2003 Proposed Programme of Work

	Projected for 2002	Originally Approved for 2002	Originally Approved for 2002 ¹¹ (SDR/USD at 1.26926)	Increase/Decrease	2003 Proposed	2003 Proposed (SDR/USD at 1.31420) ¹²
	(USD million)	(USD million)	(SDR million)	(USD million)	(USD million)	(SDR million)
Loan Programme	382.7	416.2	327.9	0.1	416.3	316.7
TAG Programme ¹³	22.4	20.7	16.3	(0.4)	20.3	15.4
Total	405.1	436.9¹⁴	344.2	(0.3)	436.6¹⁴	332.1

Loan Programme

86. **Projected lending programme for 2002.** At its Seventy-Fourth Session in December 2001, the Executive Board approved a lending programme of SDR 327.9 million (USD 416.2 million) for 27 projects, on the understanding that the level would be reviewed during 2002 on the basis of available resources. Twenty-five projects have been submitted to the Board for approval during the course of 2002 for a total lending programme of SDR 281.4 million or USD 365.7 million, which is less than planned due to the resource situation.

87. **The 2003 lending programme** On the basis of a proposed 2003 lending level of USD 416.3 million, some 26-28 projects, amounting to about SDR 316.7 million are expected to be submitted for approval during 2003. As indicated earlier, this level is for 2003 planning purposes and the actual level will be adjusted after review at each Executive Board session taking into account the use of ACA.

¹¹ Per planned projections – the grant programme may be adjusted depending upon the lending level.

¹² 2003 proposed at SDR/USD exchange rate of 23 October 2002.

¹³ Figures exclude items now shown under PDFF (2003 – USD 27.6 million, 2002 – USD 26.7 million). On this basis, the adjusted grant programme is approximately 5% of the overall adjusted programme of work.

¹⁴ This is equivalent to USD 450 million, taking into account amounts now transferred to PDFF.

Grant Programme

88. As provided in Table 4, the proposed TAG Programme for 2003 amounts to USD 20.3 million, or SDR 15.4 million (excluding amounts transferred to the PDFF), representing 4.7% of the overall programme of work.¹⁵ Table 4A provides the projected amounts per grant category expected for 2003.

Table 4A: Approved 2002 and Proposed 2003 Technical Assistance Grant Programme

	2002		2003	
	Originally Approved (USD million)	% of Overall TAG Programme	Proposed (USD million)	% of Overall TAG Programme
Agricultural research	8.55	41.30	8.38	41.30
Other research, training and other	9.60	46.38	9.42	46.38
IFAD/NGO ECP	2.55	12.32	2.50	12.32
Total	20.70	100.00	20.30	100.00

89. In support of the strategic objectives set out in the *Strategic Framework for IFAD 2002-2006*, the primary objectives of grants under the Agricultural Research and Other Research and Training (AR&T) categories proposed for formulation in 2003 will relate to: (i) IFAD's target groups and their household food-security strategies; (ii) technologies that build on traditional knowledge systems by improving productivity and addressing production bottlenecks; (iii) access to productive assets (land and water, financial services, labour and technology) and sustainable and productive management of such resources; (iv) a policy framework that provides the rural poor with an incentive to reach higher levels of productivity, thereby reducing their dependence on transfers; and (v) an institutional framework within which formal and informal, public and private-sector, local and national institutions provide services to the economically vulnerable, according to their comparative advantage.

90. As in the past years, the agricultural research grants proposed for formulation in 2003 will focus on ecologically poor areas where pressure on land and water has led to natural resource degradation in environmentally fragile zones. The emphasis on participatory technology development will include the additional elements of institutional arrangements and partnerships to help strengthen and enrich the research and innovation process in which appropriate technology and knowledge is generated and exchanged. This will address the need to build on local knowledge systems, including farmers' own innovations, and contribute to improving the adoptability of technologies developed through such truly participatory research processes. The agricultural research grants will therefore emphasize the improvement of partnerships in adaptive research programmes to enhance developmental impact and, as a standard feature, will be linked to grants under the AR&T category for presentation to the Executive Board in 2003 and to IFAD's new and ongoing loan portfolio.

91. All grant submissions proposed for 2003 for inclusion under the AR&T category will have explicit links with several key elements of the strategic framework. PMD will focus its grant investments in 2003 on research on innovation and impact, knowledge management, and associated institutions and policy analysis to respond to the specific strategic objectives of improving the access of the poor to productive technology and natural resources; and strengthening the organizations of the poor to realize the benefits of its improvement.

92. In 2003, the newly-established External Affairs Department (EAD) intends to formulate a few small TAGs under the AR&T category to support IFAD's catalytic role in sharing knowledge

¹⁵ This level of grant financing maintains the ceiling for the grant programme (including PDFF) of 7.5% of the overall programme of work, as approved by the Executive Board.



generated at the grass-roots level for building partnerships and coalitions, and for undertaking policy advocacy beyond project interventions. These TAGs would finance, for example, the organization of reality check meetings where alternative voices from the grass-roots level would also be heard and the promotion of innovative use of the Internet as an interactive tool to enhance IFAD's presence in the field and in appropriate global or regional fora.

93. Non-governmental organization (NGO) activities to be supported under the ECP will back up the strategic framework and the achievement of its objectives by focusing on capacity-building of beneficiaries and their organizations, as well as on institutional development to enable poor rural people to improve their livelihoods. More specifically, capacity-building and institutional development will address: access to assets, namely, increased agricultural production and its diversification based on sustainable resource management; effective organization of rural financial services; dissemination of appropriate and environment-friendly technologies; development of rural enterprises; and development of market linkages. Support will also be extended to advocacy activities and processes of identification and the capacity-building of potential NGO partners, including support for NGO networking activities. Finally, a number of the ECP projects are expected to provide prototypes and effective instruments of intervention for both ongoing and forthcoming projects, and to prepare the ground for future IFAD investments.

94. The overall TAG programme will aim at achieving greater impact in the field. Among other things, this means developing capabilities for enhanced M&E of IFAD's projects and programmes. To this end, support will be extended to develop mechanisms and procedures to develop field-level capabilities through grant-financed capacity-building programmes.

95. Based on the outcome of these programmes, PMD will strengthen the 'knowledge management' dimension of TAGs through the further development of technical advisory notes (TANs), which are designed to help introduce new poverty-reduction technologies to a wider development community in the form of 'good-practice' advice consistent with specific socio-economic and natural resource settings, as well as on prevalent policy and institutional environment. The TANs will provide development planners and development project formulation missions with technical and institutional options that have been validated and verified through community participatory research and provide replicable solutions to problems under similar socio-economic, cultural and bio-physical conditions elsewhere.

96. Management has established an internal task force, chaired by the Vice-President, to define a new policy and strategy for IFAD's grants programme. The task force is considering how the programme may best be used to support IFAD's overall corporate objectives as enunciated in the strategic framework, building on prior policy development work undertaken by the Secretariat in respect of grants, including in particular the paper entitled Grant Financing: A New Approach (EB 2000/69/R.11) presented to the Sixty-Ninth Session of the Executive Board in April 2000 and comments received from Executive Board Directors. In carrying out its work, the task force will consult with in-house stakeholders to capture lessons learned and aspirations. It is expected that IFAD will present a policy and strategy paper to the Executive Board by September 2003.

B. Administrative Budget

97. Management proposes the 2003 Administrative Budget at the same level as 2002 with zero real growth, i.e. with adjustment only for projected price/inflation increases. An analytical review of the 2003 unit work programmes submitted by the divisions was undertaken as the basis for an adjustment of resource allocations so as to enable the organization to focus on the main priorities under the *Strategic Framework for IFAD 2002-2006*.

98. As indicated in Table 5, this has led to an increase in the staff costs category, based on the new organizational structure and in line with IFAD's strategic goals, as detailed in paragraphs 114 to 117 under the subsection on human resources. A reduction in the other expenditure categories, including travel expenditure components, has been possible due to increased cost effectiveness. Other reductions have been made under the information and communication technology services, and for knowledge management, in view of the work to be pursued in these areas under the SCP.

99. Table 5 also provides the current projected 2002 Administrative Budget expenditure. The 2002 Administrative Budget was originally calculated at 1.116 euros (EUR)/USD 1.00 totalling USD 42 284 000 when reviewed by the Seventy-Fourth Session of the Executive Board. The 2002 budget which was approved by the Twenty-Fifth Session of the Governing Council at the then prevailing rate of EUR 1.146/USD 1.00 totalled USD 41 722 000. The 2002 allocations when restated for comparison purposes, using the latest projected average rate of EUR 1.07/USD 1.00 total USD 43 537 000. As in 2002, one-time costs (see paragraphs 102-108) and the extraordinary price increase are included in the Administrative Budget for 2003. The 2003 Administrative Budget is proposed at USD 45 197 000 compared with USD 43 537 000 for 2002, using the same projected EUR/USD rate.

100. Annex III provides the projected 2003 resource allocations realigned to show responsibilities for expenditure per division/department for the Administrative Budget, the PDFF and Direct Charges on Investments.

Price/Inflation Adjustments

101. IFAD's overall Administrative Budget for 2003 is proposed at USD 45.197 million, after adjustment for general inflation increase of 2.6% as well as other specific price increases as detailed below. Data regarding all projected 2003 price increases shown in the Administrative Budget and PDFF calculations are provided below:

- (a) Salary increases – as is the practice, these are based on the United Nations (UN) common system and have been calculated in close collaboration with the lead agency in Rome, FAO, taking account of any pending recommendations by the International Civil Service Commission (ICSC). These represent best estimates, at the time of preparing the budget document, of what is formally to be introduced in 2003.
 - (i) an increase of approximately 2.5% on salaries and post adjustment to cover annual/biennial within-grade step increases and expected movements in grades;
 - (ii) a 3% cost-of-living increase for general service staff, effective 1 November 2002; a 3.7% provision for the possible language factor backdated to November 2000; and a further 2% cost of living increase effective November 2003;



- (iii) provision has been made for the 5.7% increase in professional salary scales effective March 2003, as well as the 2% cost-of-living increase on post adjustment expected for July 2003;
- (iv) a 3% increase in pensionable remuneration for professional staff in November 2002 and again in November 2003;
- (v) a further expected 15% increase in medical plan contributions and after-service medical costs as of January 2003;
- (vi) in line with UN common system practice, repatriation and separation payments are updated to the latest salary level for staff in service. As in past years, this benefit is calculated at 6.5% of net base salaries for professional staff and 12% for general service staff and is proportionate to the increases provided for salary rates;
- (vii) a weighted increase of approximately 2.6% for airfares and 2.9% for daily subsistence allowances applicable to Rome and 2.2% for other locations worldwide;
- (viii) projected cooperating institution charges for supervision and loan administration of IFAD projects reflect a level of approximately 3%; and
- (ix) unless otherwise specified above, a general inflation rate of 2.6% has been applied to all Rome-based expenses based on the average projected inflation rate.

Table 5: IFAD 2003 Administrative Budget

(USD '000)								
	2001	2002		2003				
	Actual (at 2 091.51 ITL/USD)	Approved Allocation Budget (at 1.116 EUR/USD)	Projected Expenditure (at 1.070 EUR/USD)	Approved Allocation Restated (at 1.070 EUR/USD)	Real Increase/ (Decrease)	Price Increase	Proposed Budget (at 1.070 EUR/USD)	
Staff costs ¹⁶	25 739	29 768	30 142	30 692	576	1 666	32 934	<i>Annex II-A</i>
Governing body and other official meetings	1 701	1 756	1 810	1 810	(20)	49	1 839	<i>Annex II-B</i>
Programme activities and studies	1 982	1 939	1 959	1 959	(127)	44	1 876	<i>Annex II-E</i>
Office and general expenses	5 058	4 690	4 843	4 843	(214)	112	4 741	<i>Annex II-F</i>
Policy advocacy and resource mobilization	2 373	1 956	1 897	1 997	(150)	48	1 895	<i>Annex II-G</i>
Contingency items for unforeseen expenses	0	165	0	165	(65)	0	100	
Subtotal	36 853	40 274	40 651	41 466	0	1 919	43 385	
One-time costs	875	1 343	1 234	1 378	270	0	1 648	
Total	37 728	41 617	41 885	42 844	270	1 919	45 033	
Extraordinary price increase	199	199	199	199	(35)	0	164	
Consultation on IFAD's future financial needs	0	468	535	494	(494)	0	0	
Grand total	37 927	42 284	42 619	43 537	(259)	1 919	45 197	

¹⁶ Restated to include experts and support staff previously shown under governing body and other official meetings, programme activities and studies and office and general expenses, from 2002.

One-Time Costs

102. **IFAD premises.** The item on one-time costs USD 755 000 for IFAD premises needs to be maintained in the administrative budget as the landlord of Building B is planning to finalize renovation works by December 2003. The estimated cost expenditure associated with the move of staff, furniture and equipment should be mainly incurred in 2003. The landlord had originally presented a 21-month plan extending into 2004. Consequently, should these works be delayed, the necessary adjustments will be made.

103. **IFAD's 25th Anniversary.** As discussed in document EB 2002/76/INF.3, IFAD's 25th Anniversary provides an opportunity to launch a process to reflect further upon, and to articulate more clearly how the rural poor can overcome their poverty and become agents of change in their environment, if empowered and given opportunities. The above-mentioned document provided an overview of the activities to be undertaken on the occasion of the Fund's 25th Anniversary together with a tentative budget.

104. As indicated in that document, some of the funding will come from supplementary funds and voluntary Member State contributions. To date, an amount of USD 200 000 has been reallocated from savings available under the Administrative Budget in 2002.

105. The total one-time expenditure for anniversary-related activities in 2003 (such as round tables on selected thematic papers, including special guests and panellists as well as publications, exhibits and other media related activities) amounts to USD 485 400.

106. **Investigation, legal cases and special audit activities.** For 2003, an amount of USD 210 000 has been provided (i) to finance a court case; (ii) as a contingency to finance extraordinary investigations undertaken by the Oversight Committee that require outsourcing, as part of IFAD's effort to strengthen its oversight and internal control functions; and (iii) to finance support costs to free up resources in OA for investigations and other special audit activities.

107. **Audit Committee.** The Audit Committee currently meets for the equivalent of two full days every year, comprising three half-day meetings immediately before each Executive Board and a fourth meeting in March to review the annual Audited Financial Statements. Over the last two years, it proved difficult to deal with the business of the committee in the time available, and postponement of items was often necessary. In September 2002 the Executive Board accepted the proposed changes in the Audit Committee's terms of reference and agreed that the Committee should meet for four full days per year in order to deal with the full scope of its work. These proposals were accepted by the Executive Board for a period of two budget cycles, after which the Committee's terms of reference and scope of work will again be reviewed. Accordingly, as this is a pilot process, resources for these additional needs are provided under one-time costs in an amount of USD 115 500.

108. **Development of performance indicators and monitoring platform.** The new strategic planning and resource allocation process links IFAD's resources to the strategic framework objectives. The process is designed to improve the management of financial and human resources to ensure that resources are allocated to strategic priorities and to achieve the strategic objectives. However, strategic resource allocation is only one part of IFAD's strategic management system. Another important element in this process is the analysis and measurement of results and the monitoring of key processes. In 2003, the Fund will continue the work, started in 2002 to develop a monitoring system to track IFAD's performance in implementing the strategic framework. This system will translate the abstract objectives into concrete activities and indicators, and will support decision-making processes at the unit, division, department and corporate levels. An amount of



USD 82 000 is allocated for 2003 for the finalization of the design of the performance measurement system and its implementation at all organizational levels.

C. Programme Development Financing Facility

109. The proposed 2003 allocation to finance expenditures required for the design and implementation of projects and programmes financed by IFAD loans and grants is shown in Table 6. At the Twenty-Fourth Session of the Governing Council in February 2001, a resolution was adopted in regard to the introduction of the PDFF. Implementation of the PDFF began in 2002, after the elaboration of certain procedures/guidelines applicable to the use of PDFF and the development of an interim temporary IT solution. The final IT solution is expected to be developed under the SCP, thus allowing for complete implementation of the PDFF, the main benefits of which will be flexibility, clear accountability of managers responsible for resources used and the end-results obtained thereof.

110. Compared with 2002, extra resources have been redeployed to strategy development. This reflects the greater focus required, in response to the priorities set out in the strategic framework and recommendations of the Fund's Governing Bodies to increase support for institutional transformation and policy development, particularly in the context of PRSPs. This shift in resource allocation has been made possible in view of the projected carry-forward from 2002 of approximately USD 2 million, which will continue to support the development of IFAD interventions and contribute to a more robust pipeline in 2003.

111. Provision has also been made for an increase in the resources allocated for the ongoing project portfolio needs under cooperating institutions and follow-up, and Annex I provides projected cooperating institution charges for 2003. This is mainly due to the increase in the portfolio from 211 projects in 2002 to approximately 214 in 2003.

**Table 6: Programme Development Financing Facility
including Cooperating Institution Charges¹⁷**

	(USD '000)			
	2002	2003		
	Approved Allocation	Real Increase (Decrease)	Price Increase	Proposed Allocation
New project/programme development				
Project/programme design: ¹⁸				
Lending programme	9 199	(847)	265	8 617
Grant programme	596	(20)	17	593
Early implementation support ¹⁹	1 803	(93)	52	1 762
Strategy development	613	710	18	1 341
	12 211	(250)	352	12 313
Ongoing project portfolio				
Supervision and follow-up ²⁰	2 561	276	74	2 911
Other implementation support	1 535	(302)	44	1 277
County portfolio review	371	139	11	521
	4 467	113	129	4 709
Staff travel	1 651	0	83	1 734
Subtotal	18 329	(137)	564	18 756
Cooperating institution charges²¹	8 416	137	254	8 807
Total	26 745	0	818	27 563

¹⁷ Management will reduce allocations to the PDFF should the level of the lending programme for 2003 be adjusted.

¹⁸ Includes charges for COSOP, inception, formulation, appraisal and environmental assessment.

¹⁹ Formerly Special Operations Facility.

²⁰ Includes charges for direct supervision, follow-up and supervision of grants.

²¹ IFAD received a request from UNOPS for a substantial increase in service charges; initial discussion was engaged with UNOPS and, depending on the outcome of negotiations on this issue, the total cooperating institution charges figures may need to be adjusted.

D. Supplementary Funds

112. For both the loan and grant programme, IFAD and the borrower or grantee, have benefited from a number of donor funding arrangements provided on a grant basis.

113. For 2002 existing arrangements provided resources totalling approximately USD 10 million from 13 bilateral donors. It is expected that these arrangements will continue in 2003 and that some new agreements will be entered into to provide approximately USD 8 million of further resources towards the overall 2003 work programme. This estimate excludes supplementary resources held in trust by IFAD for the Global Mechanism, Popular Coalition and the Associate Professional Officer (APO) programme.

E. Human Resources

114. IFAD's human resources base is a crucial asset for the proper implementation of its strategic framework. A good balance of staff and experts who are committed, motivated and well qualified is of paramount importance to the success of the Fund. Consequently, there is a need for human resources initiatives that improve management culture and performance through inter alia, training and well-chosen and well-structured career development programmes.

115. For 2003, as in previous years, it is expected that the services of temporary professional experts and temporary support staff with fixed-term conditions will be required apart from staff levels shown under Annex II-C and II-D. These are expected to be 25 and 23 in number respectively in 2003. For the most part, these are charged to the Administrative Budget and to the PDFF, for project development. Management intends to undertake a further analysis/review to assess the adequacy of its current core staff, with emphasis on the potential for shifts, where necessary, via internal redeployments, particularly in light of the effects of the ongoing SCP process.

116. During the Seventy-Sixth Session of the Executive Board, Directors were informed of a new, more streamlined organizational structure, with three departments. In order to achieve its strategic goals, management has reallocated certain positions, particularly to the new area of External Affairs, specifically for policy and communications. PMD's overall staff resources in the Administrative Budget have been increased in 2003, while maintaining an overall zero real growth in the 2003 budget.

117. For 2003, an indication of human resources used through service charge funding under extra-budgetary resources is also provided for comprehensiveness, and Annex II-D gives the current status and expected 2003 funding of these. In addition, a number of arrangements have been made with donor governments to provide IFAD with particular experts and APOs, together totalling 23 in 2002, for a fixed period of time, on a grant basis. For 2003, these numbers may vary.

IV. RECOMMENDATION

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

- (a) the Executive Board approve the Programme of Work for 2003 at a level of SDR 342.4 million (USD 450 million) comprising a lending programme of SDR 316.7 million (USD 416.3 million) and a gross TAG programme of SDR 25.7 million (USD 33.7 million) made up of the amount of USD 13.4 million equivalent transferred to the PDFF and a net grant programme of SDR 15.4 million (USD 20.3 million). It is proposed that this Programme of Work level be approved only for planning purposes and that it be adjusted during 2003 in accordance with the level of resources available, bearing in mind the planned overall limit for ACA in 2003 of USD 400 million;
- (b) the Executive Board authorize the President to submit to the Twenty-Sixth Session of the Governing Council the Administrative Budget for 2003, totalling USD 45.2 million;
- (c) the Executive Board approve the total PDFF of USD 27.6 million for 2003, comprising USD 13.4 million from the gross TAG programme; and that
- (d) the Governing Council authorize the Executive Board to approve any funding still required, after the receipt of voluntary contributions, for the external independent evaluation of IFAD. This would be recorded as a one-time below the line cost of the proposed 2003 administrative budget.

PAYMENTS FOR SUPERVISION AND ADMINISTRATION OF IFAD PROJECTS						
(USD '000)						
	2002				2003	
	Approved Numbers	Approved Budget	Real Increase/ (Decrease)	Price Increase	Proposed Budget	Number of Projects for which Charges are Projected ¹
African Development Bank	5.00	252	(101)	5	156	3.00
Andean Development Bank	17.50	642	(147)	13	508	13.50
Arab Fund for Economic and Social Development	13.75	521	(34)	15	502	12.90
Caribbean Development Bank	4.50	35	4	1	40	5.00
Central American Bank for Economic Integration	3.50	34	5	1	40	4.00
United Nations Office for Project Services ²	132.08	6 126	459	197	6 782	141.97
West African Development Bank	10.65	282	0	8	290	10.65
World Bank (including IBRD and IDA) ³	10.70	524	(49)	14	489	9.70
Subtotal	197.68	8 416	137	254	8 807	200.72
Test projects for IFAD direct supervision ⁴	13.70	578	0	17	595	13.70
Total	211.38	8 994	137	271	9 402	214.42

¹ Numbers include pro rata apportionment for projects proposed during 2002 and exclude projects that may be approved during 2003. Similarly, pro rata apportionment has been applied for projects that are expected to be extended into 2003 or that are in suspension status. Numbers are also pro-rated when approval of a loan is combined with the Belgian Survival Fund resources.

² The budgeted average cost for 2003 is based on current best estimated full project equivalents (FPEs). Some adjustment may be required, depending upon finalization of the work programme which may change FPEs and hence the estimated average cost. As previously indicated, IFAD received a request from UNOPS for a substantial increase in their service charges; initial discussion was engaged in with UNOPS and, depending on the outcome of negotiations on this issue, the total cooperating institution charges figures may need to be adjusted.

³ The allocation for 2003 assumes that 9.7 projects will be entrusted to the World Bank (8.7 projects in 1999; 11.2 in 2000; 12.4 in 2001; 10.7 in 2002). See extraordinary price increase of USD 164 000 for 2003 (USD 640 000 in 1999; USD 389 000 in 2000; USD 287 000 in 2001; USD 199 000 in 2002) indicated separately in Table 5.

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

Staff Costs								
	USD '000							
	2002		2003			Professional	General Service	Other
	Budget (at 1.116 EUR/USD)	Restated (at 1.070 EUR/USD)	Real Increase/ (Decrease)	Price Increase	Proposed Budget (at 1.070 EUR/USD)			
Salaries and post adjustment	16 686	17 349	401	988	18 738	11 528	7 210	-
Education grants and other allowances	1 735	1 751	42	54	1 847	1 663	184	-
Pension and medical plan contributions	6 147	6 287	91	376	6 754	3 903	2 027	824
Home leave	275	286	-	8	294	294	-	-
Repatriation and separation payments	1 671	1 704	-	98	1 802	914	888	-
Relocation and recruitment	234	240	-	7	247	-	-	247
Regular Staff	26 748	27 617	534	1 531	29 682	18 302	10 309	1 071
Short-term temporary staff ⁵	2 345	2 385	82	112	2 579	1 783	796	-
Overtime	248	259	-	13	272	-	272	-
Training	427	431	(40)	10	401	-	-	401
Total⁵	29 768	30 692	576	1 666	32 934	20 085	11 377	1 472

⁵ Includes movement of temporary experts and support staff previously shown under office and general expenses, programme activities and studies and governing body and other official meetings.





ANNEX II-B

Governing Body and Other Official Meetings					
	(USD '000)				
	2002		2003		
	Budget (at 1.116 EUR/USD)	Restated (at 1.070 EUR/USD)	Real Increase/ (Decrease)	Price Increase	Proposed Budget (at 1.070 EUR/USD)
Governing Council					
Professional and temporary support staff (salaries/allowance/travel/subsistence) ⁶	325	330	(5)	13	338
Communications, security and other services	61	64	0	0	64
Supplies, printing and miscellaneous	127	136	0	4	140
Subtotal	513	530	(5)	17	542
Executive Board and subcommittees					
Professional and temporary support staff (salaries/allowance/travel/subsistence) ⁶	1 136	1 162	(10)	27	1 179
Executive Directors' (travel and subsistence)	65	68	(5)	2	65
Communications, security and other services	19	20	0	2	22
Supplies, printing and miscellaneous	23	30	0	1	31
Subtotal	1 243	1 280	(15)	32	1 297
Total⁶	1 756	1 810	(20)	49	1 839

⁶ Excludes support staff now shown under staff costs.



ANNEX II-C

Staff Levels for 2003 ^{7 8}								
	Professional and Higher Grade Staff						Total	Support Staff
	AP	D-2	D-1	P-5	P-4	P-2/3		
Office of the President and the Vice-President (OPV)								
Office of the President		1			1		2	3
Office of the Vice-President				1			1	1
Office of Internal Audit				1	1	1	3	1
Office of Evaluations and Studies			1	3	3		7	7.5
Office of the General Counsel			1		3	1	5	4
Total OPV	0	1	2	5	8	2	18	16.5
Programme Management Department (PMD)								
Office of the Assistant President	1			2	2	1	6	3
Africa I Division			1	6	3		10	8
Africa II Division			1	7	1	1	10	7
Asia and the Pacific Division			1	8			9	7
Latin America and the Caribbean Division		1		6	1		8	7
Near East and North Africa Division			1	7			8	6
Technical Advisory Division			1	7			8	6
Total PMD	1	1	5	43	7	2	59	44
Finance and Administration Department (FAD)								
Office of the Assistant President	1						1	1
Office of the Controller		1		4	2	1	8	26.5
Office of the Treasurer			1		1	3	5	7
Office of Human Resources			1	2	1	1	5	8
Management Information Systems			1	1	4	1	7	17.5
Administrative Services				1	1	1	3	23.5
Total FAD	1	1	3	8	9	7	29	83.5
External Affairs Department (EAD)								
Office of the Assistant President	1					1	2	2
Communications			1		3	1	5	5
Policy			3	2	1		6	4
Resource Mobilization				1	2		3	2
Office of the Secretary			1	1	7	1	10	24.5
Total EAD	1	0	5	4	13	3	26	37.5
GRAND TOTAL	3	3	15	60	37	14	132	181.5

⁷ The President and the Vice-President are not included in the staffing figures.

⁸ See Annex II-D for staff levels funded from supplementary funds and APO service charges.



ANNEX II-D

2003 Staff Levels Funded from Service Charges on Supplementary Fund and APO Arrangements ^{9 10}								
	Professional and Higher Grade Staff							Support Staff
	AP	D-2	D-1	P-5	P-4	P-2/3	Total	
Programme Management Department (PMD)								
Office of the Assistant President								1
Technical Advisory Division								1
Total PMD								2
Finance and Administration Department (FAD)								
Office of the Controller					1		1	3
Office of the Treasurer								1
Office of Human Resources					1		1	2
Total FAD					2		2	6
External Affairs Department (EAD)								
Resource Mobilization						1	1	1
Total EAD						1	1	1
GRAND TOTAL					2	1	3	9

⁹ These positions will vary dependent upon the level of service charges receivable in 2003.

¹⁰ The two professional and two general service staff funded under the Belgian Survival Fund are not included.



ANNEX II-E

Programme Activities and Studies					
	(USD '000)				
	2002		2003		
	Budget (at 1.116 EUR/USD)	Restated (at 1.070 EUR/USD)	Real Increase/ (Decrease)	Price Increase	Proposed Budget (at 1.070 EUR/USD)
Strategy and related costs					
Strategy development	68	69	0	2	71
Subtotal	68	69	0	2	71
Project audits and related costs¹¹					
Audits of loans and grants initiated by IFAD ¹¹	5	5	0	0	5
Subtotal	5	5	0	0	5
Knowledge management	102	103	(103)	0	0
Evaluation and studies¹¹					
Project evaluations	605	614	(8)	16	622
Country Programme evaluations	404	408	(5)	10	413
Thematic and strategic evaluations ¹¹	435	438	(6)	10	442
Workshop, training and other evaluation activities ¹¹	320	322	(5)	6	323
Subtotal	1 764	1 782	(24)	42	1 800
Total¹¹	1 939	1 959	(127)	44	1 876

¹¹ Excludes audit and evaluation experts and support staff now shown under staff costs.



ANNEX II-F

Office and General Expenses					
	(USD '000)				
	2002		2003		
	Budget (at 1.116 EUR/USD)	Restated (at 1.070 EUR/USD)	Real Increase/ (Decrease)	Price Increase	Proposed Budget (at 1.070 EUR/USD)
Headquarters expenses					
Security and custodial services	433	452	0	12	464
Communications	58	61	0	2	63
Utilities and premises	1 167	1 217	(31)	31	1 217
Supplies and printing	428	447	(52)	10	405
Office equipment and maintenance	188	196	0	5	201
Information and communication technology services ¹²	1 662	1 699	(91)	37	1 645
Other	150	156	0	4	160
Subtotal	4 086	4 228	(174)	101	4 155
Professional services¹²					
External auditors' fees and expenses	88	92	(19)	2	75
Financial services ¹²	35	36	0	1	37
Translators – external	21	21	(21)	0	0
Legal services	23	23	0	1	24
Building – Technical support services	18	19	0	0	19
Specialist audit services ¹²	5	5	0	0	5
Insurance against risk	56	56	0	0	56
Subtotal	246	252	(40)	4	216
Miscellaneous					
Hospitality	45	47	0	1	48
Library, books and periodicals	85	87	0	4	91
North America Liaison Office ^{12 13}	194	194	0	1	195
Other	34	35	0	1	36
Subtotal	358	363	0	7	370
Total¹²	4 690	4 843	(214)	112	4 741

¹² Excludes audit, financial and ongoing IT technical user support now shown under staff costs.

¹³ Formerly indicated as United Nations liaison.



ANNEX II-G

Policy Advocacy and Resource Mobilization					
	(USD '000)				
	2002		2003		
	Budget (at 1.116 EUR/USD)	Restated (at 1.070 EUR/USD)	Real Increase/ (Decrease)	Price Increase	Proposed Budget (at 1.070 EUR/USD)
Duty Travel	1 217	1 242	(150)	28	1 120
Special Studies	109	110	-	3	113
Media, communication and networking	202	205	-	6	211
Annual Report and publications	265	276	-	7	283
Contributions to United Nations and other committees	123	123	-	3	126
Participating in and hosting of meetings	40	41	-	1	42
Total	1 956	1 997	(150)	48	1 895

2003 Budget Analysis by Department					
	(USD '000)				
	Total 2003 Proposed Budget	Office of the President and the Vice-President	External Affairs Department	Programme Management Department	Finance and Administration Department
Staff costs	32 934	4 380	6 031	11 248	11 275
Governing body and other official meetings	1 839	0	1 502	0	337
Programme activities and studies	1 876	1 805	49	22	0
Office and general expenses	4 741	58	292	26	4 365
Policy advocacy and resource mobilization	1 895	486	823	285	301
Administrative Budget	43 285	6 729	8 697	11 581	16 278
PDFF	27 563	42	0	27 479	42
Direct Charges Against Investment Income	4 555	75	0	0	4 480

2003 Budget Analysis by Department Office of the President and Vice-President (OPV)						
	(USD '000)					
	Total OPV	Office of the President	Office of the Vice-President	Office of Internal Audit	Office of Evaluation and Studies	Office of the General Counsel
Staff costs	4 380	924	463	472	1 543	978
Regular and fixed-term staff	3 821	908	425	378	1 325	785
Temporary staff	515	0	31	94	208	182
Overtime	44	16	7	0	10	11
Governing body and other official meetings	0	0	0	0	0	0
Governing Council	0					
Executive Board	0					
Programme activities and studies	1 805	0	0	5	1 800	0
Project audits and related costs	5			5		
Evaluation and studies	1 800				1 800	
Office and general expenses	58	18	4	6	0	30
Professional services	30	1		5		24
Miscellaneous	28	17	4	1		6
Policy advocacy and resource mobilization	486	99	21	45	291	30
Duty travel	414	99	21	45	219	30
Special studies	72				72	
Total Administrative Budget	6 729	1 041	488	528	3 634	1 038
PDFF	42	0	0	0	0	42
Staff travel	42					42
Direct Charges on Investments	75	0	0	0	0	75



2003 Budget Analysis by Department External Affairs Department (EAD)						
	(USD '000)					
	Total EAD	Office of the Assistant President	Office of Communications	Office of the Secretary	Office of Resource Mobilization	Office of Policy
Staff costs	6 031	533	907	2 898	481	1 212
Regular and fixed-term staff	5 331	379	907	2 489	481	1 075
Temporary staff	665	131		397		137
Overtime	35	23		12		
Governing body and other official meetings	1 502	55	0	1 447	0	0
Governing Council	284	55		229		
Executive Board	1 218			1 218		
Programme activities and studies	49	49	0	0	0	0
Strategy and related costs	49	49				
Office and general expenses	292	0	0	85	0	207
Miscellaneous	292			85		207
Policy advocacy and resource mobilization	823	303	211	309	0	0
Duty travel	274	233		41		
Special studies	41	41				
Media, communications and networking	211		211			
Annual Report	75			75		
Publications	151			151		
Contributions to United Nations and other committees	29	29				
Participation in and hosting of meetings	42			42		
Total Administrative Budget	8 697	940	1 118	4 739	481	1 419



2003 Budget Analysis by Department Programme Management Department (PMD)								
	(USD '000)							
	Total PMD	Office of the Assistant President	Africa I Division	Africa II Division	Asia and the Pacific Division	Latin America and the Caribbean Division	Near East and North Africa Division	Technical Advisory Division
Staff costs	11 248	1 030	1 959	1 820	1 922	1 533	1 488	1 496
Regular and fixed-term staff	10 991	1 003	1 840	1 809	1 898	1 517	1 448	1 476
Temporary staff	200	19	114	6	19	5	25	12
Overtime	57	8	5	5	5	11	15	8
Governing body and other official meetings	0	0	0	0	0	0	0	0
Governing Council	0							
Executive Board	0							
Programme activities and studies	22	22	0	0	0	0	0	0
Strategy and related costs	22	22						
Knowledge management	0							
Office and general expenses	26	6	2	2	4	3	6	3
Professional services	0							
Miscellaneous	26	6	2	2	4	3	6	3
Policy advocacy and resource mobilization	285	61	22	26	45	24	33	74
Duty travel	252	61	22	26	40	24	33	46
Publications	5				5			
Contributions to United Nations and other committees	28							28
Total Administrative Budget	11 581	1 119	1 983	1 848	1 971	1 560	1 527	1 573
PDFF	27 479	232	5 344	5 693	5 855	4 372	4 519	1 464
New project/programme development	12 796	100	2 723	2 747	2 202	2 069	1 874	1 081
Ongoing project portfolio	13 030	48	2 301	2 659	3 360	2 064	2 364	234
Staff travel	1 653	84	320	287	293	239	281	149



2003 Budget Analysis by Department								
Finance and Administration Department (FAD)								
(USD '000)								
	Total FAD	Office of the Assistant President	Office of the Controller	Office of the Treasury	Office of Human Resources	Management Information Systems	Administrative Services	Headquarters Expenses
Staff costs	11 275	265	3 130	1 174	1 147	2 075	1 828	1 656
Regular and fixed-term staff	9 292	259	2 782	1 016	1 025	1 662	1 724	824
Relocation and fixed-term staff	247							247
Temporary staff	1 201	3	317	150	110	400	36	185
Overtime	135	3	31	8	12	13	68	
Training	400							400
Governing body and other official meetings	337	0	0	0	0	18	319	0
Governing Council	258					13	245	
Executive Board	79					5	74	
Programme activities and studies	0	0	0	0	0	0	0	0
Strategy and related costs	0							
Knowledge management	0							
Office and general expenses	4 365	5	78	45	2	2	78	4 155
Headquarters expenses	4 155							4 155
Professional services	187		75	37			75	
Miscellaneous	23	5	3	8	2	2	3	
Policy advocacy and resource mobilization	301	10	82	49	85	16	59	0
Duty travel	181	10	82	49	17	16	7	
Annual Report	15						15	
Publications	37						37	
Contributions to United Nations and other committees	68				68			
Total Administrative Budget	16 278	280	3 290	1 268	1 234	2 111	2 284	5 811
PDFF	42	0	42	0	0	0	0	0
Staff travel	42		42					
Direct Charges on Investments	4 480	0	0	4 480	0	0	0	0



ANNEX IV

Direct Charges on Investments

Estimate of Direct Charges for 2002/2003

	Year 2002 Budget	Year 2003 Estimate
Management fees		
Global fixed income	1 700 000	1 760 000
Diversified fixed income	1 120 000	920 000
Equities	3 300 000	1 020 000
Currency overlay	100 000	-
Subtotal	6 220 000	3 700 000
Custodian fees¹⁴		
Core services	1 100 000	150 000
Auxiliary services	380 000	118 000
Transaction costs	1 500 000	72 000
Out-of-pocket expenses	70 000	60 000
Transition management services	200 000	-
Subtotal	3 250 000	400 000
Advice and information services		
Financial advisors	200 000	120 000
Legal and tax advice fees and travel expenses	100 000	75 000
Financial information providers	200 000	200 000
Consultants	100 000	60 000
Computer system expenses	100 000	
Subtotal	700 000	455 000
Total	10 170 000	4 555 000

¹⁴ Table below provides breakdown of projection of custodian fees

	Core Services	Auxiliary Services	Transaction Costs	Total
Internally managed portfolio	5 000		10 000	15 000
Global government bonds	70 000	50 000	20 000	140 000
Diversified fixed interest	25 000	20 000	10 000	55 000
Global inflation indexed bonds	25 000	18 000	2 000	45 000
Global Equities	25 000	30 000	30 000	85 000
Subtotal	150 000	118 000	72 000	340 000
Out of pocket expenses				60 000
Total	150 000	118 000	72 000	400 000

