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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Governing Council – Twenty-Eighth Session
Rome, 16-17 February 2005

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

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 and its Office of Evaluation for 2005 to the Governing Council and submits the administrative budget of IFAD and its Office of Evaluation for approval.
2. The programme of work for 2005 was reviewed by the Executive Board at its Eighty-Third Session. A level of SDR 337.7 million or USD 500 million in nominal terms has been approved for planning purposes, subject to review during the course of 2005. The element in deciding whether to adjust the work programme level will be the level of resources available.
3. The Executive Board also approved a Programme Development Financing Facility of USD 29.9 million for 2005, the use of complementary contributions from the United Kingdom and Canada in accordance with paragraphs 75 and 76 of this document and the use of up to USD 1.2 million, plus any uncommitted balance from 2004 for the Field Presence Pilot Programme.
4. The Executive Board reviewed the proposed administrative budget of IFAD and its Office of Evaluation for 2005 and recommended that the President be authorized to submit the administrative budget of IFAD and its Office of Evaluation for 2005 to the Governing Council for approval.
5. Accordingly, it is recommended that the Governing Council adopt the attached draft resolution, approving the 2005 administrative budget of IFAD and its Office of Evaluation in the amounts indicated.

DRAFT RESOLUTION ON THE ADMINISTRATIVE BUDGET OF IFAD AND ITS OFFICE OF EVALUATION FOR 2005**Resolution .../XXVIII****Administrative Budget of IFAD and its Office of Evaluation for 2005****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 Eighty-Third Session, the Executive Board reviewed and agreed upon a programme of work of IFAD for 2005 in the amount of SDR 337.7 million and a total Programme Development Financing Facility of USD 29.9 million;

Having considered the review of the Eighty-Third Session of the Executive Board concerning the proposed administrative budget of IFAD and its Office of Evaluation for 2005.

Approves the administrative budget of IFAD for 2005, as contained in document GC 28/L.7, in the amount of USD 53.3 million¹ plus USD 3.6¹ million to cover one time costs for IFAD as well as USD 4.69¹ million for the Office of Evaluation, determined on the basis of a rate of exchange of EUR 0.819/USD 1.00.

Decides that in the event the average value of the United States dollar in 2005 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 2005 bears to the budget exchange rate.

¹ These figures may require adjustment in accordance with the prevailing euro/United States dollar exchange rate, as decided by the Governing Council.

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ABBREVIATIONS AND ACRONYMS

ABB	Activity-Based Budgeting
ACA	Advance Commitment Authority
APO	Associate Professional Officer
ARRI	Annual Report on the Results and Impact of IFAD Operations
BSF	Belgian Survival Fund
CEN	Central and Eastern Europe and the Newly Independent States
CLE	Corporate-Level Evaluation
COSOP	Country Strategic Opportunities Paper
CPE	Country Portfolio Evaluation
EAD	External Affairs Department (IFAD)
FAD	Finance and Administration Department (IFAD)
FAO	Food and Agriculture Organization of the United Nations
FPPP	Field Presence Pilot Programme
FTE	Full-Time Equivalents
GEF	Global Environment Facility
HR	Human Resource(s)
ICSC	International Civil Service Commission
ICT	Information and Communication Technology
IEE	Independent External Evaluation
IFAD VI	Sixth Replenishment of IFAD's Resources
IFAD VII	Seventh Replenishment of IFAD's Resources
IFI	International Financial Institution
IMI	IFAD Initiative for Mainstreaming Innovation
IP	Institutional Priority
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
OE	Office of Evaluation
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PBAS	Performance-Based Allocation System
PDFF	Programme Development Financing Facility
PMD	Programme Management Department (IFAD)
PRSP	Poverty Reduction Strategy Paper
RIMS	Results and Impact Management System
ROP	Rules of Procedure
SDR	Special Drawing Rights
SO	Strategic Framework Objective
SWAp	Sector-Wide Approach
TAG	Technical Assistance Grant
TIP	Treasury Inflation-Protected Security
TOR	Terms of Reference
UN	United Nations
UNOPS	United Nations Office for Project Services

EXECUTIVE SUMMARY

1. This document presents the Programme of Work and Administrative Budget of IFAD and its Office of Evaluation for 2005 for the Executive Board's consideration.
2. The Fund is continually striving to improve efficiency and, at the same time, to increase the lending level in order to enhance the Fund's ability to enable rural poor people to overcome poverty. The programmes of work and budgets presented in this document are prepared in this overall context.
3. Management is proposing a programme of work of IFAD for 2005 of USD 500 million (SDR 337.7 million), subject to the availability of resources. This represents an increase of 8.1% in nominal terms, without taking into account the exchange rate effect (see Table 1). The indicative number of loan projects proposed for 2005 is 28 (see Table 4 in the main text), subject to changes as a result of the performance-based allocation system (PBAS) requirements.
4. The 2005 grant programme is shaped by the new grant policy, which supports the strategic framework and sets out guidelines for the proposed new directions for IFAD grant support. Under the new policy, the objectives, expected results and impact of grant-financed activities will guide the allocation of IFAD grants.

Table 1: IFAD's Programme of Work

	USD million			SDR million		
	2004	2005		2004	2005	
	Approved @ 1.4318 SDR/USD	Proposed @ 1.4806 SDR/USD	% Increase in USD Terms	Approved	Proposed	% Increase in SDR Terms
Loans	416.3	450	8.1	290.76	303.9	4.5
Grants^a	46.2	50	8.2	32.27	33.8	4.6
Total	462.5	500	8.1	323.03	337.7	4.5

SDR: Special Drawing Rights

^a Grants are inclusive of the former grant items transferred to the Programme Development Financing Facility (PDFF).

5. 2005 will be the second year of the three-year Field Presence Pilot Programme. Fifteen initiatives are to be implemented, with an overall, approved budget of USD 3 million. Table 2 on page vii shows that up to USD 1.2 million is expected to be used in 2005. Details relating to the FPPP are found in Section IV.B.
6. IFAD's administrative budget and PDFF are being maintained at the same level as in 2004, with adjustment for price increases. The administrative budget is presented to the Executive Board in Section V both by activity-based budgeting (ABB) and by type of expense. The benefit of budget figures expressed in ABB terms, instead of just the traditional expenditure types (items of expenditure), is a more logical and visible alignment of resources to institutional priorities, within the framework of IFAD's strategic objectives. ABB is geared to reflecting the core activities of the Fund and facilitates the monitoring of significant trends in resource allocation over time.
7. The level of one-time costs has been reduced by some 28% overall, and it should be noted that USD 0.948 million (for human resource initiatives) of the USD 3.6 million total (see Table 2) relates to amounts that were approved last year, but that will not be utilized in 2004.

8. In an environment of zero real growth, management has made better use of existing resources. The newly approved 3% carry-forward policy allowed the use of some USD 1.5 million during 2004, and details are shown in Section VIII.

9. IFAD's operations should also be considered in the context of the complementary contributions the Fund receives. This year, the proposed use of complementary contributions from the United Kingdom and Canada are presented to the Executive Board in Section VII.B. The information provided with respect to supplementary funds enables the Executive Board to note the projected levels, sources and general purposes of these funds in 2005.

10. Table 2 summarizes all budgets presented in this document (either for approval or for the information of the Executive Board).

Table 2: Summary of IFAD and the Office of Evaluation Budgets Presented for 2005
(USD '000)

	2004 Approved @ 0.780 EUR/USD	2004 Budget Restated @ 0.819 EUR/USD	2005 Proposal @ 0.819 EUR/USD	% Change in Real Terms	% Change in Nominal Terms
PART ONE – IFAD:					
Administrative budget (Section V.)	52 181	50 373	53 303	0	5.8
PDFF (Section IV.A.)	28 448	28 448	29 968	0	5.3
One-time costs (Section VI.A.)	5 171	4 948	3 573	n/a	-27.8
Field Presence Pilot Programme (Section IV.B.)	1 200	1 200	1 200	n/a	n/a
Complementary contributions (Section VII.B.)			7 511	n/a	n/a
Carry-forward funds (Section VIII.B.)		1 464		n/a	n/a
Direct charges against investment income (Section VI.B.)	5 351	5 351	6 829	0	27.6
PART TWO – OFFICE OF EVALUATION:					
Administrative budget	4 560	4 511	4 692	-1%	4.9

11. In prior years the Executive Board has requested more information regarding IFAD's human resources. This budget document presents a summary of regular and temporary staff employed under the administrative, PDFF, one-time costs and supplementary fund administrative budgets (Section VIII.C.).

INTRODUCTION

1. In accordance with the agreed budget process,² at its September 2004 Session the Executive Board considered document EB 2004/82/R.3, Strategic Priorities and Programme of Work and Budget of IFAD and its Office of Evaluation for 2005, and provided guidance for finalization of the 2005 programme of work and budget of IFAD and the Office of Evaluation (OE). Also in accordance with the agreed budget process, the Audit Committee will review this document at its November meeting and provide a report on this review to the Eighty-Third Session of the Executive Board. The present document submits the detailed Programme of Work and Budget of IFAD and its Office of Evaluation for 2005 for the Executive Board's consideration.

2. More specifically, the Executive Board is invited to consider and approve:

- the 2005 programmes of work for IFAD and OE;
- Programme Development Financing Facility (PDFF) resources for 2005;
- proposed use of complementary contributions;
- proposed use, during 2005, of up to USD 1.2 million, plus any uncommitted balance from 2004, for the Field Presence Pilot Programme (FPPP);
- the recommendation to the Governing Council to approve the administrative budgets (including one-time costs) of IFAD and OE.

3. The Board is also invited to consider and note the estimated budget for direct charges against investment income (Section VI.B.) as well as progress in the use of the previously approved budget for the FPPP (Section IV.B.).

4. Part One of this document presents the programme of work and budget of IFAD. Part Two gives the programme of work and budget of IFAD's Office of Evaluation, and Part Three contains a list of recommendations being made to the Executive Board in relation to both IFAD and OE. In accordance with IFAD's evaluation policy, the OE programme of work and budget was prepared by IFAD's Office of Evaluation and was not subject to any review process within IFAD; it is transmitted unchanged to the Executive Board for its review and approval. The OE programme of work and budget has, however, been considered by the Evaluation Committee.

5. It should be noted that the exchange rate used in preparing the proposed budget is EUR 0.819/USD 1.00, which represents the average anticipated exchange rate for 2005. The 2004 budget was approved by the Governing Council in February 2004 at the rate of EUR 0.780/USD 1.00. The proposed programme of work has been translated at the exchange rate of SDR 1.4806/USD 1.00 (2004 SDR 1.4318/USD 1.00).

² The current budget process was presented and agreed upon at the December 2003 Session of the Executive Board (document EB 2003/80/R.16/Rev.2).

PART ONE – 2005 PROGRAMME OF WORK AND ADMINISTRATIVE BUDGET OF IFAD**I. IFAD'S ENVIRONMENT****A. External Context**

6. The Millennium Development Goals (MDGs) adopted by the Millennium Summit in September 2000 aim to reduce poverty in its many dimensions: low income, hunger, lack of education, gender inequality, disease and environmental degradation, to name a few. The objective is to reduce the proportion of people living in poverty and hunger by half (from the benchmark figure of 1990) by 2015. In September 2005, the Secretary-General of the United Nations will present a report to the General Assembly assessing the achievements and giving the goals a new impetus.

7. So far, the achievements with regard to the MDGs have been rather uneven. Sub-Saharan Africa and parts of Asia are not on track in achieving many targets. The rural poor, who constitute three fourths of the global poor, are lagging behind. Among them, women and other disadvantaged groups such as indigenous populations need far greater attention than they have been accorded so far.

8. Poverty reduction efforts are facing a multitude of challenges: conflicts and civil strife, the HIV/AIDS pandemic; adverse market and trading conditions; high population growth often combined with limited natural resources; and land degradation and deforestation. These have struck poor countries to various degrees. The Horn of Africa and Southern Africa are particularly blighted by disease and natural resource constraints. For the poor, these are aggravated by inequalities and social exclusion.

9. Global efforts to meet the MDGs have been boosted by the recent increase in the volume of Official Development Assistance (ODA), from USD 52 billion in 2001 to about 68 billion in 2003. However, this increase falls far short of the additional USD 50 billion or so that is estimated as being required to achieve the MDGs. New and innovative proposals have been advanced to increase international development finance. Although foreign direct investment has not picked up significantly in recent years, remittance income increased to USD 93 billion (unofficially to about USD 175 billion) in 2003. However, only a limited number of countries benefit from such private flows of income. IFAD is working with the Inter-American Development Bank (IDB) and others in an effort to enhance the development impact of these private flows, especially in rural areas.

10. ODA to agriculture and the rural sectors, where most of the poor live, had fallen sharply in the past. Fortunately, in the last two years there has been a renewed recognition of the centrality of rural poverty to achieving the MDGs. This recognition has been reflected, for instance, in the declarations of the Group of Eight (G8) summits in 2003 and 2004. Several member states of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee have separately announced plans to raise assistance for rural development.

11. Developing countries, for their part, are also placing a new emphasis on rural development. In the February 2004 meeting of the African Union, for example, African countries committed to realizing the Maputo Declaration by allocating 10% of their budget to boost agricultural production and develop the rural sector.

12. The Debt Initiative for Heavily Indebted Poor Countries (HIPC) has made some progress towards meeting its objective of reducing the debt burden. However, the issue of debt sustainability, even after implementation of full debt relief, remains a concern in some countries, especially in the context of rising oil prices and declining commodity prices.

13. The influence of markets and trade on reducing poverty has been recognized both in the MDGs and in the Monterrey Consensus. Some initiatives have been launched, such as the European Union's

“Anything but Arms” and the United States’ African Growth and Opportunity Act (AGOA) to enhance the market access of least developed countries. But the potential of poor countries remains constrained by tariff and non-tariff barriers for agricultural and other products.

14. The private sector and civil society have become valuable partners in meeting the global challenge of poverty reduction. Innovative programmes for forging partnership with the private sector are being undertaken by many agencies and countries.

15. The overall context for development and poverty reduction has to be viewed in the light of the close interlinkages of peace and security, development and conflict prevention. IFAD’s programmes for 2005 will continue to address many of the principal constraints on attaining the MDGs and on contributing towards peace-building and the relaunching of development in several countries emerging from or vulnerable to conflict. In this effort, the Fund is intensifying collaboration with other international financial institutions (IFIs) and United Nations (UN) organizations.

B. Internal Context

16. In 2005 the Fund will be well ahead in the implementation of the *Strategic Framework for IFAD 2002-2006*, as well as in the second year of the Sixth Replenishment of IFAD’s Resources (IFAD VI) period. Some initiatives mandated by IFAD VI have been completed in 2004, while a number of other initiatives have been launched and will be at the core of the work programme in 2005. The key elements of this institutional change and effectiveness agenda to be implemented in 2005 include:

- a results and impact management system (RIMS) to better measure, report and assess IFAD’s operational impact;
- a performance-based allocation system (PBAS), leading to a first application in the 2005 lending programme;
- a pilot programme to test options for enhancing IFAD’s field presence and in-country capacity;
- an initiative to promote IFAD’s capacity to innovate, learn and replicate good practices – the Initiative for Mainstreaming Innovation (IMI);
- a strategy to enhance development of and engagement with the private sector;
- development and introduction of an enhanced performance management system for staff and managers, emphasizing partnership performance and results orientation;
- development of a results framework at the corporate level, with key performance indicators to allow the Fund to globally assess progress in relation to its strategic objectives and institutional priorities; and
- completion of the implementation of Phase I of the Strategic Change Programme and the planning and development of Phase II.

(a) Departmental Overview

17. To achieve the set objectives of this strategic framework period, the Fund will continue to address eight institutional priorities (see Annex II). Departments have planned the cost of activities that relate to these priorities, thereby ensuring that the Fund’s resources support its overall objectives. Key departmental priorities for 2005 are presented below.

Programme Management Department

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

19. PMD will also continue to implement the IFAD VI policy agenda, including, among others, the PBAS, FPPP and RIMS. Greater efforts will be made to ensure a closer alignment of country strategic opportunities papers (COSOPs) to country-owned, poverty reduction processes such as the poverty reduction strategy paper (PRSP) and sector-wide approaches (SWAps). Through the loan and grant programme, the FPPP and a more strategic country programme approach, a wide range of opportunities will arise to engage in policy dialogue and partnership-building, and in generating and sharing knowledge. For IFAD to remain at the cutting edge, PMD will strive to seek innovation in the loan and grant programme, an endeavour that will be reinforced by the start-up of the IMI in 2005.

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

External Affairs Department

21. The External Affairs Department (EAD) will strengthen its partnerships and focus on engaging both in international forums related to the implementation of the MDGs and in other major conferences. The United Nations Common System and the joint programming exercises of other multilateral mechanisms will be addressed more thoroughly, particularly in the context of harmonization processes. EAD's active participation in these processes is expected to lead to greater recognition of the Fund's specific contribution to the reduction of rural poverty in developing countries. In order to enable IFAD to play a more influential role, EAD intends to give particular attention to strengthening its Policy Division and to implementing a communication programme that will support IFAD's knowledge-management objectives. The special focus of the department will be to: (i) enhance IFAD's relationship with members in the Pacific region in order to communicate IFAD's relevance and impact, particularly in the Pacific Island States; (ii) continue involvement in the African Union, New Partnership for Africa's Development (NEPAD) and other intergovernmental bodies (e.g., The Organization of the Islamic Conference, the Association of Southeast Asian Nations, the League of Arab States and the Organization of the Petroleum Exporting Countries (OPEC)); and (iii) support the governing bodies structure and contribute to the IFAD VII consultation sessions.

Finance and Administration Department

22. The Finance and Administration Department (FAD) is committed to improving the support provided to all areas of the Fund to increase the efficiency of its operations. Its main focus in 2005 will be the monitoring and reporting of financial results, with timely generation of reports that analyse financial, treasury, budget and loan-administration data. Improvements in the financial model and implementation of the asset liability management (ALM) system will provide a better analysis of risks and the financial impact of operations. The improved linking of budgets and results to the strategic framework will provide valuable information for future planning and resource allocation through the work of the Strategic Planning and Budget Division. The PeopleSoft modules that have been

implemented will be enhanced to ensure that maximum benefit is received from the new system, and the Management Information Systems Division (FM) will focus on supporting these modules. FM will also focus on full implementation of a web-based architecture to enable reaching IFAD partners outside Headquarters. The Loans and Grants Unit will continue to support loan administration and to streamline procedures through the enhancement of the loans and grants system.

23. In addition to providing financial information, FAD will provide an enabling environment for the consultations on IFAD VII by ensuring availability of conference sites, information technology and other services. It will also prepare for the move to the new headquarters building that will bring IFAD departments under one roof.

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

(b) Allocation of Resources to Support Activity-Based Budgeting

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

26. The benefit of budget figures expressed in ABB terms, instead of just traditional expenditure types (items of expenditure), is a more logical and visible alignment of resources to institutional priorities within the framework of IFAD's strategic objectives. ABB is geared to reflecting the core activities of the Fund and facilitates the monitoring of significant trends in resource allocation over time.

27. Significant effort has been devoted to consulting with divisions and creating a list of activities that best reflect the work being carried out and support institutional priorities. Annex I which contains one of the institutional priorities at Level 1, illustrates how the three-tier "Activity Tree" supports IFAD's strategic objectives.³ Annex II shows the complete activity tree with all three related levels. As the Fund becomes more experienced with the ABB method, certain adjustments to the activity tree are anticipated.

28. It is important to note that the presentation of budgets expressed in ABB does not preclude the Fund from providing further details according to items of expenditure. As had been indicated to the Executive Board, the 2005 budget is shown according to activities (Table 7), as well as according to the type of expense such as staff costs and duty travel (Table 8).

II. RESOURCES AVAILABLE

29. Management is proposing a programme of work for 2005 of USD 500 million (SDR 337.7 million).⁴ This proposal is designed to increase the lending level compared to prior years and will be reviewed at each Executive Board session during 2005 based on the level of resources available, as well as prudent use of advance commitment authority (ACA). The maximum amount that can be made available through ACA during IFAD VI is three times the annual loan reflows.

³ For example, duty travel for a country programme manager working on developing a country grant proposal would be recorded under the Level 3 activity code – Develop Grant Proposal. This data forms part of the total amount recorded under Country Programme Design (Level 2), which in turn forms part of the institutional priority (Level 1) of Manage Loan/Grant-Funded Country Programmes for Results.

⁴ 2005 proposed at SDR 1.4806/USD 1.00 (average exchange rate for 2004 as at 30 September 2004).

30. Annex III gives the projections of resources available for commitment through the end of 2005, in millions of USD and SDR, using the latest information available as of this writing. It should be recalled that, although the programme of work is planned in USD, it is approved by the Executive Board in SDR. The projected ACA to be carried forward at the end of 2004 (of USD 275.9 million) includes the effect of the receipt of contribution payments for the Fifth Replenishment of IFAD's Resources of some USD 75.0 million, as well as some USD 5.0 million for contributions under an accounting provision. The receipt of advance payments for IFAD VI contributions of some USD 65.0 million in 2003, and an unusually high inflow of contributions in 2004, has meant that the ACA will not be required in 2004. However, the early receipt of contributions in 2003 and 2004 has meant that receipts in 2005 are projected to be lower, and the forecast use of ACA in 2005 is correspondingly higher. Information on the latest situation of resources available is being provided separately in document EB2004/83/R.15, which will be updated immediately prior to the Executive Board session.

III. 2005 PROGRAMME OF WORK

31. As indicated previously, the programme of work is proposed at the level of USD 500.0 million (or SDR 337.7 million).⁵ This represents an increase in USD terms of 8.1% over the approved 2004 level of USD 462.5 million, and in SDR terms of approximately 4.5% over the 2004 level of SDR 323.0 million.⁶ In line with the grant policy agreement reached during IFAD VI negotiations, 90% of the programme of work will be allocated to the lending programme and 10% to the grant programme (inclusive of former grant items transferred to the PDFP).

Table 3: Proposed 2005 Programme of Work

	USD million				SDR million			
	2004	2005			2004	2005		
	Approved @ 1.4318 SDR/USD	Proposed @ 1.4806 SDR/USD	% of Total	% Increase in USD Terms	Approved	Proposed	% of Total	% Increase in SDR Terms
Loans	416.3	450	90	8.1	290.76	303.9	90	4.5
Grants	46.2	50	10	8.2	32.27	33.8	10	4.6
Total	462.5	500	100	8.1	323.03	337.7	100	4.5

32. The programme of work by regions is summarized in Table 4, and further details regarding the regional strategies and progress can be found in Annex IV.

⁵ 2005 proposed at SDR 1.4806/USD 1.00 (average exchange rate for 2004 as at 30 September 2004).

⁶ 2004 proposed at SDR 1.4318/USD 1.00 (exchange rate of 31 October 2003).

Table 4: 2005 Programme of Work by Regions
(USD million)

	Western and Central Africa	Eastern and Southern Africa	Asia and the Pacific	Latin America and the Caribbean	Near East and North Africa	Total
Recommended allocation	82.7	82.7	139.6	76.6	68.4	450.0
% of total programme	18.4	18.4	31.0	17.0	15.2	100
Number of projects	7	5	6	5	5	28
Planned country list ^a	<ul style="list-style-type: none"> • Benin • D.R. Congo • Ghana • Guinea Bissau • Mali • Nigeria • Senegal 	<ul style="list-style-type: none"> • Madagascar • Mozambique • Rwanda • Tanzania, United Republic of • Uganda 	<ul style="list-style-type: none"> • Bangladesh • Bhutan • China • India • Laos • Philippines 	<ul style="list-style-type: none"> • Bolivia • Colombia • Costa Rica • Mexico • Paraguay 	<ul style="list-style-type: none"> • Georgia • Morocco • Sudan • Tunisia • Yemen 	
Number in reserve	4	1	3	5	2	15
Reserve	<ul style="list-style-type: none"> • Congo • Gabon • Niger • Sierra Leone 	<ul style="list-style-type: none"> • Kenya 	<ul style="list-style-type: none"> • Indonesia • Pakistan • Sri Lanka 	<ul style="list-style-type: none"> • Brazil • Dominican Republic • El Salvador • Haiti • Nicaragua 	<ul style="list-style-type: none"> • Albania • Bosnia and Herzegovina 	
Total	11	6	9	10	7	43

^a The country list may be subject to change.

A. Lending Programme

33. The 2005 lending programme is projected to be raised from the approved 2004 level of USD 416.3 million (SDR 290.76 million) to USD 450.0 million (or SDR 303.9 million) subject to availability of resources. Due to the fact that the lending programme is planned in United States dollars, the percentage increase in USD nominal terms is also shown in Table 3. This lending programme is expected to support at least 28 projects to be submitted to the Executive Board (see Table 4).

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

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

35. Gender mainstreaming and HIV/AIDS are cross-cutting issues that will continue to receive particular attention from the Fund in 2005. All new projects will address the requirements of IFAD's gender action plan in their design and implementation. Improving the understanding of how gender and HIV/AIDS issues should shape IFAD's work in the areas of strategic focus is also envisaged.

36. The Fund will emphasize more strongly the alignment of its country strategies (as outlined in the COSOPs) with the countries' own rural poverty reduction policy frameworks and strategies. These country frameworks take various forms, such as PRSPs and SWAps. The consequence of this alignment of strategies, combined with the Fund's efforts to increase its impact on countries' policies and programmes, is the gradual development of IFAD project design towards a more programmatic

and policy-oriented approach. Future programmes will build on past country experience, support countries' own strategies to prioritize IFAD engagement to ensure strategic selectivity, and combine poverty reduction investments with efforts towards pro-poor policy and institutional transformation. Moreover, an approach more focused on country programmes will offer a wide range of opportunities to engage in policy dialogue and partnership-building, and to generate and share knowledge. The lending programme, therefore, remains a crucial instrument for engaging in policy initiatives and/or expanding policy dialogue with governments on key issues related to rural poverty reduction. As in the past, IFAD will identify cofinancing opportunities with other IFIs and bilateral agencies.

B. Grant Programme

37. In line with the revised grant policy approved in December 2003 (EB 2003/80/R.5/Rev.1), the grant programme is projected at USD 50.0 million (equivalent to SDR 33.8 million). This represents 10% of the proposed 2005 programme of work. As stipulated under the grant policy, this amount is allocated on a 50/50 basis between two windows, the global and regional grants window and the country-specific grants window, each receiving an allocation of USD 25.0 million. The amount of grant resources available for commitment under the country-specific window includes the PDDF, representing approximately 2.7% of the total proposed programme of work.

Table 5: Proposed 2005 Grant Programme

	USD million				SDR million			
	2004	2005			2004	2005		
	Approved @ 1.4318 SDR/USD	Proposed @ 1.4806 SDR/USD	% of Total	% Increase in USD Terms	Approved	Proposed	% of Total	% Increase in SDR terms
Grants (country)	9.4	11.5	23.0	22	6.56	7.8	23	18.6
Former grant items transferred to PDDF (country)	13.7	13.5	27.0	-1.5	9.57	9.1	27	-4.9
Total country-specific window	23.1	25	50	8.2	16.13	16.9	50	4.6
Global/regional grants window	23.1	25	50	8.2	16.14	16.9	50	4.6
Total grants	46.2	50	100	8.2	32.27	33.8	100	4.7

38. The 2005 grant-financed programme of work is shaped by the new grant policy, which supports the strategic framework and sets out guidelines for the proposed new directions for IFAD grant support. Under the new policy, the objectives, expected results and impact of proposed grant-financed activities will guide the allocation of IFAD grants.

39. Following the approval of the new policy, comprehensive guidelines and procedures for the implementation of the grant programme were put into effect as of July 2004. These include a more coherent and streamlined set of rules for internal administrative and financial management, and for internal review and approval mechanisms. The guidelines and procedures for **all** grants are based on rigorous screening, review and approval, and the 2005 programme of work will thus follow the comprehensive and competitive approach that is now firmly in place.

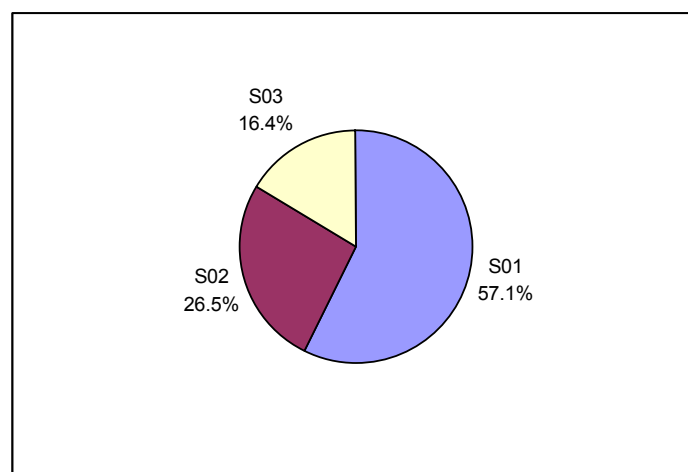
40. The programme of work for grants under the global/regional window will focus on initiatives creating options for poverty reduction by promoting knowledge and information exchange through regional research and innovation networks – those led by the Consultative Group on International Agricultural Research (CGIAR) and others. The year 2005 will be the first full-year application of country grants. Grants under this window will be guided by PBAS assessments of critical rural-

development and poverty reduction issues, and the assessment of the policy and institutional factors bearing on the effectiveness of lending operations. In consideration of the country-specific PBAS, country grants will focus on addressing institutional weaknesses through grant-supported capacity-building. The mix of loans and grants to specific countries will conform to and be consistent with the individual country strategy, as reflected in COSOPs and PRSPs.

41. The advent of the country-specific window has increased the proportion of operations with budgets ranging from USD 100 000-200 000. While these are distinct and separate and have their own independent RIMS, in most instances they are directly linked with the loan portfolio (and driven by IFAD's regional divisions). Although review and processing tasks have increased, no incremental human or financial resources are requested for implementing the larger grant programme in 2005.

42. Figure 1 shows the linkage of the global and regional and country-specific grants programme to the SOs (see paragraph 34). Pro-poor research and innovation will remain a significant component, building on the success of past investments. The entire country-specific grant window is linked to SO1, and the focus will be mainly on institutional capacity-building. Support will also be extended to regional and thematic initiatives.

Figure 1: 2005 Total Grant Allocation by IFAD Strategic Framework Objectives



IV. 2005 PROGRAMME DEVELOPMENT FINANCING FACILITY AND FIELD PRESENCE PILOT PROGRAMME

A. Programme Development Financing Facility

43. Since 2001 all country programme development activities and their costs have been brought under a single integrated facility (PDFF). The PDFF covers the full spectrum of activities in the programme development cycle, including strategy development, policy dialogue, partnership-building and knowledge generation in the context of country development programmes. The main benefit of this integration has been flexibility in using resource allocations to achieve an integrated business process and increased cost-effectiveness. This flexibility is reflected in the way resources have been allocated to respond to strategic objectives emerging in the annual work programme. For instance, over the 2001-04 period, and within the same PDFF envelope (adjusted to reflect inflation/price increases), more resources have been allocated to support the implementation of ongoing projects and grants. Similarly, more resources have been allocated to strategy development activities, representing a two-fold increase over 2001, to address regional and country-specific strategic issues and policies (e.g., in-country policy dialogue and various forms of services to Member States, both in the context

of COSOPs and PRSPs). These in turn help IFAD shape regional or country strategies in the context of evolving events.

Table 6: 2005 Programme Development Financing Facility
(USD '000)

Fund Type	2004 Approved	2005 Proposed	% Change
New development	13 407	14 068	4.93
Ongoing portfolio	15 041	15 900	5.71
Total	28 448	29 968	5.34

44. With the introduction of ABB, PDFF resources have been aligned more closely to the activities being carried out at the country level, in addition to the traditional project/programme and grant-related activities. Because of the nature of the Fund's operations and activities, PDFF resources can be drawn for many of the institutional priorities listed in IFAD's activity tree. The advantage of ABB is that it will allow better capture of IFAD's efforts in given areas – such as policy dialogue and strategy development, including advocacy and dissemination efforts, knowledge management and partnership-building – activities that were often considered as an appendix to normal project development and implementation activities. As experience is gained in ABB, PDFF resources will be allocated in an even more strategic manner to respond better to the many challenges deriving from IFAD's strategic framework.

45. For 2005, IFAD proposes maintaining a level of USD 29.9 million, excluding the amount required for the FPPP. The proposed 2005 PDFF has been maintained at the 2004 real⁷ level, even though the programme of work (loans and grants) is expected to increase by 8.1%, in dollar terms, over the 2004 level, with a larger number of projects and grants. The 2005 PDFF resources will allow IFAD to: (i) build the pipeline in anticipation of the implementation of the PBAS; (ii) prepare a grant programme fully consistent with the new grant policy; (iii) address implementation issues, including the rolling out of RIMS; (iv) develop a medium-term engagement plan in support of PRSP processes, in consultation with recipient countries, as well as through strategic alliances with other partners; and (v) mainstream new requirements into the COSOP process.

B. Field Presence Pilot Programme

46. Unlike most other development agencies and international financial institutions, IFAD has not had formal representation in borrowing countries. In this light, and after a long process of reflection and discussion in particular during IFAD VI negotiations, in December 2003 the Executive Board approved a field presence pilot programme. The objective of the FPPP is to help IFAD realize its vision and strategic framework objectives by strengthening and integrating four interrelated dimensions: project implementation, policy dialogue, partnership-building and knowledge management.

47. This pilot initiative is to be implemented over three years with 15 initiatives, and the first year of start-up and implementation was 2004. The FPPP has an approved budget of USD 3.0 million, of which USD 1.2 million was approved for use in 2004. It is expected that up to USD 1.2 million will be required in 2005, in addition to any uncommitted amounts from the 2004 balance.

48. In line with the above objective, eight initiative briefs (Democratic Republic of the Congo/ The Congo; Honduras/Nicaragua; India; China/D.P.R. Korea/Mongolia; Senegal; The Sudan; the United Republic of Tanzania/Malawi; and Yemen) were submitted to the Executive Board in December 2003.

⁷ The 5% increase in PDFF is due to staff cost increases, which are governed by the ICSC, and to a 2.2% inflation factor applied to non-staff costs.

Similarly, briefs for Bolivia and Uganda were submitted for the information of the Executive Board in April 2004, and for Nigeria and Viet Nam in September 2004. Preparatory activities are under way for the remainder, namely Egypt, Ethiopia and Haiti, for submission for the information of the Executive Board in December 2004.

49. Most field presence initiatives are being implemented under partnership arrangements with multilateral agencies. Of the ten for which arrangements have been finalized and that are being executed, nine are with multilateral agencies, i.e., four are with the United Nations Development Programme, two with the World Food Programme, and one each with the Food and Agriculture Organization of the United Nations (FAO), the United Nations Office for Project Services (UNOPS) and the World Bank.

V. 2005 ADMINISTRATIVE BUDGET

50. IFAD is strengthening its ability to be an innovative and flexible institution. In recent years, it has developed effective methodologies, products, solutions and capabilities to address poverty reduction. The institutional priorities (IPs) shown in Table 7 are the same priorities outlined in the 2004 programme of work and budget, except that IP8 has been disaggregated to better reflect the distribution between governance and support services. In order to achieve the set objectives for this strategic framework period, the Fund will continue to address these priorities and, consequently, individual budget holders within IFAD have planned their budgets accordingly.

51. The proposed allocation of administrative resources by IP is compared with the 2004 budget allocations for the same IPs in Table 7. There is a significant shift in resources for activities related to policy and strategy development, from 8-13%, reflecting the planned increased engagement in policy dialogue at all levels, particularly at the national level. Wider involvement in national poverty reduction strategies (e.g., PRSPs and SWAps), more intensive engagement related to country-performance dialogue (regarding the PBAS) and the FPPP are the most significant initiatives in a range of country-focused activities. The intensified policy review, analysis and advocacy work that will accompany the replenishment negotiation process in 2005 are also reflected in this general activity and resource trend. This will be a year in which the consolidation of a number of organizational change processes begins to yield results, with the policy forum fully operational and corporate strategic planning to be strengthened through the development of a multi-year results focus and capability. As regards the reduction of IP4, knowledge management, from 10-6%, additional resources will be available from the United Kingdom's supplementary contribution earmarked for the institutional strategy project.

52. Improvements in 2005 to IFAD's partnership-management processes are expected through greater investment in the development of partnership guidelines, as well as through greater focus on staff-performance enhancement methodologies. This investment in IFAD's HR management is partly reflected in the increased allocation of resources to activities related to IP6 on strategic partnership-building. That domain of activities is also complemented by an increased emphasis on partnership initiatives at the global level, as well as on operational partnership at the country level.

53. The institutional priority relating to governance and support services can be considered not only in terms of the administrative budget, but also the PDFF budget of USD 29.9 million. These priorities, IP8a-governance and IP8b-support services, constitute 8% and 22% respectively of the total of these two budgets combined. Each financial institution has a slightly different cost structure, but it can be noted that the corporate support costs of the World Bank⁸ and the European Bank for Reconstruction and Development (EBRD)⁹ are 29% and 36% respectively of their total administrative budgets.

⁸ World Bank presentation – IFI Budget Workshop Paris, July 2004.

⁹ EBRD presentation – IFI Budget Workshop Paris, July 2004.

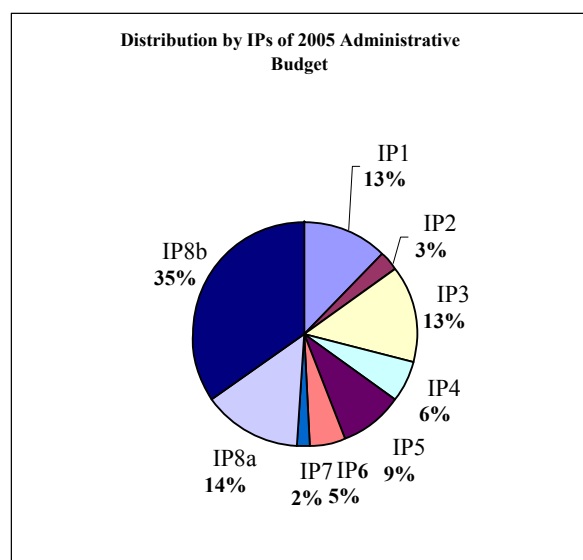
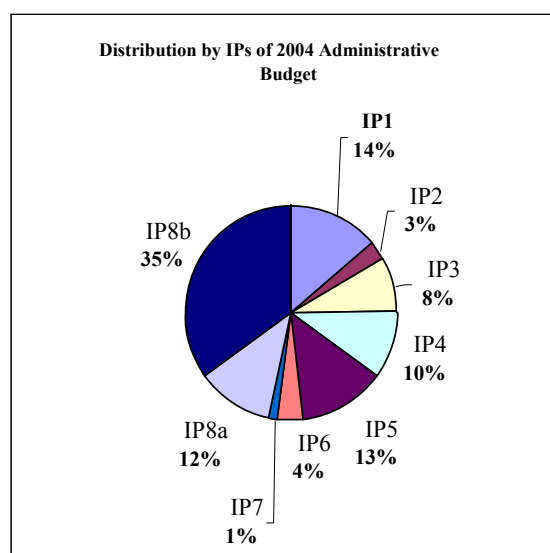
Table 7: 2004-2005 Administrative Budget Comparison by Activity
(USD '000)

	Institutional Priorities (IPs)	GC 2004 Approved Budget @ 0.780 EUR/USD	2004 Budget Restated @ 0.819 EUR/USD	2004 % of Total	2005^a Proposed Budget @ 0.819 EUR/USD	2005 % of Total
IP1	Manage loan/grant-funded country programmes for results	7 280	7 052	14	6 726	13
IP2	Manage grant-funded research and capacity-building programmes for results	1 801	1 511	3	1 374	3
IP3	Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	3 935	4 030	8	7 279	13
IP4	Manage knowledge relevant to effective rural poverty reduction	5 249	5 037	10	3 286	6
IP5	Mobilize and manage financial resources for rural poverty reduction programmes	6 591	6 548	13	4 922	9
IP6	Build strategic partnership with other actors in rural poverty reduction	2 153	2 015	4	2 551	5
IP7	Develop innovative approaches to rural poverty reduction	688	504	1	908	2
IP8a	Governance ^b	6 121	6 045	12	7 535	14
IP8b	Support services ^c	18 363	17 631	35	18 722	35
	Total	52 181	50 373	100	53 303	100

^a See Annexes V and VI for details by department and division

^b 'Governance' includes governing body relations, internal audit and legal services and external evaluation of IFAD.

^c 'Support services' includes the management of: HR, information and communication technology (ICT) services, headquarters expenses, the organization and strategic planning.



54. It is important to note that the presentation of budgets expressed in ABB does not preclude the Fund from providing further details according to items of expenditure. As had been indicated to the Executive Board, the 2005 budget is shown according to activities (Table 7) as well as according to the type of expense, such as staff costs and duty travel (Table 8).

Table 8: 2004-2005 Administrative Budget Comparison by Expenses
(USD '000)

	EB 2004 Approved Budget @ 0.898 EUR/USD	GC 2004 Approved Budget @ 0.780 EUR/USD	2004 Budget Restated @ 0.819 EUR/USD	Price Increase	2005 Proposed Budget @ 0.819 EUR/USD
Building maintenance and security subcontracting costs	2 052	2 362	2 251	151	2 402
Duty travel	926	991	979	113	1 092
Information and communication technology (ICT) services	1 841	2 119	2 020	249	2 269
Printing, supplies and equipment rental	1 714	1 973	1 991	234	2 225
Interpreters/translators	1 204	1 297	1 277	58	1 335
Other ^a	1 894	2 213	1 082	0	1 082
Staff costs (See Annex X)	36 841	41 126	40 673	2 125	42 798
Contingency	100	100	100	0	100
Total	46 572	52 181	50 373	2 930	53 303

^a 'Other' includes external audit fees, meeting and seminar costs, library books, periodicals, hospitality, etc.

55. Annex VII gives further details regarding the administrative budget by type of expense for each department and division.

VI. ONE-TIME COSTS AND DIRECT CHARGES AGAINST INVESTMENT INCOME

A. One-Time Costs

56. A number of **one-time costs** need to be incurred in 2005 relating to items such as building security, oversight and HR management, for the sound functioning of the organization. Therefore, the Executive Board is invited to approve the one-time costs shown in Table 9.

Table 9: One-Time Costs 2005
(USD '000)

Description	2004 GC Approved Budget @ 0.780 EUR/USD	2004 Budget Restated @ 0.819 EUR/USD	2005 Proposed Budget @ 0.819 EUR/USD
IFAD VI tasks	2 126	2 057	0
IFAD VII consultations	0	0	1 626
Other one-time costs			
IFAD premises	1 137	1 060	608
Oversight, Independent External Evaluation and legal services	462	438	391
Other	419	401	0
Subtotal	4 144	3956	2 625
HR initiatives ^a	1 027	992	948 ^a
Total	5 171	4 948	3 573

^a The HR initiative budget requested for 2004 is not expected to be incurred within 2004. For this reason, USD 948 000 has been re-proposed for 2005. However, it does not represent a new request for additional funds.

57. **IFAD VI tasks.** The continuation of IFAD VI tasks during 2005 will be funded, in part, by the Canadian complementary contribution. Refer to Section VII.B. for details.

58. **IFAD VII Consultations** will begin in 2005, and management is planning to hold five consultation sessions. The cost of these sessions constitutes the major part of the total expected cost relating to IFAD VII and amounting to approximately USD 1.6 million.

59. **IFAD Premises.** The UN has responded to recent world events with new security measures and, as a result, IFAD is required to incur additional security costs. These include additional security guards and the improvement and upgrading of security-related infrastructure such as blast-resistant film, closed circuit television and access-control measures.

60. **Oversight, Independent External Evaluation and legal services.** As in 2004, an amount has been provided (2005 = USD 171 000, 2004 = USD 309 000) as a contingency for expert legal and investigative advice associated with IFAD's effort to strengthen its internal oversight mechanisms. This strengthening involves additional Audit Committee meetings, the costs of which are also included here. Finally, the findings of the Independent External Evaluation (IEE) will be received in 2004, and during 2005 management will incur costs in preparing a formal response.

61. **Human Resource Initiatives.** The HR organizational review was begun in 2004, and IFAD has initiated the necessary steps to correct and reclassify functions as part of an extensive job-evaluation process. During 2004, costs have been incurred for surveys, expert advice and training related to the design/introduction of the new HR review and evaluation schedule. The extra cost of job reclassification has also been absorbed under the total allocation of USD 960 000 as presented to the Executive Board in December 2003. A significant balance of the approved allocation is available to continue and conclude this process. The unused, approved balance of USD 948 000 is therefore re-proposed for use in the next budget cycle. The newly designed pilot scheme will be implemented throughout 2005, and it is expected that this one-time exercise will be concluded and mainstreamed by the end of 2006. It is therefore requested that any fund balance available out of the originally approved 2004 budget be carried through until the end of the scheme.

B. Direct Charges against Investment Income

62. The overall 2005 budget forecast for direct charges against investment income (DCII) is expected to increase by 28% over the 2004 DCII budget figure (see Annex VIII for details). The source of this increase can be found mainly in two areas, namely management fees and custodian fees.

63. **Management fees** increased by an overall 27% for the following reason. In 2004, the global exposure for treasury inflation-protected securities (TIPs) was increased from USD 180 million to USD 380 million, which in turn raised the relative asset-class fees by USD 450 000. The increase in the equity asset-class fees is due to the expected positive performance of the relative markets, as well as to the new fee structure of the European equity portfolio, which now contains a component linking fees to performance.

64. **Custodian fees** increased overall by 53%, largely as a result of the increase in core services by USD 225 000 due to a newly-funded, global TIPs portfolio (Western Asset) and to the additional amount allocated to the current global TIPs portfolio (Bridgewater). Both managers have a significant portfolio turnover and use numerous trading instruments. The increase in transaction costs results from the expected high volume and diversification of transactions to be effected by the portfolio managers, leading to higher settlement costs.

65. Against this background of increased costs, it should be noted that the estimated rate of return on the overall IFAD investment portfolio for 2005 is likely to exceed the 3.5% performance target set by the Investment Advisory Committee. The forecast yearly returns for both the global TIPs and for the equity asset classes are approximately from 5-7%.

VII. SUPPLEMENTARY FUNDS AND COMPLEMENTARY CONTRIBUTIONS

A. Supplementary Funds

66. Supplementary funds are contributions received from one or more donors for a specific purpose, as set forth in an agreement between a donor or donors and IFAD. In all instances, supplementary funds are accepted for purposes related to the SOs and institutional priorities or themes identified in the broad work programme of the Fund.

67. Within a framework of priorities approved by IFAD's governing bodies, and in agreement with the donor, supplementary funds may be used for: (i) development activities implemented by member governments or other third-party institutions; or (ii) activities implemented by IFAD staff, and to support core business processes and organizational change requirements. A management fee is charged by IFAD for the administration of supplementary resources. The interest earned on the funds is either retained by IFAD or flows back to the supplementary fund for future commitments, as provided for in the agreement.

(a) Projected Supplementary Fund Development Resources

68. Over the past three years (2001-03), IFAD has mobilized an average annual level of project/programme cofinancing of about USD 184 million. These resources are primarily in the form of parallel cofinancing, with a direct relationship between the donor and the borrower. There is another portion of cofinancing mobilized by IFAD that is not parallel, but administered by IFAD. This resource flow is defined by IFAD rules as 'supplementary funds', and IFAD has fiduciary responsibility for the administration of these resources.

69. Approximately USD 8.4 million is expected to be mobilized in 2005 for **country programme and cofinancing support** from the Governments of Italy and Switzerland through existing partnership agreements. Project/programme cofinancing efforts will similarly be pursued in partnership with the Global Environment Facility (GEF), for which a dedicated team has been established in PMD. Partnership efforts in this area are projected to raise around USD 34 million in programme cofinancing, though these resources would be received and administered over a number of years in relation to the life cycle of each IFAD project. Furthermore, partnership and programme cofinancing efforts will be intensified with the European Union in 2005, within the framework of the Financial and Administrative Framework Agreement approved by the Executive Board in September 2004.

70. Another category of supplementary fund development resources is contributions received by IFAD from one or several donors to finance a range of thematic programmes, as agreed between the donor and IFAD, as well as for project/programme development, implementation and evaluation expenditures. This category of resources would include project development fund (PDF) grants received by IFAD from the GEF for cofinancing pipeline development and management fees for project-component implementation support and supervision. In 2005, approximately USD 3.1 million is projected to be mobilized for project-cycle related technical assistance, thematic or sectoral activities in IFAD Member States. These resources are expected from or under discussion with Finland, France, Italy, Japan and Portugal. Review of existing supplementary funds will release an additional USD 2.0 million in resources available for commitment in 2005.

(b) Projected Supplementary Resources for Institutional Strengthening and the Associate Professional Officer Scheme

71. Supplementary resources available for internal use in 2005 are projected at approximately USD 1.1 million from Canada and the United Kingdom. With respect to the United Kingdom, in 2004 the Government conducted an evaluation with IFAD management of the organization's development effectiveness, leading to a balanced identification of strengths and challenges in terms of internal

performance, country-level results and partnership. To support the strengthening of key processes in HR development, partnership management, knowledge management and corporate planning, a multi-year partnership agreement (an institutional strategy paper) is under negotiation with the United Kingdom. It is expected to provide resources for internal capacity-building and process development. All potential activities identified align closely with and supplement ongoing, core institutional change processes (see paragraph 16). An effort will be made jointly with the United Kingdom to involve other members and partners as financing partners in the institutional strengthening.

72. Contributions received by IFAD under the Associate Professional Officer (APO) Scheme are used to finance salaries and some expenses for junior professionals at IFAD. In 2005 such supplementary funds will be received from nine donor countries to finance the engagement of APOs at Headquarters. These Member States are Denmark, Germany, Italy, Japan, Korea, The Netherlands, Norway, Sweden and the United States, and total contributions are expected to be approximately USD 710 000 for 18 junior professional officers. The APO programme is an important opportunity for young professionals to receive hands-on training in development work, while IFAD benefits from a high standard of professionalism, motivation and commitment.

73. On the basis of these supplementary resource-mobilization projections, management charges should generate an estimated USD 2.2 million for the supplementary funds administrative budget. Posts proposed against this budget would only be confirmed on the basis of resources available.

B. Complementary Contributions

74. In the past, IFAD has received complementary contributions from Belgium (with respect to the Belgian Survival Fund), Italy, and The Netherlands (with respect to debt relief for HIPC). Complementary resources received more recently assist in the development of IFAD's results framework (Canada) and enhance the Fund's innovation and learning capacity (United Kingdom).

75. The operational framework for the main phase of the IFAD IMI was presented to the Eighty-Third Session of the Executive Board. This framework outlines the principal components of the IMI, its processes and procedures, and the related monitoring, evaluation and reporting. The Board was invited to approve the use of USD 10 million to be received from the United Kingdom as a complementary contribution, in accordance with the operational framework presented in document EB 2004/83 R.2, of which up to USD 6 million (Table 10) may be utilized in 2005 and the remainder in subsequent years.

76. The IFAD VI plan of action includes specific activities that contribute directly to: the development of capacity to implement the Fund's PBAS; sound and prudent management of the Fund's resources (asset liability management); and the management of risk (business continuity). The Canadian complementary contribution broadly provides support for the achievement of the results and impact objectives of IFAD VI, and it is recommended that it be applied to finance these elements of the IFAD VI plan of action.

Table 10: Complementary Contributions 2005 by Broad Purpose
(USD '000)

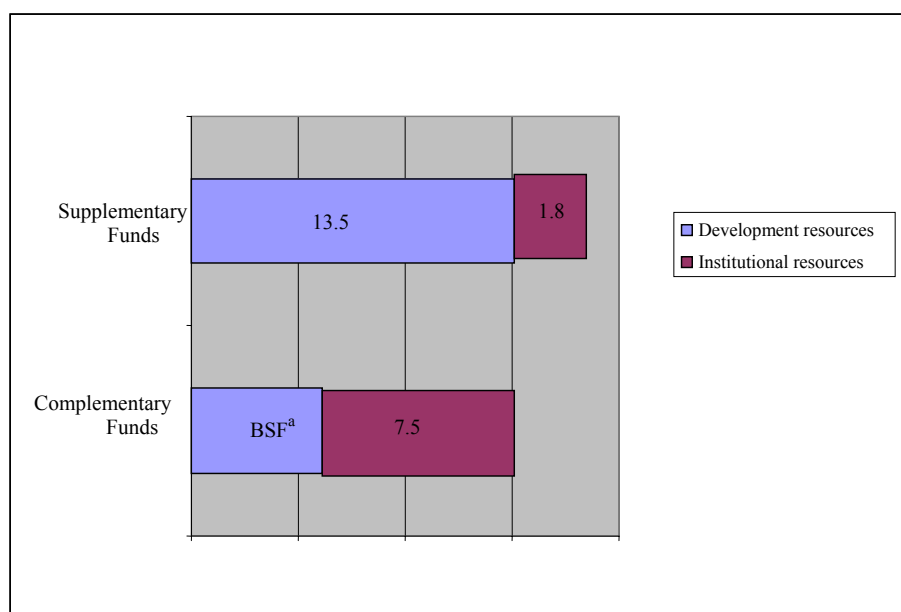
Source	Purpose	Status	
United Kingdom/ DFID	IFAD Initiative for Mainstreaming Innovation (IMI)	To be received	6 000
Canada	Results and impact	Received	1 511
Total			7 511

DFID: Department for International Development (United Kingdom)

77. The coverage noted above in the focus of complementary contributions has also been observed with respect to supplementary funds, where some donors have provided additional resources for strengthening IFAD's effectiveness and internal capacity. Both categories of resources are programmed to be aligned with corporate strategic priorities and the annual work programme, and the complete resource envelope they provide, particularly for internal or corporate activities, is now presented to the Executive Board.

78. Figure 2 maps the relative volume of complementary and supplementary resources directed to development and institutional objectives.

Figure 2: Project Donor Contributions 2005
(USD million)



^a The precise amount of the Belgian Survival Fund (BSF) contribution will be determined in consultation with the Government of Belgium.

VIII. RESOURCE MANAGEMENT

A. Basis of Calculations

79. Price/inflation adjustments. IFAD's administrative budget for 2005 is proposed at USD 53.3 million, after adjustment for a general inflation increase of 2.2% and other specific price increases detailed below. All projected price increases used for projected 2005 expenditure in the administrative budget and PDFF proposal are outlined below:

Salary increases. In line with standard practice, these are based on the United Nations Common System and have been calculated in close collaboration with the lead agency in Rome (FAO), taking into account any pending recommendations by the ICSC. These represent best estimates, made at the time of preparation of this budget document, of what is formally to be introduced during 2005:

- an increase of approximately 3% on professional staff salaries and post adjustment effective 1 July 2005, following the planned place-to-place survey;
- a 3% increase for general service staff, effective 1 November 2004, and a further 3% increase effective November 2005;

- an annual increase of approximately 2.5% on salaries and post adjustment to cover annual/biennial within-grade increases and expected movements between grades;
- a 3% increase in pensionable remuneration for general service staff effective November 2005;
- a 4.42% increase in pensionable remuneration for professional staff effective September 2004, and a further increase of 3.5% effective November 2005;
- a 12% increase in medical plan contributions effective January 2005, and a 7.7% decrease for after-service medical costs as of January 2005;
- a 4% increase in the representation-allowance level effective March 2005, as well as a 2.1% increase for the rental subsidy effective January 2005;
- a downward adjustment of 2% is applied to account for posts being vacant within the year as a result of staff leaving on retirement or transfers to other organizations;
- a 2% increase in education grants and travel effective January 2005;
- a 2% increase in home leave effective January 2005; and
- a 2% increase effective November 2005 in dependency allowances for general service staff and of 10% effective January 2005 for professional staff.

B. Carry-Forward Funds

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

81. Table 11 shows the allocation to date of the USD 1.464 million carried forward from 2003. The ratio of staff to non staff costs within the carry-forward has been maintained when allocations have been approved.

Table 11: 3% Carry-Forward Fund Status
(USD '000)

	Staff	Non-Staff	Total
Carried forward from 2003 administrative budget	802.0	662.0	1 464.0
PMD – Staff transfers from FAD and the Global Mechanism	333.0		333.0
EAD – North American Liaison Office (NALO) and Information and Communication Division	334.0	80.0	414.0
EAD – Information and Communication Division activities, Governing Council costs		307.0	307.0
FAD – Office of the Treasurer, Front Office and Strategic Planning and Budget Division	135.0		135.0
FAD – Headquarters childcare facility and utility costs increase		147.5	147.5
OPV – Office of Evaluation activities and headquarters activities		127.5	127.5
Total approved	802.0	662.0	1 464.0
Balance as at 1 September 2004	0	0	0

C. Human Resources Summary

82. IFAD, excluding OE, has 301 approved regular posts. In prior years, the programme of work and budget document has shown the breakdown of these approved posts and the number of staff funded by the supplementary funds administrative budget. Executive Board members have expressed a wish to see a summary of human resources, including temporary staff, in order to gain a better overview of IFAD's operations. Table 12 shows the proposed number of staff for 2005, broken down into regular posts and temporary staff, for the administrative budget, PDFF and one-time costs, as well as the supplementary funds and APO administrative budgets.

83. During 2004 a number of IFAD staff were promoted, thereby creating a change in the staff levels. These changes are reflected in Annex IX: Staff Levels for 2005.

Table 12: Summary of Human Resources Proposed for 2005

	Regular Posts^a	Temporary Staff (No. of FTEs)^b	Total
Administrative budget (Annex IX)	301	39	340
PDFF (Annex IX)	0	30	30
One-time costs (Annex IX)	0	9	9
Subtotal	301	78	379
Supplementary funds and APO administrative budgets (Annex IX)	13	13	26
Total	314	91	405

^a Excluding the President, Vice-President, OE, Global Mechanism (of the Convention to Combat Desertification), International Land Coalition, BSF, Credit Union and APO staff.

^b Full-time equivalents (FTEs) of one staff member employed for 12 months.

PART TWO – 2005 WORK PROGRAMME AND ADMINISTRATIVE BUDGET FOR IFAD’S OFFICE OF EVALUATION

84. **Background.** This is the second work programme to be prepared by OE since the approval of the IFAD Evaluation Policy at the Seventy-Eighth Session of the Executive Board (document EB 2003/78/R.17/Rev.1). In approving the policy, the Executive Board decided that OE would formulate its annual work programme and budget independently of management and submit it to the Executive Board and Governing Council for approval.

85. The preview of OE’s work programme and budget for 2005 was discussed with the Evaluation Committee and the Executive Board in September 2004. Based on the guidance and comments provided by the Executive Board and the Evaluation Committee, OE prepared a more comprehensive document on the topic, which was discussed with the committee on 15 October 2004. The Evaluation Committee expressed its overall support for the objectives, priorities and activities of the evaluation work programme, as well as for the human and financial resources requirements proposed by OE for 2005. A summary of the committee’s discussions and recommendations is contained in the report of the Evaluation Committee Chairperson (document EB 2004/83/R.6), which will be dispatched to Executive Board members and has been shared with members of the Audit Committee.

86. **Taking stock of 2004.** OE managed to implement almost all the planned activities for the year despite the transfer of one evaluation officer and the OE deputy director to other IFAD divisions in April and September respectively. Specifically, OE supervised the undertaking of the IEE on behalf of, and accountable to, the Executive Board. It conducted one corporate-level evaluation (CLE) on the direct supervision pilot programme; four country programme evaluations (CPEs) in Benin, Bolivia, Egypt and Indonesia; three thematic evaluations on decentralization efforts in Eastern and Southern Africa, marketing and competitiveness in Western and Central Africa, and organic agriculture in the Asia region; and 15 project evaluations. The division prepared the second Annual Report on the Results and Impact of IFAD Operations (ARRI), in addition to formulating its 2005 work programme and budget. OE also organized five sessions of the Evaluation Committee and a field visit for the committee to Indonesia in relation to the corresponding CPE. (More details of OE’s achievements in 2004 may be found in Annex XIV).

87. Before defining its priority areas and objectives, work programme, and human and financial resources requirements for 2005, OE reviewed the experience of developing and implementing its first work programme and budget following the approval of IFAD’s Evaluation Policy. A number of important issues have emerged, which need to be addressed in 2005 and beyond. For instance, it is vital that all concerned stakeholders, both within IFAD and outside, plan their interaction with OE at different stages of the evaluation process by allocating time and resources for this purpose. In addition, OE recognizes the importance of ensuring proper understanding by consultants and the various concerned partners with regard to all aspects of the Evaluation Policy, and the need for detailed briefing in the methodological aspects of OE’s evaluation work.

88. Another lesson relates to interim project evaluations. These are useful learning instruments as their results are fed directly into the design of the corresponding new project phase. However, the need to undertake a series of interim evaluations in certain years may constrain OE’s work programme by restricting the number of other types of evaluation, for instance, project completion evaluations, which allow more scope for impact assessment. As recognized in the ARRI, this results in a bias towards OE evaluating better-performing projects. In the future, it might be useful for the Evaluation Committee and Executive Board to reflect on the mandatory nature of interim evaluations, and if required, revisit this aspect of the Evaluation Policy.

89. With regard to the customization of the monitoring and evaluation (M&E) guide, on the whole, OE recognizes that the customization efforts should be seen as an initial step towards establishing more effective M&E at the project level. In the future, PMD and partner governments will need to

devote considerable time and resources in order to achieve the desired objectives. More generally, this is consistent with the overall state of the Fund's self-evaluation function, which is growing but in need of further strengthening in order to generate the required results. In 2005, in cooperation with PMD, OE will identify areas where OE could contribute in the future to IFAD's current efforts to develop its self-evaluation activities.

90. This has been the first year in which OE has fully implemented the Evaluation Policy. OE is becoming more familiar with the development and implementation of its work programme and budget within the framework of the Evaluation Policy. Processes such as the lead-up to the approval of the work programme and budget by the Executive Board and the critical stage of development of the Agreement at Completion Point at the end of each evaluation are being dealt with. Likewise, experience is being gained in managing OE human resources according to the provisions outlined in the policy, in particular in terms of staff recruitment and promotion.

91. On another issue, the Evaluation Policy has significantly increased OE's interaction with the Executive Board and Evaluation Committee. In this regard, the introduction of the revised terms of reference (TOR) and rules of procedure (ROP) of the Evaluation Committee¹⁰ is likely to entail an increase in the number and length of committee sessions to be held per year.

92. Finally, OE recognizes that its evaluation methodologies are not static instruments and therefore need to be fine-tuned from time to time to reflect the experience gained by OE in their implementation and to incorporate the latest thinking in evaluation methodologies.

93. **Priorities and objectives for 2005.** In addition to the lessons learned in 2004 in identifying priorities for 2005, OE took into consideration IFAD's strategic guidelines for the preparation of the 2005 unit work programmes. As a result, OE has developed priorities for 2005 that, on the one hand, satisfy the requirements of the Evaluation Policy and, on the other, are aligned with the key IFAD institutional priorities for 2005 (Annex XI).

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

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

95. The OE work programme is not static in terms of the number and nature of activities planned under each evaluation type. The work programme may change from year to year depending on the requests of the Executive Board and the evolving priorities of the division. Therefore, the division's overall budget may also fluctuate from year to year in order to meet the changing exigencies of its work programme effectively. A most important consideration, however, in the preparation of the OE work programme and budget is the limited capacity within IFAD to deal effectively with an increased number of evaluations in a given year. The proposed OE work programme takes into account this issue and includes a balanced range of activities to allow OE to meet its priorities and fulfill its dual function of enhancing accountability and promoting organizational learning.

¹⁰ With the assumption that the proposal put forward by the Evaluation Committee to the Eighty-Third Session of the Executive Board is approved.

Priority (a): Supervision of the Independent External Evaluation of IFAD

96. Under this priority, OE will continue and complete the supervision of IEE. This evaluation is expected to be discussed with the Executive Board in April 2005. On the same occasion, the Director of OE will submit his report to the Board, providing an assessment of the overall adherence of the service provider to the IEE terms of reference and inception report, including comments on the evaluation methods used and processes followed. Following this Executive Board session, OE will ensure appropriate distribution of the final evaluation report.

Priority (b): Conduct of Selected Corporate-Level, Regional Strategy, Country Programme, Thematic and Project Evaluations

97. Evaluation activities have been included in the proposed OE work programme based on the selection criteria agreed with the Executive Board in December 2003. In line with these criteria and in order to ensure maximum value for the institution and its partners from independent evaluation work, OE will make certain that, to the extent possible, evaluation activities feed into the corresponding planning processes within IFAD.

98. More specifically, OE will finalize the CLE of the direct supervision pilot programme. The results of this CLE will be discussed with both the Evaluation Committee and Executive Board in September 2005. OE will commence the CLE on IFAD's Rural Finance Policy in the second half of the year. For the first time, the division will undertake the evaluation of two IFAD regional strategies. These will contribute to assessing the relevance, effectiveness and impact of the current regional strategy and lay the ground for its further development. Finally, OE will work on six CPEs, 15 project evaluations and two thematic evaluations next year. Details of the specific activities planned for 2005 may be found in Annex XIII.

99. Although, as in 2004, OE will work on 15 project evaluations in 2005, in terms of workload (i.e., human and financial resources) the division will undertake the equivalent of around ten full project evaluations in the arc of the year. This is less than in 2004, during which OE worked on about 12 project evaluations. However, the division will work concurrently on a greater number of CPEs in 2005 than in 2004,¹¹ and will undertake two new and demanding activities, namely the evaluations of IFAD's regional strategies for the Asia and the Pacific Division and the Near East and North Africa Division. Taking a holistic view of the core evaluation activities planned in 2005, the overall extent of the 2005 workload under this priority area remains consistent with the 2004 level.

Priority (c): Specific Evaluation Work Required by the Evaluation Policy for Presentation to the Evaluation Committee and Executive Board

100. The division will prepare the third ARRI. As agreed by the Eighty-Second Session of the Executive Board in September, starting in 2005, IFAD management will systematically provide their comments and response to the recommendations contained in the ARRI within the framework of the Progress Report on the Project Portfolio. In addition, in accordance with the Evaluation Policy, OE will prepare its comments on the second report of the President on the status of adoption and implementation of evaluation recommendations. OE's comments will be discussed, together with the report, by both the Evaluation Committee and the Executive Board in 2005. The division will implement its work programme and budget for 2005, and formulate its third work programme and budget (for 2006) independently of IFAD management.

101. The document EB 2004/83/R.7 contains the revised TOR and ROP of the Evaluation Committee. It proposes, inter alia, an increase in the number and duration of committee sessions from

¹¹ OE plans to undertake six CPEs in 2005 as opposed to four in 2004. In terms of workload, OE will work fully on 3.2 CPEs in 2005, compared to two in 2004.

2005 onwards. However, this is subject to the approval of the Executive Board, which will consider the topic in December 2004. The implementation of the revised TOR and ROP will therefore have resource implications, which, at this stage, cannot be determined in detail, although a provisional calculation of some of the major costs has been made. Given the zero real growth of the IFAD administrative budget, the incremental costs associated with the revised TOR and ROP of the committee cannot be absorbed by the budgetary allocation of the Office of the Secretary (ES). Consequently, OE has made a provision to cover the estimated additional costs by including them in its 2005 budget proposal under the contingency sub-item. In 2005, based on the experience of implementing the revised TOR and ROP, OE will be able to quantify more precisely the extra costs related to the committee that cannot be incorporated into the ES budget. In this regard, OE will include a corresponding budget line in its 2006 budget proposal, and accordingly is expected to drop the contingency line contained in its 2005 budget.

Priority (d): Methodological Development, Evaluation Outreach and Other Activities

102. This priority allows OE to enhance its oversight of the application and proper use of OE evaluation methodologies to ensure comparable evaluation results and outputs of quality. This will also enhance the transparency and credibility of OE's evaluations and improve the division's capability to assess results and impact. In turn, this will lead to further improvements in the evaluation information base available for the preparation of the ARRI. Staff skills will be upgraded in the required areas to allow for an even better application of the division's core methodologies. A comprehensive briefing package for consultants in OE evaluation methodologies will be developed and implemented next year. Also next year, OE will develop a more systematic approach for the selection and management of consultants recruited for evaluation work. In consultation with PMD, OE will develop a proposal on the division's future role in enhancing IFAD's self-evaluation capabilities. As mentioned, this will further improve the quality and overall conduct of independent evaluations by OE. Finally yet importantly, OE is planning to organize a conference on evaluation at the beginning of 2005 with the participation of recognized professionals and practitioners in the field of evaluation. This conference will provide OE staff, Executive Directors and others with an opportunity to discuss and exchange views on evaluation principles and on state-of-the-art methodology and processes.

103. As in the past, resources will be reserved for the communication and dissemination of evaluation results. Special efforts will be made to ensure that partners in the field are reached proactively. OE will continue to endeavour to produce reader-friendly reports and evaluation profiles and insights, all of which will be circulated both in hard copy and electronically via the evaluation section of IFAD's website, and by forging links to other relevant evaluation and development websites. OE will continue to provide Executive Board Directors with hard copies of all reports and related outputs published. The evaluation web pages will be updated as necessary to ensure that the latest evaluation reports and related OE documents are made available to the public. OE will participate in the deliberations of the United Nations Evaluation Group and seek access to the Evaluation Cooperation Group of the Multilateral Development Banks. Currently, OE is in the process of renewing the partnership in evaluation with the Swiss Agency for Development and Cooperation (SDC),¹² which will involve exchanges of knowledge and experience in evaluation as well as the provision of supplementary funds.

104. **Human resources requirements.** OE will need to maintain its staff levels of 2004 to implement the proposed work programme effectively. This includes a director, deputy director, 6.5 evaluation officers and 9.5 general service staff. OE staff levels for 2005 are shown in Annex XV.

¹² Phase I of the partnership was implemented between 2001 and mid-2004. In this phase, SDC made a CHF 1.5 million contribution to finance various incremental activities that would allow OE to experiment with new approaches and methods, as well as enhance evaluation outreach and partnerships. This covered activities such as the communication of evaluation results using specific instruments like the OE profiles and insights, and the organization of multistakeholder workshops at different levels to discuss evaluation-based learning and related issues.

105. **Proposed budget.** The 2005 budget proposal, as for the rest of IFAD, takes into consideration the restatement of the 2004 OE budget approved by the Governing Council in February. It also takes into account the inflation factor as applied by IFAD in developing its own 2005 administrative budget proposal, and adjustments to staff costs resulting from changes in staff entitlements or salary increases dictated by the United Nations common system. In addition, the OE budget proposal has been shown both in terms of expenditure and activity (Tables 1 and 2, Annex XII). Table 3 in Annex XII provides an overview of IEE funds, which are administered by OE.

106. The rationale outlined in the 2004 budget submission for including a contingency in the OE budget remains pertinent in 2005. Because the OE budget is separate from the IFAD budget, OE will not be able to request additional resources during the year from IFAD's administrative budget to meet possible unforeseen costs. Moreover, since 2005 will only be the second year of implementation of the new Evaluation Policy, some unanticipated costs may emerge as a result of its full implementation that will only be known once the activities are actually implemented. Therefore, as in 2004, the OE budget will include a contingency to meet any unforeseen costs that may arise.

107. For 2005, the contingency has been reduced to 2.5% of the rest of the OE budget compared with 5% in 2004. The reason for this reduction is that various expenditures charged to the 2004 contingency have been internalized into the regular budget, especially those related to staff reclassification and promotions that took place in 2004. It is important to retain a contingency next year for unforeseen costs related to the work of the Evaluation Committee, which at this stage cannot be precisely quantified. For instance, in 2005 the committee is expected to operate within the framework of the revised TOR and ROP. The implementation of the revised TOR and ROP will lead to changes to the overall functioning of the committee, in particular with regard to the number of its sessions and their length. As mentioned in paragraph 101, these changes will have cost implications that cannot be entirely absorbed by ES. The contingency will also cover costs related to any unforeseen changes in staff entitlement¹³ or salary increases dictated by the United Nations common system. As in 2004, IFAD will report to the December session of the Executive Board on the use of the contingency amount, providing a summary of activities financed.

108. In sum, the level of the overall OE budget proposed for 2005 is slightly lower in real terms than that of 2004. The total budget proposal is USD 4.69 million. The reduction in the budget is due to a decrease in the contingency line (from 5% in 2004 to 2.5% in 2005) of the overall budget.

¹³ These are different from the staff entitlements referred to in paragraph 105, as they relate more to changes in individual staff and family status that may not be foreseen at this time. One example could be the increase/decrease in the number of dependants of a given staff member.

PART THREE – RECOMMENDATIONS

109. 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 the Executive Board:

- (i) approve the programme of work for 2005 at a level of SDR 337.7 million (USD 500 million), which comprises a gross grant programme of USD 50.0 million and a lending programme of SDR 303.9 million (USD 450.0 million). The proposed grant programme is made up of USD 13.5 million transferred to the PDFF, a country window grant programme of USD 11.5 million and a global/regional window programme of USD 25.0 million. It is proposed that this programme of work level be approved only for planning purposes and that it be adjusted during 2005 in accordance with the level of resources available;
- (ii) approve the total PDFF in the amount of USD 29.9 million for 2005;
- (iii) approve the proposed use of the complementary contributions from the United Kingdom and Canada in accordance with paragraphs 75 and 76 of this document;
- (iv) approve the use, during 2005, of up to USD 1.2 million, plus any uncommitted balance from 2004, for the Field Presence Pilot Programme; and
- (v) authorize the President to submit to the Twenty-Eighth Session of the Governing Council, firstly, the administrative budget of IFAD for 2005 in the amount of USD 53.3 million plus USD 3.6 million to cover one-time costs, and secondly, the administrative budget of IFAD's Office of Evaluation for 2005 for an amount of USD 4.69 million.

ACTIVITY-BASED BUDGETING – AN EXAMPLE

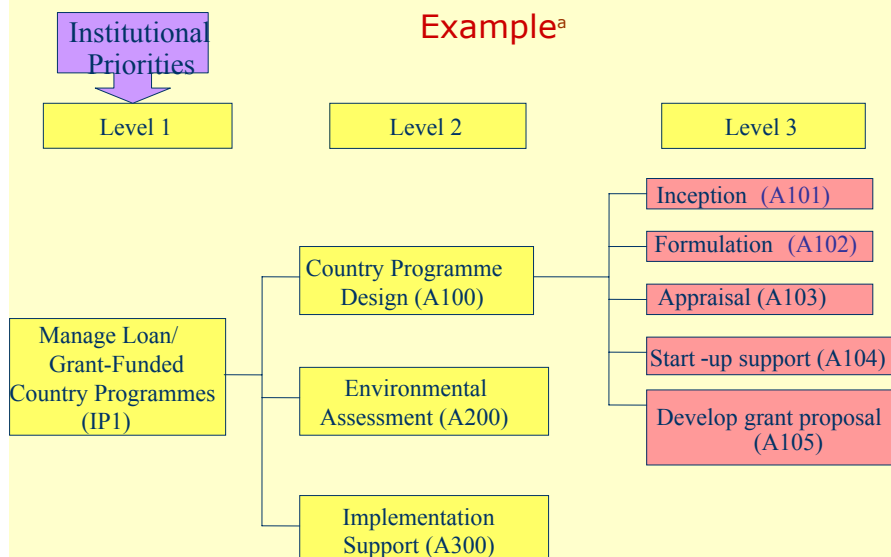
The Strategic Framework for IFAD 2002-2006

Strategic Framework Objectives:

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

Supported by agreed set of activities

ACTIVITY TREE Example^a



^a For example, duty travel for a country programme manager working on developing a country grant proposal would be recorded under the Level 3 activity code – Develop Grant Proposal. This data forms part of the total amount recorded under Country Programme Design (Level 2), which in turn forms part of the institutional priority (Level 1) of Manage Loan and Grant/Funded Country Programmes.

IFAD'S ACTIVITY TREE

Level 1 Allocation	Level 2 Allocation	Level 3 Commitment and Reporting
IP1 Manage loan/grant-funded country programmes for results	Design – loan/grant funded country programmes	<ul style="list-style-type: none"> Inception – Loan Formulation – Loan Appraisal and loan negotiation Start-up support – Loan Develop IFAD grant proposal (country) Develop GEF grant proposal (country) Develop supplementary funds grant proposal (country) Develop BSF grant
	Environmental assessment	<ul style="list-style-type: none"> Environmental screening/scoping note/follow-up Environmental assessment Convention to Combat Desertification follow-up/GEF
	Implementation support – loan/grant-funded country programmes	<ul style="list-style-type: none"> Implementation follow-up – Loans(non-direct supervision) Mid-term review – Loans Regional/country portfolio review Supervision and administration – Loans (cooperating institutions) Supervision and administration – Loans (directly by IFAD) Project completion – Loans Impact-related assessments Implementation follow-up – IFAD grants (country) Implementation follow-up – GEF grants (country) Implementation follow-up – supplementary funds grants (country) Implementation follow-up – BSF grants
IP2 Manage grant-funded research and capacity-building programmes for results	Design – Global/regional grant programmes	<ul style="list-style-type: none"> Develop global/regional IFAD grants Develop global/regional GEF grants Develop global/regional supplementary funds grants
	Implementation follow-up – global/regional grant programmes	<ul style="list-style-type: none"> Implementation follow-up global/regional IFAD grants Implementation follow-up/global/regional GEF grants Implementation follow-up/global/regional supplementary funds grants
IP3 Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	Policy and strategy development/dialogue	<ul style="list-style-type: none"> Corporate strategy development Regional strategy/policy development/dialogue In-country strategy/policy development/dialogue Development of strategies/policies for poverty reduction Policy Forum Policy Forum
	Policy and strategy advocacy/dissemination	<ul style="list-style-type: none"> Policy communication Regional communication Corporate communication
IP4 Manage knowledge relevant to effective rural poverty reduction	OE – Evaluation	<ul style="list-style-type: none"> Corporate-level evaluation Country programme evaluation Interim evaluation Completion evaluation Thematic evaluation
	OE – Executive Board work	<ul style="list-style-type: none"> Independent External Evaluation Evaluation Committee Annual report on the results and impact of IFAD operations (ARRI) OE programme of work and budget
	OE – Methodology	<ul style="list-style-type: none"> Regionalization of monitoring and evaluation guide Methodology work OE communications and other outreach activities OE consultants management
	Evaluation	<ul style="list-style-type: none"> Evaluation activities
	Sharing knowledge	<ul style="list-style-type: none"> Exposure field visit Library services Archives maintenance Knowledge generation Knowledge systematization Knowledge networking Knowledge communication Member profiles/issue briefs Develop and maintain databases

Level 1 Allocation	Level 2 Allocation	Level 3 Commitment and Reporting
IP5 Mobilize and manage financial resources for rural poverty-reduction programmes	<ul style="list-style-type: none"> Resource mobilization Financial management 	<ul style="list-style-type: none"> Strategy development and management support Resource mobilization Supplementary funds mobilization Financial policy development Asset/liability management External audit Financial analysis and reporting Processing payments Divisional financial support Financial regulations/compliance Cash management Investment management services Custodian services Financial advice and information services Contributions management
IP6 Build strategic partnership with other actors in rural poverty reduction, such as international financial institution, UN agencies, bilateral agencies, research organizations and civil-society organizations	<ul style="list-style-type: none"> Develop strategic partnerships with various stakeholders Mobilize coordinated action for rural poverty reduction 	<ul style="list-style-type: none"> Develop partnerships with civil-society and national stakeholders Develop partnerships with IFIs, UN agencies, bilateral agencies/donors Develop partnerships with research centres Mobilize coordinated action with civil-society and national stakeholders Mobilize coordinated action with IFIs, UN agencies, bilateral agencies/donors Mobilize coordinated action with research centres
IP7 Develop innovative approaches to rural poverty reduction	IFAD Initiative for Mainstreaming Innovation	<ul style="list-style-type: none"> Develop strategy for innovation Develop proposals for innovation Implement innovative programmes Evaluate and mainstream innovation
P8a Governance	<ul style="list-style-type: none"> External Evaluation of IFAD Governing body relations Internal audit Legal services 	<ul style="list-style-type: none"> External Evaluation of IFAD Audit Committee Executive Board meeting Evaluation Committee Governing Council meeting Other meetings Replenishment meeting BSF Joint Programme Steering Committee meeting Member communication Audits Oversight Committee Audit recommendations follow-up Management advisory services Corporate legal services
P8b Support services	<ul style="list-style-type: none"> Organizational strategy and Management Management of work environment 	<ul style="list-style-type: none"> Strategic planning and management Budget preparation Internal communication Risk management Institutional change management Develop operational policies/procedures Administrative policy development Facility management Premises overhead Security Facility services Business continuity plan

ANNEX II

Level 1 Allocation	Level 2 Allocation	Level 3 Commitment and Reporting
	Human resources (HR) management	<ul style="list-style-type: none"> HR policy development Job design and evaluation HR planning Performance management Growth and development Legal issues/arbitration payoffs Advertising and interviews Appointment and relocation Separation packages Occupational health Medical administration
	Information, communication and technology (ICT) management services	<ul style="list-style-type: none"> ICT project development ICT external events ICT infrastructure management ICT solutions ICT helpdesk/end-user support ICT management and administration

PROJECTED RESOURCES FOR COMMITMENT 2002-2005

	USD million				SDR million			
	2005 Estimated	2004 Estimated	2003 Actual	2002 Actual	2005 Estimated	2004 Estimated	2003 Actual	2002 Actual
Committable resources at the beginning of the year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan cancellations	50.0	50.0	37.2	58.7	40.0	40.0	26.1	44.9
Exchange-rate adjustments		(5.1)	1.6	(12.1)	(6.6)	(8.5)	22.4	2.6
Movement on contribution provisions		5.0	13.2	8.9		3.4	9.3	6.8
Subtotal	50.0	49.9	52.0	55.5	33.4	34.9	57.7	54.3
Members' contributions ^a	109.2	266.0	147.0	112.0	73.7	179.7	103.3	85.6
Loan reflows	190.0	205.0	185.2	169.2	128.3	138.5	130.1	129.3
Net investment income ^b	82.0	82.1	108.0	26.2	55.4	55.4	75.9	20.0
Operating expenditures (including Office of Evaluation) ^c	(62.8)	(60.7)	(48.9)	(40.2)	(42.4)	(41.0)	(34.4)	(30.7)
After-Service Medical Coverage Scheme (ASMCS)		12.3	(4.3)	(7.9)		8.3	(3.0)	(6.0)
PDFF	(29.9)	(28.4)	(27.5)	(26.2)	(20.2)	(19.2)	(19.3)	(20.0)
Strategic Change Programme ^d	(5.3)	(4.7)	(6.2)	(2.7)	(3.5)	(3.2)	(4.4)	(2.1)
Provision for the Debt Initiative for Heavily Indebted Poor Countries (HIPCs) ^e	*	*	(27.0)	(14.0)			(19.0)	(10.7)
Resources after expenses	333.2	521.5	378.3	271.9	224.7	353.4	287.1	219.7
Commitments for loans and grants ^f	(486.5)	(466.3)	(431.6)	(396.0)	(328.6)	(317.8)	(305.5)	(301.7)
Resources before ACA	(153.3)	55.2	(53.3)	(124.1)	(103.9)	35.6	(18.4)	(82.0)
Net use (cover) of ACA ^g	153.3	(55.2)	53.3	124.1	103.9	(35.6)	18.4	82.0

^a These projections are heavily dependent on the assumptions used for Sixth Replenishment contribution payments, which are based on normal and agreed payment schedules.

^b Net of direct charges against investment income.

^c Operating expenditures include also one-time costs and the Field Presence Pilot Programme (FPPP).

^d Formerly known as the process re-engineering programme.

^e This relates to projected requirements to replenish the IFAD HIPC Trust Fund based on repayments for the year net of current and expected IFAD Trust Fund assets.

^f Commitments for loans and grants include grants approved directly by the President and draft figures for the Eighty-Third Session of the Executive Board. The programme of work for 2004 is estimated at USD 480 million, using the traditional format.

^g The table below shows details on the use of ACA.

* IFAD is expecting to fund USD 28.0 million for debt-relief obligations in 2004 (USD 31.0 million in 2005) from the IFAD HIPC Trust Fund (see e above).

Use of ACA ^a	USD million				SDR million			
	2005	2004	2003	2002	2005	2004	2003	2002
Opening balance	275.9	331.1	277.8	153.7	187.1	222.7	204.3	122.3
Net use (cover) of ACA during the year	153.3	(55.2)	53.3	124.1	103.9	(35.6)	18.4	82.0
ACA carry-forward	429.2	275.9	331.1	277.8	291.0	187.1	222.7	204.3

^a See explanation in Section II of main text – Resources Available.

REGIONAL AND TECHNICAL ADVISORY DIVISION STRATEGIES

A. Western and Central Africa Region

(a) Update on the Regional Strategy

1. Following validation of the regional strategy and action plan in 2002, initiatives have been undertaken to improve project implementation, strengthen synergies between loans and grants, enhance policy dialogue and knowledge management, improve communications and mainstream gender issues. Specific actions in process include the following:

- implementation of major activities identified in the rural-finance action plan endorsed by the Governing Council in February 2004;
- scaling up of pilot cassava market-linkage initiatives begun in Ghana and Nigeria in 2004;
- follow-up actions recommended at the workshop held in Mali in March 2004 on farmer innovation and participatory research and development;
- assistance to farmer federations in developing their advocacy capacity at subregional and continental levels within the context of NEPAD;
- finalization of guidelines for institutional analysis and training materials, with IFAD IMI pilot-phase funding;
- continuation of media-supported advocacy and communication for the development programme established in partnership with EAD in 2003; and
- significant progress made in 2003 and 2004 in mainstreaming gender concerns into operations.

(b) Regional Policy-Development Agenda for 2005

2. The division will strategically target several countries for PRSP support in 2005. The Regional Policy Hub will take on a central strategic role in identifying priority policy issues arising from field experience and initiate policy dialogue at national and regional levels. Five COSOPs will be prepared, providing an important opportunity to apply PBAS and to engage in policy dialogue in areas most relevant to shaping country programmes. The division will continue to support the secretariat of NEPAD and farmers' organizations in providing input and voice to the definition of NEPAD priorities.

3. Another priority policy advocacy area in 2005 will be addressing the concerns of the rural poor in the context of globalization and regional integration. This will build on analytical work initiated in 2004 with the Policy Division, the Government of France and the OECD.

(c) Managing the Ongoing Portfolio for Development Results

4. A technical assistance grant (TAG) proposal for strengthening management capacity in IFAD projects will be submitted to the April 2005 Executive Board. The division will continue a practice initiated in 2002 of participating in at least half of the supervision missions in which annual workplans and budgets are developed. A central priority will be to introduce RIMS into ongoing and future projects.

(d) Implementation of the Institutional Change Agenda

5. **Direct supervision.** The division continues to learn from its direct supervision efforts in three countries – Benin, The Gambia and Mali. To enhance institutional learning from implementation experience, a project design and implementation partnership is being established in Mali.

6. **Field presence.** Under the FPPP, initiatives are scheduled to begin in three countries (the Democratic Republic of the Congo, Nigeria and Senegal) in 2004 and be fully operational in 2005. Each of the initiatives emphasizes knowledge management, policy dialogue and enhanced effectiveness of programme performance.

(e) New Operational Programme Development in 2005

7. **Loans.** The 2005 lending level is forecast at approximately **USD 82.7 million** for seven projects. Four projects are also included as reserves. The division will endeavour to achieve significant cofinancing levels in order to enhance catalytic partnerships.

8. **Grants.** Grant activities include support to NEPAD and other regional policy initiatives, follow-up measures related to the rural finance action plan, local development, post-conflict support, and HIV/AIDS prevention and coping.

B. Eastern and Southern Africa Region

(a) Update on the Regional Strategy

9. The regional strategy has focused on strengthening the capacity of smallholders to cope with and profit from market relations in key areas: market organization, access to finance, technology and water. In 2005 particular efforts will be made to improve smallholder access to land, including associated gender issues – particularly in areas of high HIV/AIDS density. The division will also ensure a greater engagement with natural resource conservation and management issues, in collaboration with key institutional partners.

(b) Regional Policy-Development Agenda for 2005

10. Policy reform is a critical element in national poverty reduction efforts. The major objective for 2005 will be to introduce the rural poverty agenda more firmly into national policy, planning and resource-allocation processes. The agenda is based both on IFAD's experienced perspective and – increasingly – on the key policy issues highlighted in the PBAS. Activities will aim to influence key **national mechanisms**: principally the PRSP and sector-level policies and programmes, mobilizing **project-type** instruments only within a learning and innovation logic – or in exceptional situations in which special management mechanisms are essential for impact.

(c) Innovation and Scaling Up

11. The new emphasis on engagement in broader national system development reflects the objective of bringing lessons learned to bear upon framework conditions. In 2005 the division will seek to strengthen the learning and innovation dimensions of its lending programme, as well as the mechanisms for scaling up these dimensions and for effective policy dialogue.

(d) Managing the Ongoing Portfolio for Development Results

12. All projects starting up in 2005 will have monitoring systems incorporating RIMS reporting requirements, and the retrofitting of ongoing projects will continue. Implementation support will focus on: empowering national-level institutions to address key issues for achieving impact; knowledge-sharing among thematically similar projects; and developing regional support facilities and partnerships in the areas of rural finance, water management, and project planning and management. Follow-up on evaluation recommendations will take account of the two most recent interim evaluations (of projects in the United Republic of Tanzania and Namibia, both to be closed by 2005), and of the one planned for the Eastern Lowlands Project in Eritrea, which is expected to focus on sustainable farmer organization of resource use – an issue the project will address in a further one-year extension.

(e) Implementation of the Institutional Change Agenda

13. Under direct supervision, the District Development Support Programme in Uganda has provided a platform for local capacity-building and for strengthening planning and monitoring systems. It has generated a good understanding of the issues for agricultural development support involved in decentralization. It will be extended for a year to ensure the sustainability of its work. Direct supervision of the Smallholder Enterprise and Marketing Programme in Zambia has permitted close tracking of management issues, and timely intervention for change – while also incorporating feedback on experience with a new type of programme into regional portfolio planning. The third project under direct supervision (Zimbabwe Smallholder Irrigation Support Programme) is under loan suspension, and is not being actively implemented. Under the FPPP, IFAD representation is supported in Ethiopia, the United Republic of Tanzania and Uganda – with similar arrangements established in Madagascar and Mozambique. In the United Republic of Tanzania and Uganda, representation is designed to permit a better input from IFAD into coordination efforts with government, other national stakeholders and donors in SWAs and PRSPs. In Ethiopia, IFAD representation will improve coordination and support the development of a medium-term programme reflecting PBAS issues in a context in which the implementation of the PBAS may lead to a significant increase in commitments.

(f) New Operational Programme Development in 2005

14. **Loans.** Within the region's allocation under the 2005 lending programme (about **USD 82.7 million**), six programmes (of which one is in reserve) are planned: a marketing programme in Uganda, a livestock production and marketing programme in the United Republic of Tanzania, and a contribution to the Agricultural Sector Investment Programme (PROAGRI II) in Mozambique – all three contributing to comprehensive national programmes for agriculture; a smallholder marketing and technology programme in Kenya; a land-tenure and management programme in Madagascar; and a project to support field learning for sectoral policy development in Rwanda.

15. **Grants.** Regional grants will enhance regional capacities for programme implementation support, while country-level grants will be used to support national level capacities – focusing on smallholder commercialization in Kenya, the PRSP process in Uganda, and monitoring and planning of public-sector agricultural investment in Ethiopia. Greater involvement in PRSP and allied processes will require a higher and more systematic level of partnership with national and international stakeholders, facilitated in some countries by IFAD's field presence.

C. Asia and the Pacific Region

(a) Update on the Regional Strategy

16. The Regional Strategy for Rural Poverty Reduction in Asia and the Pacific region advocates that IFAD play a catalytic role by focusing on the region's less-favoured areas (uplands, mountains, drylands and marginal coastal areas) and the most disadvantaged segments of society (women, indigenous peoples, the landless and marginal farmers). All IFAD investments in the region are directed towards (i) changing unequal gender relations to increase women's ownership and control of assets, and their effective participation in community management affairs; (ii) enhancing the productivity of staple crops in less favoured areas; (iii) reforming property rights of various marginalized minorities and indigenous peoples; and (iv) expanding the capabilities of the poor and vulnerable through greater access to self-help, local accumulation, new skills and technologies. All COSOPs and new projects formulated since the preparation of the regional strategy in 2002 have followed the priorities identified in the strategy document. The divisional grant programme has also been directed to provide support to IFAD project beneficiaries in these areas.

(b) Regional Policy-Development Agenda for 2005

17. The division will undertake a review of the regional strategy during 2005. As part of this process, subregional strategies will be prepared for the Pacific Islands and for Central Asia. Allocation of resources (loans and grants) will be made to borrowing Member States on the basis of PBAS assessments beginning in 2006. The assessment exercise needed for this will be completed in 2005 and a medium-term lending programme developed. With regard to PRSPs, IFAD has previously provided support to Cambodia, Mongolia and Nepal in preparing strategies. Additional support will be provided to these and other countries in 2005 based on demand for such help, particularly in incorporating agricultural and rural-development dimensions into these documents.

(c) Managing the Ongoing Portfolio for Development Results

18. The division will continue to focus on maximizing the impact of investment interventions by closely monitoring implementation effectiveness, and continuing to improve project implementation performance. A subregional portfolio review workshop for Southern Asia will be held in 2005 to discuss project/programme implementation issues with major stakeholders – project directors, senior government officials, civil society, cooperating institutions and regional partners. Building upon consultations during 2004, regular meetings will also be held with UNOPS to find ways to improve the implementation performance of projects, and evaluation recommendations will be incorporated into preparation of COSOPs and implementation of country programmes. All new projects to be developed in 2005 will include the indicators proposed under RIMS, and their achievement will be regularly monitored. A regional grant-funded programme will be implemented to develop the capacity of IFAD projects to monitor the achievement of such indicators.

(d) Implementation of the Institutional Change Agenda

19. **Direct supervision.** The direct supervision of three projects in the past has provided important lessons to the division in providing effective and timely supervision for better project impact. This will continue in 2005, with increased efforts to share experiences more widely within the division and across departments. Two projects will continue implementation in 2005, in India and Indonesia, with the Bangladesh project closing in December 2004.

20. **Field presence.** The one regional and two country-level field presence initiatives started in 2004 will be continued in 2005. Efforts will be made to incorporate lessons learned from these pilot experiences into other country programmes. The progress achieved will be monitored regularly and lessons will be documented and shared.

(e) New Operational Programme Development in 2005

21. **Loans.** The division will prepare six new investment projects for presentation to the Executive Board during 2005, for a total of **USD 139.6 million**. The projects will be in Bangladesh, Bhutan, China, India, Laos and The Philippines. In 2005 three reserve projects will also be prepared, for Indonesia, Pakistan and Sri Lanka.

22. **Grants.** In 2005, four regional grants will be developed in the area of pro-poor research, for a total value of USD 6.4 million. Likewise, the division will prepare 18 country-specific grant proposals for a total of USD 3.8 million.

D. Latin America and Caribbean Region

(a) Update on the Regional Strategy

23. During 2005 the Latin America and the Caribbean Division (PL) will continue working in updating and expanding its regional strategy, with emphasis in three areas: (i) knowledge management and innovation; (ii) partnership-building; and (iii) the impact of globalization on the rural poor. The division will pay greater attention to poverty reduction strategies, comparing the experience of countries with and without PRSPs in the context of the MDGs and linkages between poverty reduction strategies and public expenditure. Other high priorities are promoting market access for small rural producers, supporting indigenous peoples, analysing the role of remittances and the sustainable management of natural resources.

(b) Regional Policy-Development Agenda for 2005

24. The PL policy-development agenda will be linked to the PBAS exercise in order to ensure that national processes are including rural poverty issues in their own poverty reduction strategies. The identification of key policy issues to be addressed by governments will constitute a core activity during 2005, with the aim of producing changes in institutions and budget structures in Latin American and the Caribbean (LAC) countries.

(c) Innovation and Scaling Up

25. During 2005 PL will continue its emphasis on promoting innovation and scaling up, which has been one of its features in the recent past. PL will develop its strategy for innovation further as part of a knowledge-management system to be prepared in the division. Priority will be given to the five thematic areas of knowledge management defined in its strategy: (i) rural financial services; (ii) decentralization and empowerment; (iii) development of markets for services relevant to the rural poor; (iv) indigenous people; and (v) access to markets. Two cross-cutting themes are gender issues and the sustainable management of natural resources.

(d) Managing the Ongoing Portfolio for Development Results

26. The network of TAGs will continue to provide support to IFAD programmes and service providers in thematic areas as well as in technical issues/problems identified during implementation. Areas of support covered by the regional networks include: gender issues; financial services; microenterprise activities; training; pro-poor policies and M&E; and improvement of natural resource management. Special follow-up will be given to activities to improve supervision standards and the alignment of cooperating institutions with IFAD corporate and regional strategy. The division will closely follow up the recommendations recently made in the evaluations of several IFAD projects. Priority will be given to the implementation of RIMS.

(e) Implementation of the Institutional Change Agenda

27. The division will continue implementation of its direct supervision programme, which currently includes three projects. Under the FPPP, two initiatives were approved for LAC. The first one involves the mobilization for three years of an IFAD field-support manager based in Honduras, but also following up projects in Nicaragua. The second, for Bolivia, is intended to strengthen the institutional support provided by IFAD to combat poverty. A new initiative for Haiti is being submitted for consideration.

(f) New Operational Programme Development in 2005

28. **Loans.** The lending programme has been designed to take into consideration the progress made to date on the PBAS, as approved by the Executive Board. The division is planning to address rural poverty issues in

Bolivia, Colombia, Costa Rica, Mexico and Paraguay. The amount of the total lending programme is approximately **USD 76.6 million**.

29. **Grants.** TAGs with regional coverage will be proposed with objectives directly related to IFAD's strategic framework. Priority will be given to FIDAMERICA IV (scouting innovation and systematizing good practices) and to PROMER III (facilitating rural microenterprise access to markets). The implementation of the recently approved TAG on remittances will provide insights into ways and means of building alliances with civil organizations to finance rural development. The reinforcement of existing working alliances, such as the Inter-Agency Group on Rural Development in the region, and implementation of a new phase of the Regional Unit for Technical Assistance will reinforce cooperation between donors and local institutions.

E. Near East and North Africa Region

(a) Update on the Regional Strategy

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

(b) Regional Policy-Development Agenda for 2005

31. As in Eastern and Southern Africa, the division will focus on: (i) analysing and proposing policy-change strategies for improved market access for smallholders in the CEN region, and (ii) enhancing water-use efficiency and empowering end-users to manage common natural resources in both subregions. Following IFAD's general focus, the division will also emphasize: (i) mainstreaming gender in IFAD programmes; (ii) engaging in the PRSP process; and (iii) continuing with the PBAS assessment and operationalization process initiated in 2004. In 2005 the division will initiate an internal review of its regional strategies in anticipation of a full revision in 2006-07.

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

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

(c) Managing the Ongoing Portfolio for Development Results

34. The division will continue to focus on enhanced implementation support and improved results measurement and impact assessment. This will be facilitated by the expected approval and implementation of the TAG for results and impact support (in relation to the RIMS), and by enhanced country programme manager follow-up and regular participation in supervision missions. The division will also implement, as required and in line with resource availability, the recommendations made by the Independent External Evaluation of IFAD.

Implementation of the Institutional Change Agenda

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

New Operational Programme Development for 2005

36. **Loans.** The division will submit five projects (Georgia, Morocco, The Sudan, Tunisia and Yemen) for Executive Board approval, for a total lending level of approximately **USD 68.4 million**, while also developing two additional reserve projects (Albania and Bosnia and Herzegovina).

37. **Grants.** The division will also propose a number of regional and country grants focusing on mainstreaming rural financial services, innovation, policy dialogue, enhancing water-use efficiency and empowering grass-roots organizations.

F. Technical Advisory Division

(a) Learning and Knowledge-Sharing in IFAD operations

38. To support further learning and knowledge-sharing, in 2005 the division will continue to coordinate thematic groups and participate in project development teams. These multidisciplinary teams will organize discussions and advance knowledge and policy on topics of concern to IFAD, and will also provide inputs to the newly established policy forum. There are currently three thematic groups: on rural finance, gender and targeting, and community-based natural resource management. In 2005, the website of the technical advisory notes (TANs) will be formally reviewed for technical robustness and further enriched with the addition of new TANs. This will aid the design of projects by providing replicable solutions, under similar conditions, validated through community participatory research. These TANs (which summarize IFAD-financed research/study on a topic and consider sources of expertise outside IFAD) will strengthen the IFAD learning notes. IFAD has also refined a short list of 'anchor' indicators of impact as part of the initiative to develop RIMS. In 2005, the division will continue to support the further development and refinement of these indicators. It will also provide implementation support in this area through training in the use of practical tools for field project staff, including survey guidelines and childhood-malnutrition assessment techniques.

(b) Quality Assurance of Loans and Grants

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

division's technical support is provided in a spectrum of areas, ranging from household food security, health and nutrition, through rural financial services, to sustainable natural resource management focused on issues of both project design and implementation. All technical advisers participate in proactive design support through project development teams, in rigorous quality control through technical review committees, and in operational policy support through operational strategy committee meetings. Finally, technical support to environmental-assessment aspects of project design will be further strengthened in 2005 to emphasize GEF components and greater interaction with the Global Mechanism.

(c) IFAD Grant Policy and Strategy

40. The Executive Board approved the revised IFAD policy in December 2003. The division initiated a process for the operationalization of the policy in January 2004. The policy guidelines are based on the strategic alignment of all grants to the two strategic objectives that drive the new grant policy: (i) promoting pro-poor research on innovative approaches and technological options to enhance field-level impact; and (ii) building pro-poor capacities of partner institutions, including community-based organizations (CBOs) and NGOs. Two mutually exclusive windows, one for global and regional grants and the other for country-specific grants, guide allocations.

41. The division is the responsible unit for grants that fall within the first objective above, under the global and regional grants window. As in the past, all regional divisions will participate with the division in developing and managing a programme that is based on rural innovation and research-based capacity-building. Pro-poor agricultural research will be a significant component, and grant recipients will receive support through CGIAR-led research and training networks and other centres of excellence. In terms of partnership, grant-funded activities will typically involve a number of national agricultural research system (NARS) partners (including civil-society organizations and CBOs contributing to and benefiting from regional collaborative research and development networking.

**2005 ADMINISTRATIVE BUDGET BY ACTIVITY FOR EACH DEPARTMENT
(USD '000)**

	Office of the President and the Vice-President (OPV)	External Affairs Department (EAD)	Finance and Administration Department (FAD)	Programme Management Department (PMD)	Total 2005 Proposed Budget
IP1: Manage loan/grant-funded country programmes for results	536	0	684	5 506	6 726
IP2: Manage grant-funded research and capacity-building programmes for Results	147	97	11	1 119	1 374
IP3: Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	1 200	3 335	31	2 713	7 279
IP4: Manage knowledge relevant to effective rural poverty reduction	410	1 207	143	1 526	3 286
IP5: Mobilize and manage financial resources for rural poverty reduction programmes	886	99	3 459	478	4 922
IP6: Build strategic partnership with other actors in rural poverty reduction	662	419	257	1 213	2 551
IP7: Develop innovative approaches to rural poverty reduction	4	62	0	842	908
IP8a: Governance	1 225	5 538	698	74	7 535
IP8b: Support services	872	189	16 470	1 191	18 722
Total	5 942	10 946	21 753	14 662	53 303

2005 ADMINISTRATIVE BUDGET BY ACTIVITY FOR EACH DEPARTMENT
Office of the President and the Vice-President (OPV)
(USD '000)

	Office of the President (OP)	Office of the Vice- President (OV)	Office of Internal Audit (OA)	Office of the General Counsel (OL)	Resource Mobilization Division (ER)	NALO	Total OPV
IP1: Manage loan/grant-funded country programmes for results	-	-	-	536	-	-	536
IP2: Manage grant-funded research and capacity-building programmes for results	-	-	-	147	-	-	147
IP3: Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	768	321		23	53	35	1 200
IP4: Manage knowledge relevant to effective rural poverty reduction		23		56	261	70	410
IP5: Mobilize and manage financial resources for rural poverty reduction programmes	193	65		58	570		886
IP6: Build strategic partnership with other actors in rural poverty reduction	256	20		14	247	125	662
IP7: Develop innovative approaches to rural poverty reduction				4			4
IP8a: Governance	112	95	737	281			1 225
IP8b: Support services	93	147	128	268	58	178	872
Total	1 422	671	865	1 387	1 189	408	5 942

NALO: North American Liaison Office

2005 ADMINISTRATIVE BUDGET BY ACTIVITY FOR EACH DEPARTMENT
External Affairs Department (EAD)
(USD '000)

	Office of the Assistant President (ED)	Information and Communication Division (EC)	Policy Division (EO)	Office of the Secretary (ES)	Total EAD
IP1: Manage loan/grant-funded country programmes for results	-	-		-	-
IP2: Manage grant-funded research and capacity-building programmes for results	15		82		97
IP3: Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	530	2 008	797		3 335
IP4: Manage knowledge relevant to effective rural poverty reduction	44	367		796	1 207
IP5: Mobilize and manage financial resources for rural poverty reduction programmes	99		0		99
IP6: Build strategic partnership with other actors in rural poverty reduction	301		118		419
IP7: Develop innovative approaches to rural poverty reduction	17		45		62
IP8a: Governance	17		28	5 493	5 538
IP8b: Support services	74		115		189
Total	1 097	2 375	1 185	6 289	10 946

2005 ADMINISTRATIVE BUDGET BY ACTIVITY FOR EACH DEPARTMENT
Finance and Administration Department (FAD)
(USD '000)

	Office of the Assistant President (FD)	Administrative Services Division (FA)	Office of the Controller (FC)	Office of Human Resources (FH)	Management Information Systems Division (FM)	Office of Strategic Planning and Budget (FS)	Office of the Treasurer (FT)	Total FAD
IP1: Manage loan/grant-funded country programmes for results	-	-	684	-	-	-	-	684
IP2: Manage grant-funded research and capacity-building programmes for results	-	-	11	-	-	-	-	11
IP3: Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	-	-	31	-	-	-	-	31
IP4: Manage knowledge relevant to effective rural poverty reduction	-	-	143	-	-	-	-	143
IP5: Mobilize and manage financial resources for rural poverty reduction programmes	21	-	1 867	39	-	-	1 532	3 459
IP6: Build strategic partnership with other actors in rural poverty reduction	45	-	97	115	-	-	-	257
IP7: Develop innovative approaches to rural poverty reduction	-	-			-	-	-	0
IP8a: Governance	134	364	198	2	-	-	-	698
IP8b: Support services	204	6 389	459	3 542	5 165	711	-	16 470
Total	404	6 753	3 490	3 698	5 165	711	1 532	21 753

2005 ADMINISTRATIVE BUDGET BY ACTIVITY FOR EACH DEPARTMENT
Programme Management Department (PMD)
(USD '000)

	Office of the Assistant President (PD)	Western and Central Africa Division (PA)	Eastern and Southern Africa Division (PF)	Asia and the Pacific Division (PI)	Latin America and the Caribbean Division (PL)	Near East and North Africa Division (PN)	Technical Advisory Division (PT)	Total PMD
IP1: Manage loan/grant-funded country programmes for results	369	535	1 158	1 072	982	920	470	5 506
IP2: Manage grant-funded research and capacity-building programmes for results	49	488	58	34	176	109	205	1 119
IP3: Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	296	558	386	495	308	455	215	2 713
IP4: Manage knowledge relevant to effective rural poverty reduction	192	251	213	219	198	51	402	1 526
IP5: Mobilize and manage financial resources for rural poverty reduction programmes	97	82	38	46	22	193	0	478
IP6: Build strategic partnership with other actors in rural poverty reduction	154	221	260	118	139	81	240	1 213
IP7: Develop innovative approaches to rural poverty reduction	39	207	63	144	78	125	186	842
IP8a: Governance	65	0	0	7	2	0	0	74
IP8b: Support services	484	98	102	76	67	116	248	1 191
Total	1 745	2 440	2 278	2 211	1 972	2 050	1 966	14 662

2005 ADMINISTRATIVE BUDGET BY ACTIVITY LEVEL 2 FOR EACH DEPARTMENT
(USD '000)

Description Activity Level 2	Office of the President and the Vice-President (OPV)	External Affairs Department (EAD)	Finance and Administration Department (FAD)	Programme Management Department (PMD)	Total 2005 Proposed Budget
Design loan/grant-funded country programmes	273	-	338	3 021	3 632
Environmental assessment	-	-	-	41	41
Implementation support – loan/grant-funded country programmes	263	-	346	2 444	3 053
Design - global/regional grant programmes	83	82	-	589	754
Implementation follow-up – global/regional grant programmes	64	15	11	530	620
Policy and strategy development/dialogue	1 149	1 416	21	2 334	4 920
Policy and strategy advocacy/dissemination	51	1 919	10	379	2 359
Evaluation	20	-	-	24	44
Sharing knowledge	390	1 207	143	1 502	3 242
Resource mobilization	700	90	-	392	1 182
Financial management	186	9	3 459	86	3 740
Develop strategic partnerships with various stakeholders	460	277	142	1 024	1 903
Mobilize coordinated action for rural poverty reduction	202	142	115	189	648
IFAD Initiative for Mainstreaming Innovation	4	62	-	842	908
External Evaluation of IFAD	44	5	17	12	78
Governing body relations	168	5 533	572	62	6 335
Internal audit	627	-	107	-	734
Legal services	386	-	2	-	388
Organizational strategy and management	355	112	931	744	2 142
Management of work environment	238	-	6 462	10	6 710
Human Resources (HR) management	279	72	3 518	424	4 293
Information, communication and technology (ICT) management services	-	5	5 559	13	5 577
Grand Total	5 942	10 946	21 753	14 662	53 303

2005 ADMINISTRATIVE BUDGET BY EXPENSE FOR EACH DEPARTMENT
(USD '000)

	Office of the President and the Vice - President (OPV	External Affairs Department (EAD)	Finance and Administration Department (FAD)	Programme Management Department (PMD)	Total 2005 Proposed Budget
Building maintenance and security subcontracting costs	-	-	2 402	-	2 402
Duty travel	333	224	221	314	1 092
Information and communication technology (ICT) services	-	-	2 269	-	2 269
Printing, supplies and equipment rental	153	-	2 072	-	2 225
Interpreters/translators	-	1 335	-	-	1 335
Other ^a	226	425	273	158	1 082
Staff costs	5 230	8 962	14 416	14 190	42 798
Contingency	-	-	100	-	100
Total	5 942	10 946	21 753	14 662	53 303

^a 'Other' includes external audit fees, meeting and seminar costs, library books, periodicals, hospitality, etc.

2005 ADMINISTRATIVE BUDGET BY EXPENSE FOR EACH DEPARTMENT
Office of the President and the Vice-President (OPV)
(USD '000)

	Office of the President (OP)	Office of the Vice- President (OV)	Office of Internal Audit (OA)	Office of the General Counsel (OL)	Resource Mobilization Division (ER)	NALO	Total OPV
Building maintenance and security subcontracting costs	-	-	-	-	-	-	-
Duty travel	155	29	67	34	22	26	333
Information and communication technology (ICT) services	-	-	-	-	-	-	-
Printing, supplies and equipment rental	-	-	-	-	-	153	153
Interpreters/translators	-	-	-	-	-	-	-
Other ^a	23	12	103	47	41	-	226
Staff costs	1 244	630	695	1 306	1 126	229	5 230
Total	1 422	671	865	1 387	1 189	408	5 942

^a 'Other' includes external audit fees, meeting and seminar costs, library books, periodicals, hospitality, etc.

2005 ADMINISTRATIVE BUDGET BY EXPENSE FOR EACH DEPARTMENT
External Affairs Department (EAD)
(USD '000)

	Office of the Assistant President (ED)	Information and Communication Division (EC)	Policy Division (EO)	Office of the Secretary (ES)	Total EAD
Building maintenance and security subcontracting costs	-	-	-	-	-
Duty travel	92	102	-	30	224
Information and communication technology (ICT) services	-	-	-	-	-
Printing, supplies and equipment rental	-	-	-	-	0
Interpreters/translators	-	-	-	1 335	1 335
Other ^a	26	21	131	247	425
Staff costs	979	2 252	1 054	4 677	8 962
Total	1 097	2 375	1 185	6 289	10 946

^a 'Other' includes external audit fees, meeting and seminar costs, library books, periodicals, hospitality, etc.

2005 ADMINISTRATIVE BUDGET BY EXPENSE FOR EACH DEPARTMENT
Finance and Administration Department (FAD)
(USD '000)

	Office of the Assistant President (FD)	Administrative Services Division (FA)	Office of the Controller (FC)	Office of Human Resources (FH)	Management Information Systems Division (FM)	Office of Strategic Planning and Budget (FS)	Office of the Treasurer (FT)	Total FAD
Building maintenance and security subcontracting costs	-	2 402	-	-	-	-	-	2 402
Duty travel	23	9	87	41	21	6	34	221
Information and communication technology (ICT) services	-	-	-	-	2 269	-	-	2 269
Printing, supplies and equipment rental	-	2 072	-	-	-	-	-	2 072
Interpreters/translators	-	-	-	-	-	-	-	-
Other ^a	15	-	127	96	21	-	14	273
Staff costs	366	2 270	3 276	3 561	2 854	605	1 484	14 416
Contingency	-	-	-	-	-	100	-	100
Total	404	6 753	3 490	3 698	5 165	711	1 532	21 753

^a 'Other' includes external audit fees, meeting and seminar costs, library books, periodicals, hospitality, etc.

2005 ADMINISTRATIVE BUDGET BY EXPENSE FOR EACH DEPARTMENT
Programme Management Department (PMD)
(USD '000)

	Office of the Assistant President (PD)	Western and Central Africa Division (PA)	Eastern and Southern Africa Division (PF)	Asia and the Pacific Division (PI)	Latin America and the Caribbean Division (PL)	Near East and North Africa Division (PN)	Technical Advisory Division (PT)	Total PMD
Building maintenance and security subcontracting costs	-	-	-	-	-	-	-	-
Duty travel	71	26	31	41	51	42	52	314
Information and communication technology (ICT) services	-	-	-	-	-	-	-	-
Printing, supplies and equipment rental	-	-	-	-	-	-	-	-
Interpreters/translators	-	-	-	-	-	-	-	-
Other ^a	38	5	4	67	4	9	31	158
Staff costs	1 636	2 409	2 243	2 103	1 917	1 999	1 883	14 190
Total	1 745	2 440	2 278	2 211	1 972	2 050	1 966	14 662

^a 'Other' includes external audit fees, meeting and seminar costs, library books, periodicals, hospitality, etc

ESTIMATE OF DIRECT CHARGES ON INVESTMENT INCOME FOR 2005^a
(USD '000)

	2004 Budget	2005 Budget	% Increase
Management fees			
Global fixed income	2 072	1 692	-18
Diversified fixed income	1 000	1 428	43
Equities	700	1 315	88
Global TIPs	400	850	113
Subtotal	4 172	5 285	27
Custodian fees			
Core services (settlement, safe keeping)	300	424	41
Auxiliary services (compliance, analytics)	120	165	38
Transaction costs	120	326	172
Out-of-pocket expenses	60	-	-
Subtotal	600	915	53
Advice and information services			
Financial advisors	200	250	25
Legal- and tax-advice fees and travel expenses	119	119	-
Financial information providers	200	200	-
Consultants	60	60	-
Subtotal	579	629	9
Total	5 351	6 829	28

^a Refer to Section VI.B. for discussion relating to movement between years.

2005 STAFF LEVELS

Administrative Budget

	APR	D-2	D-1	P-5	P-4	P-3	P2	P1	Regular Staff			Temporary Staff (No. of FTEs)	
									Subtotal Professional	Subtotal Support Staff	Grand Total		
Office of the President and Vice-President (OPV)													
Office of the President		1			1					2	3	5	
Office of the Vice-President				1						1	1	2	1
Office of Internal Audit				1	1		1			3	2	5	1
Office of the General Counsel			1		3	1				5	4	9	1
Resource Mobilization Division			1	1	3					5	2	7	5
North American Liaison Office (NALO)													4
Total OPV	0	1	2	3	8	1	1	0		16	12	28	12
Programme Management Department (PMD)													
Office of the Assistant President	1			5	1	1				8	3	11	
Western and Central Africa Division			1	6	3					10	8	18	1
Eastern and Southern Africa Division		1		9	1					11	7	18	
Asia and the Pacific Division			1	7	1	1				10	7	17	
Latin America and the Caribbean Division		1		6	1					8	7	15	
Near East and North Africa Division			1	7						8	6	14	
Technical Advisory Division		1		7						8	6	14	
Total PMD	1	3	3	47	10	1	0	0		63	44	107	1
Finance and Administration Department (FAD)													
Office of the Assistant President	1									1	1	2	
Office of the Controller		1		5	1		2			9	20.5	29.5	2
Office of Strategic Planning and Budget					1			1		2	2	4	1
Office of the Treasurer			1	1	2	1		1		6	4	10	5
Office of Human Resources			1	2	1		2			6	8	14	
Management Information Systems Division			1	1	2		1			5	16.5	21.5	9
Administrative Services Division			1	1	1	2				5	22.5	27.5	1
Total FAD	1	1	4	10	8	3	5	2		34	74.5	108.5	18
External Affairs Department (EAD)													
Office of the Assistant President	1	1			1					3	3	6	0
Information and Communication Division			1	1	2		1			5	5	10	4
Policy Division			1	2	2					5	3	8	0
Office of the Secretary			1	2	5	2				10	23.5	33.5	4
Total EAD	1	1	3	5	10	2	1	0		23	34.5	57.5	8
Grand Total	3	6	12	65	36	7	7	2		136	165	301	39

2005 STAFF LEVELS

Supplementary Funds and APO Administrative Budgets

	APR	D-2	D-1	P-5	P-4	P-3	P2	P1	Regular Staff			Temporary Staff (No. of FTEs)
									Subtotal Professional	Subtotal General Service	Total	
Office of the President and Vice-President (OPV)												
Resource Mobilization Division						1			1		1	3
North American Liaison Office (NALO)											0	
Total OPV	0	0	0	0	0	1	0	0	1	0	1	3
Programme Management Department (PMD)												
Office of the Assistant President									0	1	1	
Technical Advisory Division									0	1	1	3
Total PMD	0	0	0	0	0	0	0	0	0	2	2	3
Finance and Administration Department (FAD)												
Office of the Assistant President									0		0	1
Office of the Controller					1				1	2	3	1
Office of Strategic Planning and Budget				1			1		2	0	2	
Office of the Treasurer									0	1	1	
Office of Human Resources					1				1	2	3	
Administrative Services Division									0		0	2
Total FAD	0	0	0	1	2	0	1	0	4	5	9	4
External Affairs Department (EAD)												
Office of the Assistant President									0		0	1
Information and Communication Division									0		0	1
Policy Division									0	1	1	
Office of the Secretary									0		0	1
Total EAD	0	0	0	0	0	0	0	0	0	1	1	3
Grand Total	0	0	0	1	2	1	1	0	5	8	13	13

APR: Assistant President
D: Director
P: Professional

2005 STAFF LEVELS

PDFF and One-Time Costs

	Temporary Staff (No. of FTEs)	
	PDFF	One-Time Costs
Office of the President and Vice-President (OPV)		
Office of the President		
Office of the Vice-President		
Office of Internal Audit		
Office of the General Counsel		
Resource Mobilization Division		
North American Liaison Office (NALO)		1
Total OPV	-	1
Programme Management Department (PMD)		
Office of the Assistant President	1	
Western and Central Africa Division	3	
Eastern and Southern Africa Division	4	
Asia and the Pacific Division	8	
Latin America and the Caribbean Division	5	
Near East and North Africa Division	6	
Technical Advisory Division	3	
Total PMD	30	
Finance and Administration Department (FAD)		
Office of the Assistant President		
Office of the Controller		
Office of Strategic Planning and Budget		
Office of the Treasurer		
Office of Human Resources		
Management Information Systems Division		
Administrative Services Division		7
Total FAD	-	7
External Affairs Department (EAD)		
Office of the Assistant President		
Information and Communication Division		
Policy Division		
Office of the Secretary		1
Total EAD	-	1
Total	30	9

2004-2005 STAFF COST DETAILS
(USD '000)

	2004	2005				
	Budget at @ 0.819 EUR/USD	Price Increase/ Decrease	Proposed Budget @ 0.819 EUR/USD	<i>Professional</i>	<i>General Service</i>	<i>Other</i>
Salaries and post adjustment	23 156	840	23 997	15 772	8 225	
Education grants and other allowances	2 405	569	2 974	2 443	531	
Pension and medical-plan contributions	7 788	139	7 926	4 380	2 530	1 016
Home leave	318	47	365	365		
Repatriation and separation payments	2 072	-146	1 926	1 117	809	
Relocation and recruitment	315	143	458			458
Regular Staff	36 054	1 592	37 646	24 077	12 095	1 474
Short-term temporary staff ^a	3 810	528	4 338			
Overtime	377	5	382			
Training	432	0	432			
Total	40 673	2 125	42 798			

^a Includes short-term general service staff formerly included under the category 'Governing Body and Other Official Meetings'.

OE PRIORITY ACTIVITIES IN RELATION TO IFAD'S INSTITUTIONAL PRIORITIES FOR 2005

IFAD Institutional Priorities for 2005^a	OE Priority Activities for 2005
1. Independent external evaluation of IFAD operations	1.1 Overall supervision of the independent external evaluation
2. Independent evaluation function	2.1 Full implementation of the Evaluation Policy 2.2 Development of the 2006 OE work programme and budget 2.3 OE review of the report of the President on the implementation status of evaluation recommendations
3. Measuring results and impact	3.1 Independent evaluation of selected IFAD operations and policies 3.2 Further development of the OE project evaluation and CPE methodologies, which will allow for a more accurate assessment of results and impact 3.3 Production of the third ARRI 3.4 Undertake the corporate-level evaluation of the direct supervision pilot programme 3.5 Develop, in consultation with PMD, a proposal on OE's future role in enhancing IFAD's self-evaluation capabilities
4. IFAD's catalytic role	4.1 Undertaking the evaluation of regional strategies and selected country programme and thematic evaluations

^a As per the Strategic Guidelines for the 2005 Programme of Work and Budget (Office Memorandum, 27 April 2004) and the Report of the Consultation on the Sixth Replenishment of IFAD's Resources. The key processes and policy issues agreed within the framework of the Sixth Replenishment will continue to be a high priority for IFAD.

TABLE 1: OE 2005 BUDGET PROPOSAL BY EXPENDITURE^a
(USD '000)

	2004 Budget Restated at 0.819 EUR/USD (Oct 2004)	Real Increase /Decrease	OE Budget After Real Increase/Decrease	Price Increase^b	Proposed OE Budget for 2005^c
Staff Costs^d	1 972		1 972	167.30	2 139.30
Regular and Fixed Term	1 694		1 694	143	1 837
Temporary	264		264	24	288
Overtime	14		14	0.3	14.30
Evaluations	2 014	50	2 064	44.31	2 108.31
CLEs and other activities	471	-15	456	10.36	466.36
CPEs	388	195	583	8.54	591.54
Regional strategy evaluations ^e	-	230	230	-	230
Thematic evaluations	231	-200	31	5.08	36.08
Project evaluations	924	-160	764	20.33	784.33
Evaluation Committee^f	66		66	1.45	67.45
Staff Travel	257		257	5.65	262.65
Contingency^g	202	-87	114.44		114.44^h
Total	4 511	-37.56	4 473.44	218.71	4 692.16

^a Discrepancies in totals are due to rounding.

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

^c Figures presented in this table are not the same as those appearing in the OE work programme and budget for 2005 presented to the Evaluation Committee on 15 October 2004; this is due to the restatement according to a different exchange rate (i.e., EUR/USD exchange rate of 0.819) and to a more recent recalculation of staff costs by the Strategic Planning and Budget Division.

^d The increase in staff costs estimates does not reflect an increase in staff numbers: it is due to the reclassification and promotions that took place in 2004 in line with the decision of the Executive Board in December 2003 and the increases in salaries and benefits dictated by the United Nations common system. There is a difference *vis-à-vis* the figures presented to the Evaluation Committee on 15 October 2004, due to the restatement and recalculation of staff costs by the Strategic Planning and Budget Division.

^e There was no allocation in 2004 or earlier as OE will undertake this type of evaluation for the first time in 2005.

^f As in 2004, this allocation is reserved for the planned field visit of the committee.

^g Contingency for 2004 = 5%.

^h Contingency for 2005 = 2.5%.

TABLE 2: OE 2005 BUDGET BY ACTIVITY^a
(USD '000)

OE Priorities 2004	2004	%	OE Priorities 2005^b	2005^c	%
(a) Evaluation work requested by the Evaluation Committee and Executive Board and/or included in the Report of the Consultation on the Sixth Replenishment of IFAD's Resources	688	16	(a) Supervision of the IEE	46.92	1
(b) Conduct of corporate-level, country programme, thematic and project evaluations	3 088	73	(b) Conduct of selected corporate-level, regional strategy, country programme, thematic and project evaluations	3 472.20	74
(c) Further development of the evaluation methodology	466	11	(c) Specific evaluation work required by the Evaluation Policy for presentation to the Executive Board and the Evaluation Committee	797.67	17
			(d) Methodological development, evaluation outreach and other activities	375.37	8
Total	4 242	100	Total	4 692.16	100

^a Discrepancies in totals are due to rounding.

^b The 2005 priorities are not the same as those of 2004 (for example, priority (a) in 2004 does not match priority (a) for 2005 and so on). This should be taken into consideration when comparing priorities for the two years.

^c Figures presented in this table are not the same as those appearing in the OE work programme and budget for 2005 presented to the Evaluation Committee on 15 October 2004; this is due to the restatement according to a different exchange rate and to a more recent recalculation of staff costs by FS.

TABLE 3: AN OVERVIEW OF IEE FUNDS^a
(USD'000)

Sub-Components	Committed^b
A. Total Cost of the Evaluation Team	1 248
B. Total Cost for OE Advisers and Consultants	211
C. Total Costs of Steering Committee	13
Total	1 472^c

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

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

^c Includes commitments until mid-September 2004.

OE WORK PROGRAMME FOR 2005

Priority Area	Type of Work	Evaluation Activities	Start Date	Expected Finish
(a) Supervision of the Independent External Evaluation of IFAD	1. Independent External Evaluation	Supervision of the IEE	Apr 2003	Jul 2005
(b) Conduct of selected corporate-level, regional strategy, country programme, thematic and project evaluations.	2. Corporate-level evaluations	Evaluation of IFAD's direct supervision pilot programme	Sep 2004	Sep 2005
		Evaluation of IFAD's Rural Finance Policy	Sep 2005	Sep 2006
	3. Regional strategy evaluations	Evaluation of the regional strategy in PI	Jan 2005	Dec 2005
		Evaluation of the regional strategy in PN	Nov 2005	Nov 2006
	4. Country programme evaluations	Bangladesh, PI	Jan 2005	Dec 2005
		Egypt, ¹ PN	Jan 2004	Mar 2005
		Mali, PA	Nov 2005	Nov 2006
		Mexico, PL	Jan 2005	Dec 2005
		Morocco, PN	Nov 2005	Nov 2006
		Rwanda, PF	Jan 2005	Dec 2005
5. Thematic evaluations	Decentralization Efforts in Eastern and Southern Africa, PF	Oct 2003	Mar 2005	
	Organic Agriculture in Asia, ² PI	Nov 2003	Mar 2005	

¹ Only the organization of the final national round-table workshop

² To be financed by Italian supplementary funds under an agreement reached with IFAD in November 2002.

Priority Area	Type of Work	Evaluation Activities	Start Date	Expected Finish
(b) Conduct of selected corporate-level, regional strategy, country programme, thematic and project evaluations. (cont'd)	6.1 Interim Project Evaluations	Ethiopia: Special Country Programme II, PF	Sep 2004	Mar 2005
		The Gambia: Rural Finance and Community Initiatives Project, PA	July 2004	Jan 2005
		Ghana: Upper East Region Land Conservation and Smallholder Rehabilitation Project, PA	Mar 2005	Sep 2005
		Ghana: Upper West Agricultural Development Project, PA	Mar 2005	Sep 2005
		Guinea: Fouta Djallon Local Development and Agricultural Rehabilitation Programme, PA	Oct 2004	Apr 2005
		India: North Eastern Region Community Resource Management Project for Upland Areas, PI	Oct 2004	Apr 2005
		Mexico: Rural Development Project of the Mayan Communities in the Yucatan Peninsula, PL	Sep 2004	Mar 2005
		Peru: Development of the Puno-Cusco Corridor Project, PL	Dec 2005	June 2006
		Uganda: District Development Support Programme, PF	Oct 2004	Apr 2005
		Venezuela: Economic Development of Poor Rural Communities Project, PL	Mar 2005	Sep 2005
	6.2. Completion Project Evaluations	China: Southwest Anhui Integrated Agricultural Development Project, PI	Sep 2005	Mar 2006
		Mongolia: Arhangai Rural Poverty Alleviation Project, PI	Sep 2005	Mar 2006
		Morocco: Tafilalet and Dades Rural Development Project, PN	Mar 2005	Sep 2005
		Mozambique: Family Sector Livestock Development Programme, PF	May 2005	Nov 2005
		Romania: Apuseni Development Project, PN	Sep 2005	Mar 2006

Priority Area	Type of Work	Evaluation Activities	Start Date	Expected Finish
C. Specific evaluation work required by the Evaluation Policy for presentation to the Evaluation Committee and Executive Board	7. Evaluation Committee	Implementation of four regular sessions and any additional <i>ad hoc</i> sessions according to the proposed revised TOR and ROP of the Evaluation Committee	Jan 2005	Dec 2005
		Preparation of the work programme and budget for 2006	Jun 2005	Dec 2005
		OE's comments on the President's Report on the Implementation Status of Evaluation Recommendations	Jun 2005	Sep 2005
		Third ARRI	Jan 2005	Sep 2005
		OE comments on selected IFAD operation policies prepared by IFAD management to be considered by the Evaluation Committee	n.a	n.a
		OE comments on the PMD Progress Report on the Project Portfolio	Jan 2005	Apr 2005
D. Methodological development, evaluation outreach and other activities	8. Methodological work	Further development of the CPE methodology	Jan 2005	Dec 2005
		Proposal for OE's contribution to enhancing IFAD self-evaluation activities	Jan 2005	Dec 2005
		Comprehensive briefing package for consultants on OE methodologies	Jan 2005	Dec 2005
		Conference on Evaluation	Dec 2004	Apr 2005
	9. Communication activities	OE reports, evaluation profiles and insights, and website	Jan 2005	Dec 2005
	10. Management of consultants	Review of OE approach	Jan 2005	Dec 2005
	11. Partnerships	UN Evaluation Group, SDC-OE Partnership in Evaluation, Multilateral Development Banks Evaluation Group	Jan 2005	Dec 2005
	12. OPV/OE coordination	Quarterly activity review meetings	Jan 2005	Dec 2005
	13. Project development teams (PDTs)	Two PDTs per Evaluation Officer for a total of circa 16 to 18 PDTs in 2004	Jan 2005	Dec 2005

OE ACHIEVEMENTS IN RELATION TO PLANNED PRIORITIES AND ACTIVITIES IN 2004

Priority Area	Type of Work	Evaluation Activities	Planned Implementation Status	Present Status (October 2003)
(a) Evaluation work requested by the Evaluation Committee and Executive Board and/or included in the Report of the Consultation on the Sixth Replenishment of IFAD's Resources.	1. Independent External Evaluation	Supervision of the IEE	Consultant to produce and OE to comment on: Inception Report, Desk Review Report, 10 Country Working Papers, Human Resources and Institutional Issues Review. First draft report to be delivered on 5 Nov 2004	All activities undertaken and deliverables received as per schedule
	2. Evaluation Committee	Conduct three regular sessions, and additional special sessions as necessary	Conduct three regular sessions and two special sessions	Three regular and two special sessions conducted
		Review of the TOR and ROP of the Evaluation Committee as per the decision of the April Executive Board in 2003	Review to be completed by Dec 2004	Revised document on TOR and ROP submitted to the Board in Dec 2004
		Field visit to Indonesia – CPE National Round-Table Workshop	Field Visit to be conducted in March 2004	Field visit conducted as per schedule
3. ARRI	Annual Report on the Results and Impact of IFAD Operations	To be presented to Evaluation Committee and Executive Board in September 2004	Conducted as planned	
(b) Conduct of corporate-level, country programme, thematic and project evaluations.	4. Corporate-level evaluations	Evaluation of IFAD's direct supervision pilot programme	To be completed in Dec 2004	Will be completed in 2005
	5. Country programme evaluations	Benin, PA	To be completed in September 2004	Completed in May 2004
		Bolivia, PL	To be completed in September 2004	Will be completed in December 2004
		Egypt, PN	To be completed in November 2004	Will be completed in the first quarter of 2005
		Indonesia, PI	To be completed in March 2004	Completed on schedule

Priority Area	Type of Work	Evaluation Activities	Planned Implementation Status	Present Status (October 2003)
	6. Thematic evaluations	Marketing and Competitiveness in Africa, PA	To be completed in November 2004	Will be completed in December
		Regional Workshop on Agricultural Extension and Farmers' Innovations, PA	To be conducted in February 2004	Conducted on schedule
		Decentralization Efforts in Africa, PF	To be completed in October 2004	Draft report available in October 2004, will be completed in early 2005 ³
		Organic Agriculture in Asia, PI	To be completed in November 2004	Evaluation report available in November 2004, will be completed in early 2005 ³
	7.1 Interim project evaluations	Ethiopia: Special Country Programme II, PF	To be started in Sep 2004	Started on schedule
		The Gambia: Rural Finance and Community Initiatives Project, PA	To be started in Sep 2004	Started in July 2004
		Guinea: Fouta Djallon Local Development and Agricultural Rehabilitation Programme, PA	To be started in Mar 2004	Start-up delayed until Oct 2004 due to portfolio suspension for arrears
		India: North Eastern Region Community Resource Management Project for Upland Areas, PI	To be started in Oct 2004	Started on schedule
		Jordan: Agricultural Resource Management Project in the Governorates of Karak and Tafila, PN	To be completed in June 2004	Completed on schedule
		Laos: Northern Sayabouri Rural Development Project, PI	To be completed in July 2004	Completed on schedule
		Paraguay: Peasant Development Fund Credit Project – Eastern Region of Paraguay, PL	To be completed in July 2004	Completed in Nov 2004
		Senegal: Rural Micro-Enterprises Project, PA	To be completed in July 2004	Completed on schedule
		Tunisia: Integrated Agricultural Development Project in the Governorate of Siliana, PN	To be completed in July 2004	Completed on schedule
		Uganda: District Development Support Programme, PF	To be started in Sep 2004	Started in Oct 2004

³ The last step in the evaluation, namely the organization of a stakeholder workshop to discuss the evaluation's conclusions and results, has been delayed due to the departure of two evaluators in 2004. The workshop will be conducted in the first quarter of 2005.

Priority Area	Type of Work	Evaluation Activities	Planned Implementation Status	Present Status (October 2003)
		Venezuela: Economic Development of Poor Rural Communities Project, PL	To be started in Oct 2004	Postponed to 2005 and replaced by an interim evaluation of the Rural Development Project of the Mayan Communities in the Yucatan Peninsula (Mexico), which will be completed in April 2005
		Viet Nam: Ha Giang Development Project for Ethnic Minorities, PI	To be completed in July 2004	Completed on schedule
		Viet Nam: Agricultural Resources Conservation and Development Project in Quang Binh Province, PI	To be completed in July 2004	Completed on schedule
(b) Conduct of corporate level, country programme, thematic and project evaluations (cont.)	7.2. Completion project evaluations	Eritrea: Eastern Lowlands Wadi Development Project, PF	To be completed in Mar 2004	Completed on schedule
		Lebanon: Smallholder Livestock Rehabilitation Project, PN	To be completed in Mar 2004	Completed on schedule
		Mexico: Rural Development Project of the Mayan Communities in the Yucatan Peninsula, PL	Not planned for	Started November 2004 to be completed in April 2005
(c) Further development of the evaluation methodology.	8. Regionalization of M&E Guide	Regionalization of the Practical Guide for M&E in the PF Region	To be conducted through 2004	Conducted as planned
		Regionalization of the Practical Guide for M&E in the PN Region	To be conducted through 2004	Conducted as planned
	9. Methodological work	Further development of the methodology for CPEs	To be conducted through 2004	Conducted as planned
		Training of OE consultants in the Methodological Framework for Project Evaluations (MFE)	To be conducted through 2004	Will be done in 2005
		Make proposal to the Evaluation Committee on assigning weights in the MFE	To be presented in Sep 2004	Presented to the Evaluation Committee and Executive Board in Sep 2004

Priority Area	Type of Work	Evaluation Activities	Planned Implementation Status	Present Status (October 2003)
(d) Other Activities	10. OE programme	Preparation of work programme and budget for 2005	To be conducted from June to Dec 2004	Preview presented to the Evaluation Committee and Executive Board in September 2004. Comprehensive document presented to the Committee on 15 Oct.
		Mid-term review of work programme	To be conducted in June 2004	Conducted as scheduled
	11. Communication activities	OE Reports, Profiles, Insights & Website	To be conducted through 2004	Conducted as planned
	12. Consultants management	Review of OE Approach	To be initiated in 2004	Initiated in 2004, first draft paper produced in May 2004
	13. Partnerships	UN Evaluation Group, SDC-OE Partnership in Evaluation	To be conducted through 2004	Conducted as planned
	14. OPV/OE coordination	Quarterly activity review meetings	Quarterly meetings, March – November 2004	Regularly conducted
	15. Project development teams	Two PDTs per Evaluation Officer for a total of circa 16-18 PDTs in 2004	To be conducted through 2004	Conducted through 2004

OE STAFF LEVELS FOR 2005

	Human Resources Category	Units
Regular	Professional Staff^a	
	Director	1
	Deputy Director	1
	Evaluation Officers	5
	Evaluation/Information Officer	1
	General Staff	
Administrative Assistant	1	
Evaluation Assistants	6	
Geographic Information Systems (GIS) Assistant	0.5	
	Subtotal	15.5
Temporary (Chapter X)	Professional Staff	
	Evaluation Officer	0.5
	General Staff	
Evaluation Assistants	2	
	Total	18

^a In 2004, OE had three APOs funded by various donor countries. In 2005, the division is assured of the services for 12 months of only one of these. One of the APOs left in August before the end of her contract, whereas the contract of the other APO will expire in November 2004. Procedures have been initiated to replace the two APOs concerned, although this will depend on the availability of donor funding and the identification of suitable APO candidates for OE within the required time frames.

