

Annual report 2005



Enabling the rural poor to overcome poverty



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About IFAD

IFAD is a specialized agency of the United Nations dedicated to eradicating rural poverty in developing countries. Seventy-five per cent of the world's poorest people, 800 million women, children and men, live in rural areas and depend on agriculture and related activities for their livelihoods.

IFAD Strategic Framework for 2002-2006

IFAD's activities are guided by the *Strategic Framework for IFAD 2002-2006: Enabling the Rural Poor to Overcome Their Poverty*. The framework's three strategic objectives are to:

- strengthen the capacity of the rural poor and their organizations
- improve equitable access to productive natural resources and technologies
- increase access by the poor to financial services and markets

Underlying these strategic objectives is IFAD's belief that rural poor people must be empowered to lead their own development if poverty is to be eradicated. Poor people must be able to develop and strengthen their own organizations, so they can advance their own interests and dismantle the obstacles that prevent many of them from creating better lives for themselves. They must be able to have a say in the decisions and policies that affect their lives, and they need to strengthen their bargaining power in the marketplace.

All of IFAD's decisions in 2005, on regional, country and thematic strategies, poverty reduction strategies, policy dialogue and development partners, were made with these principles and objectives in mind. As reflected in the strategic framework, IFAD is committed to contribute to achieving the Millennium Development Goals, in particular the target to halve the proportion of extremely poor people by 2015.

Working in partnership to eradicate rural poverty

Through loans and grants, IFAD works with governments to develop and finance programmes and projects that enable rural poor people to overcome poverty themselves.

There are 184 ongoing IFAD-supported rural poverty eradication programmes and projects, totalling US\$6.1 billion. IFAD has invested more than US\$2.8 billion in these initiatives. At full development, these programmes and projects will help nearly 80 million rural poor women and men to achieve better lives for themselves and their families. Since starting operations in 1978, IFAD has invested US\$9.0 billion in 707 programmes and projects that have reached almost 300 million rural poor people.

But this represents only part of the total investment in IFAD programmes and projects. In the past 27 years, a further US\$15.8 billion in cofinancing has been contributed by partners. Governments and other financing sources in recipient countries have contributed almost US\$8.8 billion, while another US\$7.0 billion has been contributed by external cofinanciers, including bilateral and multilateral donors. This represents a total investment of some US\$24.8 billion, and means that for every dollar IFAD invested, it was able to mobilize almost two dollars in additional resources.

IFAD tackles poverty not only as a lender, but also as an advocate for rural poor people. Its multilateral base provides a natural global platform to discuss important policy issues that influence the lives of rural poor people, as well as to draw attention to the centrality of rural development to meeting the Millennium Development Goals.

Membership in IFAD is open to any State that is a member of the United Nations or its specialized agencies or the International Atomic Energy Agency. The Governing Council is IFAD's highest decision-making authority, with the 164 Member States each represented by a governor and alternate governor. The Council meets annually. The Executive Board, responsible for overseeing the general operations of IFAD and approving loans and grants, is composed of 18 members and 18 alternate members. The President, who serves for a four-year term (renewable once), is IFAD's chief executive officer and chair of the Executive Board. The current President of IFAD is Lennart Båge, who was re-elected for his second four-year term in 2005.

IFAD at a glance, 1978-2005^{a, b}

TABLE 1

		2001	2002	2003	2004	2005 ^c	1978-2005
Operational activities^{d, e}							
Loan approvals							
Number of programmes and projects		24	24	25	25	31	707
Amount of loans	US\$ million	391.6	353.2	403.6	433.4	478.4	8 960.2
Grant approvals^f							
Number		106	85	70	87	66	1 871
Amount	US\$ million	30.8	23.9	20.3	33.3	36.6	532.9
Total IFAD loan and grant operations^d	US\$ million	422.4	377.1	424.0	466.7	515.0	9 493.1
Cofinancing							
	US\$ million	262.5	138.4	124.9	176.2	153.7	6 995.0
Multilateral		203.1	78.6	124.5	73.8	72.1	5 475.6
Bilateral		17.0	51.2	0.0	13.6	38.0	1 182.6
NGO		0.3	0.0	0.0	0.0	1.6	25.2
Other ^g		42.0	8.5	0.3	85.8	42.0	308.6
Domestic contributions	US\$ million	302.0	275.2	184.1	316.1	414.8	8 791.3
Total programme and project cost^h	US\$ million	956.4	769.8	712.5	928.8	1 053.2	24 791.2
Programmes and projects							
Number of effective programmes and projects under implementation		206	203	194	191	184	
Number of programmes and projects completed		23	29	28	26	32	475
Number of programmes and projects in the pipeline		54	56	54	47	61	
Number of approved programmes and projects initiated by IFAD		23	24	24	25	29	569
Number of recipient borrowers		115	115	115	115	115	115
Loan disbursements	US\$ million	291.3	263.4	285.8	313.7	343.5	4 937.4
Loan repaymentsⁱ	US\$ million	128.0	126.8	140.1	171.7	157.5	
General reserve							
– at end of period	US\$ million	95.0	95.0	95.0	95.0	95.0	
Membership and administration							
Member States – at end of period		162	162	163	163	164	
Professional staff – at end of period ^j		132	132	132	143	149.5	
Operating expenses ^k	US\$ million	49.9	40.3	49.1	57.0	61.7	
– Charge for past after-service medical benefits ^m	US\$ million	4.3	7.9	4.3	(12.3) ⁿ	11.2	

Sources: Project and Portfolio Management System, IFAD financial statements for 1978-2005, IFAD's Accounting System.

^a IFAD loans are denominated in special drawing rights (SDRs). For the reader's convenience, tables and charts use figures shown in US\$ equivalents, as per the Report and Recommendation of the President for each loan presented to the Executive Board.

^b Any discrepancy in totals is the result of rounding.

^c Includes four programmes (with IFAD financing of US\$33.7 million) approved outside the Regular Programme for countries affected by the tsunami.

^d Excludes fully cancelled programmes and projects. Excludes the Programme Development Financing Facility.

^e 1986-1995 figures include the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification.

^f Includes all categories of grants.

^g Includes financing under basket or similar funding arrangements, financing from private-sector resources or financing that may not have been confirmed at Executive Board approval.

^h Includes grants that are components of loan-funded programmes and projects.

ⁱ Loan repayments include repayments on behalf of Heavily Indebted Poor Countries Debt Initiative countries.

^j Approved positions (excluding those of the President and Vice-President).

^k Operating expenses relate solely to the administrative budget.

^m The charge for past after-service medical benefits relates to extra-budgetary funding for shortfalls (excesses) in the After-Service Medical Coverage Scheme liability.

ⁿ Because of a change in the method of actuarial allocation, IFAD's overall liability for after-service medical benefits decreased in 2004, and an accounting gain of US\$12.3 million was recorded. These resources have been transferred back to IFAD from the related trust fund and will be used for normal operational purposes.

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Abbreviations and acronyms

AfDB	African Development Bank
AfDF	African Development Fund
AFESD	Arab Fund for Economic and Social Development
AsDB	Asian Development Bank
BCIE	Central American Bank for Economic Integration
BOAD	West African Development Bank
BSF	Belgian Survival Fund
CEN	Central and Eastern Europe and the Newly Independent States
CGIAR	Consultative Group on International Agricultural Research
COSOP	country strategic opportunities paper
ECOSOC	Economic and Social Council of the United Nations
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development (World Bank Group)
IDA	International Development Association (World Bank Group)
IDB	Inter-American Development Bank
IEE	Independent External Evaluation
IMI	Initiative for Mainstreaming Innovation
IsDB	Islamic Development Bank
MDGs	Millennium Development Goals
NENA	Near East and North Africa
NEPAD	New Partnership for Africa's Development
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PBAS	performance-based allocation system
PRSPs	poverty reduction strategy papers
RIMS	results and impact management system
SWAps	sector-wide approaches
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
UWESO	Uganda Women's Effort to Save Orphans
WFP	World Food Programme

Foreword

2005 was a crucial year in the international community's drive to meet the Millennium Development Goals. With just ten years remaining before 2015, it was vital to focus international attention on how much was still to be achieved.

A number of important initiatives took place during the year. Commitments to further and substantial debt relief were made during the G8 meeting at Gleneagles, Scotland, which were then confirmed at the annual meetings of the World Bank and the International Monetary Fund. Earlier in the year the Paris Declaration on Aid Effectiveness underlined the commitment of the international community to continuing and increasing efforts towards harmonization, alignment and managing for results. IFAD is fully committed to these efforts.

Importantly, the centrality of agriculture and rural development to attaining the MDGs was recognized by the UN World Summit, held in September in New York, where world leaders undertook to increase their support for agricultural development and for building trade capacity in the agricultural sector in developing countries.

During 2005, IFAD's programme of work increased by about 10 per cent. We also responded to the exceptional needs created by the tsunami and the Pakistan earthquake by developing fast-track projects to help survivors restore their livelihoods and strengthen their ability to face future disasters.

IFAD's Executive Board approved 31 new programmes and projects in 29 countries in 2005, financed by IFAD loans worth US\$478.4 million. The estimated total cost of these initiatives is over US\$1,053 million, of which US\$568.5 million will be provided by cofinanciers, including governments of the recipient countries. IFAD grants worth US\$6.2 million contributed to these programmes and projects. IFAD also approved other grants worth US\$30.4 million. These focused on participatory technology development, institutional innovation and knowledge management.

Recognizing the need for greater and more effective investment in agricultural and rural development, in December IFAD's Executive Board approved a target for the 2006 programme of work of US\$550 million.

At year-end, IFAD had 184 ongoing programmes and projects, worth a total of US\$6.1 billion. IFAD has invested nearly US\$2.9 billion in these initiatives, which will directly help nearly 80 million rural poor people make better lives for themselves and their families.

As we deliver more resources to poor rural people worldwide, we are also concentrating on ensuring that those investments are used more effectively. A number of important initiatives launched during the Sixth Replenishment came to fruition in 2005. These included the performance-based allocation system (PBAS) and the results and impact management system (RIMS). Now we have a strong platform for enhancing the further impact of our programmes and projects.

Throughout 2005, we carefully considered the findings of the Independent External Evaluation (IEE), which were submitted to IFAD's Executive Board in April, and took major steps towards improving our effectiveness and efficiency. The Executive Board approved IFAD's Action Plan for Improving its Development Effectiveness in December 2005. The Action Plan reflects the IEE's recommendations, the views of the Executive Board on change priorities, and IFAD management's own views on change requirements. It focuses on improving the targeting, impact, efficiency and sustainability of IFAD-supported programmes and projects. Delivering the objectives of the Action Plan is IFAD's highest corporate priority for the coming years.

In parallel with these important institutional initiatives, IFAD's Member States carried out negotiations for the Seventh Replenishment of IFAD's Resources throughout the year. The negotiations were completed in December with a satisfactory outcome in a timely way. This is the largest replenishment for IFAD since the First Replenishment in 1980.

Greater investment in agriculture has to be linked to enhanced innovation. This is why IFAD has launched the Initiative for Mainstreaming Innovation (IMI). With the generous support of the United Kingdom of Great Britain and Northern Ireland, the IMI main phase started in February. It will build IFAD's capacity over three years to promote innovation that will have an impact on rural poverty. Better approaches to meet the challenges of rural development, as well as stronger and more flexible partnerships, including with rural poor people themselves, will be among the outcomes of the initiative. Innovation was selected as the theme for the 2006 Governing Council.

For IFAD, 2005 was a year of challenges and achievements. We are now fully committed to a significant change process that will sharpen our focus and role, underpinned by a new strategic framework for 2007 to 2010, a new operating model to make IFAD a more efficient and effective instrument for eradicating rural poverty, and the development of a comprehensive approach to knowledge-sharing and innovation. A growing programme of work with greater effectiveness will better enable IFAD to ensure that rural poor people have the means they need to overcome poverty.



LENNART BÅGE
President of IFAD

Programme of work for 2005

Women sort fermented cocoa beans before
shipping in Sao Tome and Principe.



In 2005, IFAD completed its largest ever programme of work. The target of US\$500 million set at the end of 2004 was significantly surpassed. New loans and grants were approved during the year for a total of US\$515.0 million (Chart 1). This marked an increase of more than 10 per cent over total loans and grants approved in 2004. Disbursements were also at a record high in 2005, reaching US\$343.5 million.

During the year, a total of 31 new programmes and projects in 29 countries were approved by the Executive Board. These include four programmes approved outside the Regular Programme in countries hit by the December 2004 tsunami. Eighty-five per cent of the new loans approved during the year were on highly concessional terms.

At the end of the year, IFAD had a total of 184 ongoing programmes and projects in 83 countries. IFAD's investment in these activities was worth a total of US\$2,850.3 million.

In December 2005, the Executive Board approved IFAD's planned programme of work for 2006 for a total of US\$550 million, representing another significant increase. This target comprises a lending programme of US\$495 million for 32 proposed programmes and projects and a grant programme of US\$55 million.

Western and Central Africa

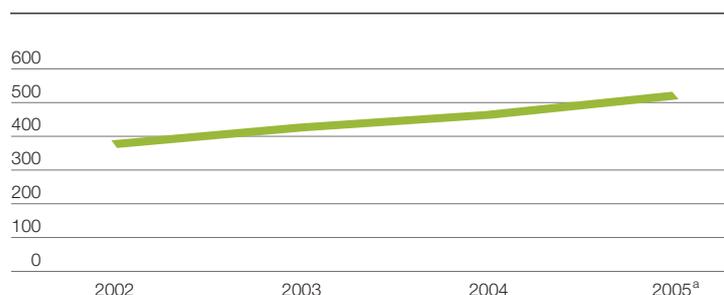
24 countries: Benin, Burkina Faso, Cameroon, Cape Verde, the Central African Republic, Chad, the Congo, Côte d'Ivoire, the Democratic Republic of the Congo, Equatorial Guinea, Gabon, the Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, the Niger, Nigeria, Sao Tome and Principe, Senegal, Sierra Leone and Togo

Overview

In recent years, a number of countries in the Western and Central Africa region have made good progress towards achieving the Millennium Development Goals (MDGs), and there are many success stories related to agricultural development in the region. Major achievements in the sectors of export and food crop development have been made and will continue to generate further improvements. However, with average economic growth rates still lagging behind population growth, meeting the MDGs remains a major challenge in the region.

There are major variations in performance among subregions and at the country level. In a few countries, even moderate improvements in performance would enable them to achieve the first MDG of reducing by half the proportion of people living in hunger and extreme poverty by 2015. However, countries affected by warfare are at risk of falling substantially short of meeting this goal.

CHART 1
IFAD-approved loans and grants, 2002-2005
(amounts in US\$ million)



Source: Project and Portfolio Management System.

^a Includes IFAD financing of US\$33.7 million approved outside the Regular Programme for countries affected by the tsunami.

The civil conflict that has plagued Côte d'Ivoire since 2002 continued to have severely negative effects on subregional economies and poverty reduction efforts during 2005. Persistent instability in several other countries, including the Central African Republic, Guinea-Bissau and Liberia, has prevented portfolio reactivation for a number of years. IFAD continues to monitor closely the situation in these countries.

The Sahel countries suffered a major locust infestation and drought in 2004 and 2005, resulting in acute food shortages that were most severe in Mali, Mauritania and particularly the Niger.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio consisted of 41 programmes and projects in 17 countries, with a total IFAD investment of US\$518.0 million. Six new loans were approved for activities in Benin, Chad, the Democratic Republic of the Congo, Ghana, Mali and Senegal (see page 100).

Following important strides made in 2004 to reactivate portfolios in a number of countries, work started in 2005 on programmes and projects to assist post-conflict rehabilitation in the Congo, the Democratic Republic of the Congo and Sierra Leone.

Strategy and activities in 2005

Operations in Western and Central Africa focus on the objectives of IFAD's Strategic Framework, which are the first three in the list below, with the addition of a fourth objective that is specific to the region:

- strengthen the capacity of rural poor people and their organizations
- improve equitable access to productive natural resources and technologies
- increase access by rural poor people to financial services and markets
- reduce vulnerability to major threats to rural livelihoods

During 2005, a country strategic opportunities paper (COSOP) for Benin was approved.

Strengthen the capacity of rural poor people and their organizations

Building capacity at the grass-roots level is a key feature of all IFAD operations in the region. The interim evaluation of the Agricultural Development Project in Matam, Senegal, carried out in 2005, found that the participatory approach and group formation activities of the project had strengthened the organizational and institutional capacity of the targeted communities.

The approach adopted by the Village Organization and Development Project in Togo to foster participatory dynamics and empowerment through village development committees was an innovation at the time of its design. The project is now complete and the lessons learned from it are being applied by other operators in the country.

Strengthening the capacity of rural poor people to take charge of their own development at the individual, group and community level is also a core feature of the Batha Rural Development Project in Chad, approved in 2005.

Improve equitable access to productive natural resources and technologies

All IFAD's activities in the region strive to address the closely linked issues of rural poverty reduction, agricultural growth and sustainable environmental management through rehabilitation and sustainable use of natural resources in environmentally fragile and marginal agroecological zones.

A study completed in 2005 in the Niger's Tahoua region analysed the impact of IFAD's Special Country Programme (Phases I and II) and of its partners' natural resource management interventions between 1984 and 2004. The study found a general improvement in the environment, with re-forestation of previously deforested areas, rehabilitation of degraded and barren land, and an increase in areas under flood-recession farming and in the cultivation of off-season crops.

Increase access to financial services and markets

Facilitating rural smallholders' access to markets is a key to making agriculture the driving force of economic growth, increasing employment and consumption, and at the same time generating income for rural poor people. The involvement of the private sector is an important element in IFAD's strategy and is in line both with government policies and with IFAD's private-sector development and partnership strategy (see page 61).

During 2005, significant achievements in facilitating market access were made in Benin, Cameroon, Ghana and Nigeria, where projects contributed to a marked increase in the productivity of root crops such as cassava. The newly approved Root and Tuber Improvement and Marketing Programme in Ghana will build on these successes to boost the food security and incomes of poor rural households, with special emphasis on women and other vulnerable groups.

A second phase of the Promotion of Rural Entrepreneurship Project was approved for Senegal. The project will continue to support profitable rural microenterprises that offer stable jobs in the target areas, and to provide professional training to the rural entrepreneurial subsector.

Reduce vulnerability

During the year, post-crisis grant programmes addressed the most urgent needs of the people and helped develop the partnerships that are essential to working in settings like the Congo, the Democratic Republic of the Congo and Sierra Leone. Programmes and projects started work in 2005 in all three countries. Management of knowledge and learning from ongoing activities in post-conflict environments will be supported through a newly established field office in Kinshasa that will serve both the Congo and the Democratic Republic of the Congo.

In the Democratic Republic of the Congo, the new Agricultural Rehabilitation Programme in Orientale Province will work to improve food security, incomes, nutritional status and living standards of up to 55,000 households.

In Mali, the new Northern Regions Investment and Rural Development Programme aims to reduce the poverty and vulnerability of rural people by reconstructing the country's economic and social fabric, which has been severely damaged by drought and conflict.

Policy and partnerships

IFAD worked with a number of key partners in the region on critical policy issues at the regional and national level, including farmers' and professional organizations and intergovernmental organizations. The general global shift towards country programmes facilitates partnerships between the various development agencies within the framework of national poverty reduction strategies. During 2005, IFAD carried out rural sector performance assessments as a basis for making policy engagement a priority in all countries with ongoing IFAD activities.

Through cooperation with donor governments, IFAD played an important role in promoting networks within the region and increasing their capacity to address policy issues at the regional level. With financial support from the Government of France, the Organisation for Economic Co-operation and Development (OECD) and IFAD are working together to strengthen the policy analysis capacity of three countries in order to support their efforts to improve agricultural and rural development policies.

In partnership with the Government of Italy, IFAD provided grant support and technical assistance to farmers' organizations and to the New Partnership for Africa's Development (NEPAD) to ensure grass-roots participation in all major steps towards implementing the Comprehensive Africa Agriculture Development Programme (see page 79). These activities also increased the visibility of pro-poor advocacy.

During 2005, the Hub Supporting Rural Development in Western and Central Africa was strengthened as an instrument for fostering policy dialogue and regional integration. IFAD is one of many donors supporting the Hub, which is now a well-established forum for the exchange of information and policy dialogue on key issues, including gender mainstreaming, trade policies, regional agricultural policies and poverty reduction strategy paper processes. During the year, the Hub received many requests for support from countries, regional intergovernmental organizations, civil society organizations and farmers' and private-sector organizations. It also forged linkages with the Global Donor Platform for Rural Development (see page 81) to increase the focus on agricultural and rural development as a priority on the global development agenda.

Work started under the Field Presence Pilot Programme in three countries or country groups in the region: the Democratic Republic of the Congo and the Congo; the Gambia and Senegal; and Nigeria.

Impact

The review of the performance of the regional portfolio in 2005 indicated that 95 per cent of programmes and projects had considerable impact. Efforts are being made to improve targeting effectiveness even further, particularly as relates to gender, and to improve the performance of service providers in the field.

In Western and Central Africa, IFAD focused on improving programme and project implementation. Together with its key partners in the region, IFAD organized a workshop to review progress achieved under the Cotonou Action Plan, which had been drawn up in 2002 to improve the regional portfolio. The workshop, held in Bamako, Mali, also developed a new action plan addressing a number of performance areas crucial to maximizing the efficiency of the portfolio.

The implementation of IFAD's results and impact management system (RIMS) (see page 47) will further focus management efforts on increasing the impact of the regional portfolio and its contribution to achievement of the MDGs. All programmes and projects approved since 2004 have integrated the first- and second-level RIMS indicators in their monitoring and evaluation systems. Baseline surveys to assess third-level indicators were carried out in four projects during the year.

Learning and sharing

At both the programme and country level, knowledge management is increasingly becoming an integral element of country programmes. At the regional level it is being strengthened through the grant-funded FIDAFRIQUE network (<http://www.fidafrique.net/rubrique2.html>), which connects all IFAD-supported activities and key partners in rural development in the region.

FIDAFRIQUE became fully operational in late 2004. In 2005 it started providing networking, knowledge generation and sharing, and associated services within the region. Guidelines for knowledge harvesting were developed and tested by the network's users at a workshop held in Ouagadougou, Burkina Faso, in September. The network also worked closely with the Hub Supporting Rural Development in Western and Central Africa.

FIDAFRIQUE hosted an electronic discussion, Approaches to Community-driven Development. This was an important step for IFAD towards establishing a global knowledge platform to further develop this theme in partnership with other development agencies and practitioners.

IFAD paid special attention to strengthening capacities for project management in the region. The three-year Management-Capacity-Strengthening Programme for IFAD-Funded Projects in Western and Central Africa was approved by the Executive Board to provide training and technical assistance to projects and project partners and strengthen support networks in the region.

Eastern and Southern Africa

21 countries: Angola, Botswana, Burundi, the Comoros, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Swaziland, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe

Overview

While some countries in the region have achieved strong growth rates in recent years – notably Botswana, Mozambique, Uganda and the United Republic of Tanzania – very few are on track to achieve the MDGs. Further, during 2005 in several southern African countries, some 5 million rural people faced critical food shortages. Malawi was particularly hard hit. In those countries, a devastating combination of chronic poverty, food insecurity, HIV/AIDS and weakened governance is behind a decline in all major development indicators.

At the international level, there is growing commitment to sub-Saharan Africa: the UN Millennium Project, the United Kingdom's Commission for Africa and the Live 8 campaign have all put the focus squarely on the subcontinent. This has been reflected in increased levels of aid and debt relief for the region, and renewed hopes of reform in the international trade regime. The aim is to provide more and better aid. The aid effectiveness agenda is most advanced in Eastern and Southern Africa, and this has major implications for the way in which IFAD is engaged in the region today.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio comprised 39 programmes and projects in 15 countries, directly targeting an estimated 6.4 million households, with a total IFAD investment of US\$589.8 million. Five new loans were approved for activities in Kenya, Malawi, Rwanda, the United Republic of Tanzania and Zambia (see page 103).

Strategy and activities in 2005

IFAD's goal in the region is to enable rural poor people to gain the skills, knowledge, organization and assets that they need to take full advantage of economic opportunities, engage with service providers and participate in local political processes. To achieve this, in 2005 IFAD focused on enhancing the access of poor men and women in rural areas to:

- land and water, strengthening their management of these resources
- agricultural markets
- financial services
- agricultural technologies and information systems

The HIV/AIDS pandemic and post-conflict interventions are cross-cutting issues in IFAD's strategy in the region.

During the year, IFAD continued to move towards a country programme approach in which investment projects, action-research initiatives, policy dialogue and knowledge management systems are all linked and mutually supportive. The results of the performance-based allocation system (PBAS) (see page 46) determine the scale and nature of IFAD operations. This approach was reflected in the new country strategic opportunities papers (COSOPs) that were prepared and approved for Angola, Malawi and Mauritius.

Access to land and water

In Malawi, the Irrigation, Rural Livelihoods and Agricultural Development Project, cofinanced by the World Bank, was approved, building on an earlier IFAD-supported project. IFAD pursued its collaboration with the Soil and Water Management Network of the Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA), and approved a sizeable grant for the Programme for Improved Management of Agricultural Water in Eastern and Southern Africa (see page 119). IFAD also continued to participate in the multi-agency Collaborative Programme for Agricultural Water Management in sub-Saharan Africa, for which a final synthesis report was produced.

IFAD remained closely engaged in sustainable land management issues in the region. It sponsored a study of experiences with smallholder conservation agriculture in Zambia; provided a grant to the International Institute of Rural Reconstruction to produce a manual on the topic; and developed Global Environment Facility (GEF) projects in Ethiopia and Kenya, while exploring other GEF opportunities in Eritrea, Mauritius and Uganda.

Through its Regional Land Tenure Programme, IFAD ensured that issues of land access and land tenure security were incorporated into programme and project design and implementation processes. In Madagascar, it designed the Land Security and Sustainable Rural Development Project. In Uganda, the Collaborative Action on Land Issues, financed by the Belgian Survival Fund (BSF), began work.

Access to agricultural markets

In 2005, IFAD's engagement in the area of market access focused on strengthening commodity chains. A loan for the Smallholder Dairy Commercialization Programme in Kenya was approved, as were grants for building the cashew industry in East Africa and for strengthening the operations of the Southern Africa Natural Products Trade Association.

Market access is a relatively new thematic area for IFAD. For that reason the organization conducted a major study to review experiences and provide recommendations on the way forward. The study will inform the new regional strategy and provide the basis for future action in this area.

Access to financial services

IFAD concentrated on supporting implementation of the current substantial portfolio of rural finance initiatives across the region, and on knowledge management. Building on ongoing activities, the organization approved a large regional grant for the Rural Finance Knowledge Management Partnership, to promote regional capacity-strengthening, action-research and partnership-building with MicroSave-Africa and the Centre International de Développement et de Recherche (see page 119).

Access to agricultural technologies and information systems

Two initiatives were approved in support of nationally owned, sector-wide programmes (SWAp) for agriculture. In Rwanda, the Support Project for the Strategic Plan for the Transformation of Agriculture will assist the Government in developing such a programme, while in the United Republic of Tanzania the Agricultural Sector Development Programme – Livestock, will be part of and will strengthen the Government's ongoing SWAp. The two initiatives will benefit from a complementary regional initiative on farmers' field schools, implemented through the Food and Agriculture Organization of the United Nations (FAO), which started work this year.

In 2005, IFAD also approved the Smallholder Livestock Investment Project in Zambia, marking an important step forward in IFAD's re-engagement in the livestock sector in the region.

HIV/AIDS

IFAD continued to mainstream HIV/AIDS issues in COSOPs and in new programmes and projects. It provided implementation support to ongoing HIV/AIDS-related activities, and reviewed pilot projects in Rwanda and the United Republic of Tanzania to assess impact and learn from experience.

Post-conflict interventions

The COSOP prepared for Angola proposes demand-driven, local-level approaches to rebuilding the livelihoods of rural poor people. In Burundi IFAD developed a BSF-financed component of the already-approved Transitional Programme of Post-Conflict Reconstruction. The programme, targeted at orphans, their foster families, people living with HIV/AIDS and the psychologically traumatized, explicitly builds upon the successful experience in Uganda of the NGO Uganda Women's Effort to Save Orphans (UWESO). In Eritrea, which is still affected by conflict, the COSOP that is being developed focuses on the reconstruction of communities and on their development needs, as well as on improved natural resource management.

Policy and partnerships

Policy

In Eastern and Southern Africa, all IFAD initiatives are either integrated in, or actively contribute to, poverty reduction strategies and agricultural sector policy frameworks of national governments.

In the context of agricultural SWAp, engagement in policy dialogue is a crucial element in IFAD's work. The operations approved in 2005 for Rwanda, Uganda and the United Republic of Tanzania all strongly emphasize strengthening the policy framework for the agricultural sector. IFAD's priority is to ensure that the real constraints and opportunities for poor rural producers are addressed. These countries and a number of others engage in policy dialogue through already-established government-donor group forums. The "non-SWAp" projects approved in 2005 in Kenya, Malawi and Zambia also provide opportunities for IFAD to engage in dialogue on specific policies or legislation.

Partnerships

In 2005, IFAD took part in a vast number and range of partnerships in Eastern and Southern Africa. Partners included governments, the African Union and NEPAD, the development community, NGOs, civil society organizations and private-sector operators. Partnerships related to IFAD-supported programmes and projects – particularly the multi-stakeholder Impact Management System Committee established under the Vegetable Oil Development Project in Uganda – and to policy dialogue processes, learning, and knowledge-sharing and management. They operated at both the country and regional levels.

In the new aid environment, partnerships with other members of the development community are crucial. Major efforts were made to engage with all potential partners at the country level, and in the United Republic of Tanzania IFAD participated for the first time in a joint assistance strategy.

An important part of IFAD's strategy is to strengthen the capacity of rural poor people's organizations to participate in policy dialogue with governments. During 2005, IFAD undertook a study of farmers' organizations in the region as a basis for formulating a strategy for cooperating with them. It also began to build partnerships with various "agri-agencies" – NGOs linked to farmers' and rural organizations in developed countries that work with similar organizations in developing countries.

NGOs are key partners for IFAD, piloting new approaches and technologies and strengthening farmer and community groups. During the year, IFAD supported NGO activities in a majority of the countries of the region, and in most countries NGOs were also the government's partners as service providers for IFAD-financed operations.

Private-sector operators have an increasingly important role to play in rural development in the region, as investors and as service providers to rural poor people. All programmes and projects approved in 2005 have the aim of involving private-sector operators in one or both of these roles.

During 2005, IFAD's increased country presence under the Field Presence Pilot Programme in Ethiopia and the United Republic of Tanzania, and under other funding arrangements in Madagascar, Mozambique, Rwanda and Uganda, has fostered country-level partnerships, strengthened IFAD's capacity to engage effectively in policy dialogue and provided real-time support to its operations.

Impact

Enabling coordinators to manage their programmes and projects to maximize impact is a priority for IFAD in Eastern and Southern Africa. To this end, a regional grant in support of the "managing for impact" agenda was approved (see page 120).

An assessment undertaken in 2005 found that more than half of IFAD-supported operations in the region had increased household agricultural production and incomes, promoted people's empowerment and strengthened social capital. Partial success was recorded relative to the interventions' impact on household financial and physical assets, on institutions and policies, and on the environment and the natural resource base. A minority of operations had a significant impact in terms of knowledge management, innovation and replication.

Learning and sharing

The promotion of learning and knowledge-sharing among farmers, their organizations and rural communities is a feature of all IFAD-supported operations in the region. In recent years, IFAD has also pursued this agenda among the coordinators and staff of programmes and projects in the region. During 2005, it promoted experience-sharing both through a regional implementation workshop, held in Rwanda, and through workshops on rural finance and on managing for impact.

IFAD currently supports a number of knowledge networks in the region. These include both membership-based associations, such as the Southern African Natural Products Trade Association and the African Rural and Agricultural Credit Association, and grant-financed initiatives for rural finance, water management and managing for impact, all approved in 2005, which are gradually creating thematic regional networks of practitioners.

Also in 2005, IFAD started work on a new regional strategy, reviewing experience in key thematic areas, exploring new areas of importance and undertaking an updated assessment of rural poverty in the region.

Asia and the Pacific

32 countries: Afghanistan, Bangladesh, Bhutan, Cambodia, China, Cook Islands, the Democratic People's Republic of Korea, Fiji, India, Indonesia, Iran (Islamic Republic of), Kazakhstan, Kiribati, Kyrgyzstan, the Lao People's Democratic Republic, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Papua New Guinea, the Philippines, the Republic of Korea, Samoa, Solomon Islands, Sri Lanka, Tajikistan, Thailand, Timor-Leste, Tonga and Viet Nam

Overview

As a whole, the Asia and the Pacific region is expected to achieve the MDG target of halving the proportion of people living in extreme poverty by 2015. However, there are significant differences among subregions: East Asia has already met the target, and South Asia and South-East Asia are on track to achieving it, but in West Asia poverty is increasing. Overall progress in the region is boosted by the strong individual performances of China and India, but many countries risk falling short of the target.

Although the region as a whole will have halved extreme poverty by 2015, vast numbers of people living on less than US\$2 a day will remain highly vulnerable and exposed to risk. Two recent major disasters experienced in the region underscore this point. The tsunami that swept across the Indian Ocean in December 2004 killed 300,000, and left more than 2.5 million others eking out an existence below the US\$1 a day extreme poverty line. In the earthquake that shook Pakistan in October, some 73,000 people died and more than 70,000 others were severely injured, while over 2.8 million men, women and children were left without shelter and adequate food. Also

in 2005, the threat of avian flu jeopardized not only the lives of many people but also the life's savings, in the form of their chicken flocks, of hundreds of thousands of poor rural women. Poor people are the most vulnerable to risk; their low incomes do not permit them to save. Reducing vulnerability to risk is essential to securing livelihoods, and it remains a key focus of IFAD's interventions in the region.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio comprised 41 programmes and projects in 15 countries, with a total IFAD investment of US\$785.1 million. Seven new loans were approved in 2005 for activities in Bangladesh, Bhutan, China, India, the Lao People's Democratic Republic, Pakistan and the Philippines (see page 106).

In response to the tsunami, four new programmes worth a total of US\$33.7 million were approved, one in India, one in the Maldives and two in Sri Lanka. The ongoing Income-Generating Project for Marginal Farmers and Landless – Phase III (P4K – Phase III) in Indonesia was extended to encompass the most seriously affected areas in that country. IFAD also prepared an emergency response to aid the rural communities devastated by the Pakistan earthquake. The programme will work to enable rural households in the earthquake-affected area to rebuild livelihoods and reduce their vulnerability. Priority will be given to particularly vulnerable households, with special attention to those headed by women.

Strategy and activities in 2005

Considering the magnitude of poverty in the region and IFAD's limited resources, the regional IFAD Strategy for Rural Poverty Reduction in Asia and the Pacific argues that the organization must intervene in niche areas in order to play a catalytic role. Consequently, the regional strategy emphasizes:

- developing less-favoured areas, including uplands, mountains and dryland areas
- enhancing women's capabilities in order to promote social transformation and agricultural development
- reducing poverty by enhancing the capabilities of indigenous peoples and other marginalized minorities
- building coalitions of rural poor people

Developing less-favoured areas

About two thirds of the world's poor people live in Asia and the Pacific. The region's remote marginal areas are home to some 40 per cent of the planet's extremely poor people, including farmers who depend on rainfall, forest dwellers, highland residents and indigenous peoples. Poverty in these areas is often accompanied by limited institutional capacity and widespread degradation of natural resources. IFAD's operations in the region work to foster sustainable land and water management and rehabilitation of the environment. The newly approved South Gansu Poverty-Reduction Programme in China will target small farmers living in remote areas with limited and deteriorating natural resources. It will promote irrigation, terracing, tree-planting, training and capacity-building as a basis for economic production.

During 2005, IFAD also continued to support development of and access to technology for less-favoured areas. Current regional grant-funded programmes emphasize:

- development and testing of innovations for uplands and mountains – as in the Hindu-Kush Himalayas through the International Centre for Integrated Mountain Development

- technology dissemination – as in China, the Lao People’s Democratic Republic and Viet Nam through the International Centre for Tropical Agriculture and the International Potato Center
- improvements in upland rice technologies – as in India, the Lao People’s Democratic Republic, Nepal and Viet Nam through the International Rice Research Institute
- development of mechanisms to reward upland poor people for environmental services – as through the World Agroforestry Centre

Several loan-funded programmes and projects also promote the cultivation of high-value niche products such as horticultural crops.

Enhancing women’s capabilities

In 2005, enhancing women’s capabilities and fostering their participation in society remained a priority in IFAD’s work. IFAD’s commitment to gender equality in the region was strengthened by the approval of the Gender Plan of Action. All programmes and projects approved in 2005 reflect IFAD’s three-pronged gender approach. This combines economic improvement, strengthening of women’s decision-making roles and measures to improve well-being. In China, for example, all IFAD-funded activities promote gender equality and support income-generating activities for women that are linked to training and gender mainstreaming activities. In May, IFAD sponsored a major regional conference entitled Development Effectiveness through Gender Mainstreaming: Lessons Learned from South Asia.

Enhancing the capabilities of indigenous peoples and other marginalized minorities

It is estimated that about 70 per cent of the world’s more than 300 million indigenous people live in Asia, where they constitute a significant proportion of rural poor people and are among the most vulnerable and marginalized groups. To assist indigenous peoples in overcoming poverty and to contribute to sustainable development, IFAD supports interventions that work to:

- improve their secure access to productive resources such as land, water and forests
- strengthen their existing organizations and governance systems
- revitalize their traditional knowledge systems
- foster conflict prevention and peace-building

In India, the objective of the Jharkhand-Chattisgarh Tribal Development Programme is to improve household food security and livelihood opportunities among tribal people who have limited access to natural resources. This programme has a flexible, demand-driven approach that enables tribal people to select their own priority activities. By forming community-based organizations involving the entire tribal community, the programme helps people to increase their awareness about tribal rights and to pursue socio-economic development that is compatible with their identity.

In 2005, maximizing the capabilities of indigenous peoples remained a cornerstone of many of IFAD’s country strategies in the region, particularly in China, India, Indonesia, the Lao People’s Democratic Republic, the Philippines and Viet Nam.

Building coalitions of rural poor people

Assisting rural poor people in addressing unequal power relations that are biased against them is essential to strengthening their influence on the policies that affect their livelihoods. Improving poor people's individual and collective capabilities to empower them to gain access to economic opportunities and basic services is a specific feature of IFAD's work in the region. In the Indonesian Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas, considerable success has been achieved in the formation and capacity-building of village-level institutions, resulting in the recommendation that the approach be widely replicated throughout the country. The new Rural Livelihoods Improvement Programme in Attapeu and Sayabouri in the Lao People's Democratic Republic will work to strengthen the capacity of local communities to manage their own social and economic development.

Policy and partnerships

Policy

Pro-poor policies have an essential role in enabling rural poor people to overcome poverty. IFAD's approach in the region is to strengthen the capacity of poor rural producers and their organizations to influence the policies that affect their livelihoods. Programmes and projects provide a basis for policy-level discussions, and the introduction of policy dialogue tools such as the performance-based allocation system (PBAS) (see page 46) has allowed IFAD to strategically engage governments in dialogue on policy issues that have an impact on rural poor people. Through the Rural Finance Sector Programme in China, IFAD will support that sector and the proposed reform of government policy for rural credit cooperatives. The aim is to turn the cooperatives into sustainable microfinance institutions for the benefit of rural poor people, particularly women. In Cambodia, IFAD assisted the Government in formulating policies and legislation related to the privatization of veterinary services. During the year, IFAD's country programme in the Democratic People's Republic of Korea continued to promote gradual pro-poor policy and institutional changes, mainly by supporting household- and individual-based activities and initiatives. In Viet Nam, IFAD played a part in the decentralization of a range of management functions down to the district level.

A regional grant-funded programme, which will be implemented in collaboration with FAO, was approved to:

- strengthen countries' capacities to analyse, formulate and implement pro-poor policies
- promote sharing of experiences and lessons learned concerning successful policies among countries
- foster greater participation of civil society and the private sector in pro-poor policy dialogue and advocacy

Partnerships

In Asia and the Pacific, IFAD continued to align itself more closely with country-owned strategic priorities, forging in-country partnerships with governments and NGOs and fostering donor harmonization. In order to maximize impact on rural poverty, IFAD proactively pursued relationships with partners that centred on knowledge-sharing, joint policy initiatives, and country strategy and programme complementarities. The overall objective of these partnerships was to promote replication and scaling up of successful innovations. The immediate success of IFAD's Field Presence Pilot Programme initiatives in China, India and Viet Nam during 2005 highlights the advantages that continuous in-country presence offers for partnership development.

Impact

Maximizing impact on rural poverty is a priority for IFAD in this and all other regions. Internal assessments undertaken in 2005 reported that:

- access to financial assets, largely through microfinance, played a key role in generating employment for poor people, particularly women
- access to health and education services improved as a result of investments in rural roads and transport
- enhanced market access, reduced input costs and increased employment opportunities resulted from programmes and projects with rural infrastructure components
- diversification of farmers' income sources helped improve household food security
- the portfolio has had an impressive impact on gender relations

During 2005, programme and project monitoring and evaluation systems also were strengthened. IFAD conducted several country-specific training sessions and subregional workshops on implementation of its results and impact management system (RIMS) (see page 47).

In 2005, IFAD's Office of Evaluation completed an evaluation of the Bangladesh country programme. The draft report rated the programme as successful in terms of overall effectiveness and impact. The recommendations made by the evaluation will be incorporated into a new strategy for Bangladesh to be finalized in 2006.

Learning and sharing

As an institution with the challenging mandate of reducing rural poverty, essentially by playing a catalytic role, IFAD needs to manage its intellectual resources in a way that promotes innovation. In 2005, the Knowledge Networking for Rural Development in the Asia/Pacific Region (ENRAP) programme continued its work to improve the impact of IFAD-funded activities on the livelihoods of poor rural communities by strengthening networking and knowledge-sharing at all levels. During the year, IFAD facilitated a number of subregional events and country workshops to promote learning and knowledge-sharing among stakeholders and partners. It also set up a bimonthly electronic newsletter, *Making a difference in Asia and the Pacific*, to disseminate information about IFAD's operations in the region, in order to enhance partnerships.

Latin America and the Caribbean

32 countries: Antigua and Barbuda, Argentina, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, the Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay and Venezuela (Bolivarian Republic of)

Overview

Poverty reduction continues to be one of the main challenges facing Latin America and the Caribbean, particularly in rural areas. Despite economic recovery, 62 per cent of rural people live below the poverty line established by the Economic Commission for Latin America and the Caribbean (ECLAC). Extreme poverty in rural areas is much more widespread than in urban areas. Latin America and the Caribbean continues to be a region with one of the world's most unequal income distributions. There are serious

policy and institutional weaknesses, especially in terms of providing rural poor people with access to assets and services. The region as a whole is highly vulnerable to external factors such as the performance of the global economy and the effects of natural calamities. This was demonstrated in 2005 by the devastation that tropical storms and hurricanes caused in several countries.

A recent study carried out by ECLAC indicates that a majority of the region's countries will not meet the MDGs by 2015. This is primarily because of:

- lack of, or limited access to, services that meet the basic needs of rural families
- social and economic exclusion and discrimination linked to ethnicity and gender

Portfolio management highlights

At year-end, IFAD's regional portfolio consisted of 30 ongoing programmes and projects in 18 countries spread over four geographic subregions: Mexico, Panama and Central America; the Andean Region; the Southern Cone; and the Caribbean. Total IFAD investment in the ongoing portfolio is US\$460.7 million. Three new loans were approved during the year for activities in El Salvador, Mexico and Paraguay (see page 112).

An important trend evident in the regional loan portfolio is the increase in the number of countries receiving loans on ordinary terms. At year-end, 70 per cent of ongoing programmes and projects were on ordinary or intermediate terms, giving them an important role in the financial reflows of the organization.

Grants continued to play a key role in IFAD's strategy in the region. They support regional programmes and projects, promote synergies and facilitate relationships between IFAD and civil society.

Strategy and activities in 2005

The development of IFAD's strategy for Latin America and the Caribbean has taken into account the unique characteristics of rural poverty in the region, as well as IFAD's Strategic Framework and the organization's experience in the region. The main objectives of the regional strategy are to:

- empower rural poor people
- enable rural poor people to take advantage of market opportunities at local, regional and international levels
- promote policy dialogue by engaging direct stakeholders, governments and the donor community in continued dialogue and action
- develop partnerships and coalitions
- learn from experience and harness and disseminate knowledge within the region and across regions

Gender mainstreaming and the sustainable management of natural resources are cross-cutting issues in IFAD's strategy for the region.

Empowering rural poor people

IFAD's loan portfolio in the region gives priority to empowering rural poor people, with special attention to indigenous peoples, small and landless farmers, women and young people. It also promotes demand-driven participatory approaches for the design, implementation and evaluation of programmes and projects. In April 2005, IFAD approved the Empowerment of Rural Poor Organizations and Harmonization of Investments Project for Paraguay. Its main objective is to ensure that rural producers in the country's five poorest departments gain access to productive and financial resources.

In September, IFAD approved a grant to the Commission on Family Farming of the Southern Cone Common Market (MERCOSUR). The programme will work to improve policy dialogue between governments and small farmer organizations, and facilitate rural poor people's access to regional funds, enabling them to take an active part in the process of development and regional integration.

Enabling rural poor people to take advantage of market opportunities

Globalization and the process of integration in Central and South America are creating both challenges and opportunities. IFAD is actively engaged in strengthening the capacity of small-scale producers to participate in local, regional and international markets, and in fostering the development of microenterprises.

In April, the Executive Board approved the Rural Development and Modernization Project for the Eastern Region of El Salvador. The project will work to reduce the extreme poverty that rural poor people face by building institutions, investing in productive assets and promoting gender equity.

During 2005, IFAD started to implement a regional market access programme financed by the Initiative for Mainstreaming Innovation (IMI) (see page 45). Its goal is to develop, disseminate and scale up innovative tools, best practices and policies promoting market access for small-scale producers. In September, together with the Finnish fair trade organization Tampereen Kehityskauppa and the International Fair Trade Association, IFAD organized a brainstorming workshop to explore new ways of helping small rural producers to access markets, taking advantage of the most recent information and communication technologies.

The IFAD-supported Micro Italia programme carried out several activities to help poor producers and entrepreneurs gain access to markets. Participants received technical training in marketing and eco-tourism. IFAD also supported the establishment of the Comercio Activo network (<http://www.comercioactivo.org>), which brings together rural producers and enterprises working to enter dynamic markets. IFAD held an international workshop in Argentina to discuss the annual workplan of the network for 2006.

The regional Rural Financial Services Support Programme (SERFIRURAL), which was launched in 2004, continued its work to make financial services more accessible to rural poor people by improving the quality and coverage of services provided by financial institutions. SERFIRURAL signed an agreement with the Central American Microfinance Network to establish a regional unit for transparency and benchmarking.

Gender mainstreaming

Overcoming gender inequalities in rural areas of the region is a key concern for IFAD. During the year, the Regional Programme to Consolidate Gender-Mainstreaming Strategies (PROGENDER) worked with several programmes and projects, promoting efficient implementation of gender strategies and providing training and follow-up support to staff. The Programme for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty Alleviation Projects in Latin America and the Caribbean (PREVAL) supported the use of gender indicators linked to IFAD's results and impact management system (RIMS).

Sustainable management of natural resources

Given the close link between poverty eradication and environmental protection, ecological sustainability is an essential condition for long-term rural development in the region.

In 2005 the Executive Board approved the Sustainable Development Project for Rural and Indigenous Communities of the Semi-Arid North-west of Mexico. The project will improve the productive capacity of land and natural resources by introducing new production and conservation technologies at the micro-watershed level, while working to strengthen community management of natural resources.

In November, IFAD took part in the Third International Organic Trade Show and Conference (BioFach Latin America) held in Rio de Janeiro. IFAD presented the results of thematic studies it had carried out in Asia and Latin America on the potential of organic agriculture for small-scale producers.

Policy and partnerships

Forging partnerships and coalitions is a strategic objective for IFAD in the region. During 2005 it continued to play an active part in the Inter-Agency Working Group on Rural Development in Latin America and the Caribbean. In September, the Group met in Quito, Ecuador, to exchange information on members' activities and consider developing a joint agenda. The Government of Ecuador's rural development policies and projects were also discussed.

During the year, the Inter-American Development Bank (IDB) and IFAD continued implementing the Multi-Donor Programme for the Eradication of Rural Poverty in Latin America and the Caribbean. In 2005 the programme worked with the Government of Argentina to define a sustainable rural development strategy at the national and provincial level. Two new projects were approved by the Multi-Donor Programme in September. The first will provide technical assistance to strengthen water users' associations in Haiti. The second will support the implementation of rural and agricultural development policies in Honduras.

The Regional Unit for Technical Assistance (RUTA), of which IFAD is a member, continued working with a number of partners in the region during the year. It supported the Agrarian Council for Central America in the formulation of common agricultural policies, and worked to promote dialogue with regional stakeholders on rural development programmes and projects. RUTA also continued its analysis of the impact of the Central America Free Trade Agreement on agriculture. The analysis is being carried out in cooperation with the International Food Policy Research Institute, ECLAC and the World Bank, among others.

Impact

IFAD continued to give high priority during 2005 to measuring and assessing the results of its interventions in the region. PREVAL played a key role in this area. It formed a network of people and institutions in the region to create common standards on the basis of IFAD's monitoring and evaluation guidelines. It also created a website to provide a free advisory service on technical resources in monitoring and evaluation, and an open space for the exchange of information.

During 2005, interim and final evaluation reports for operations in the region found that IFAD had achieved good results in terms of local ownership and empowerment of organizations of rural poor people, and in the transfer and use of appropriate technologies to increase agricultural productivity, thereby reducing poverty. In terms of gender issues, most IFAD initiatives in the region have successfully promoted gender mainstreaming in productive activities.

Learning and sharing

In 2005, the Executive Board approved a grant to fund a new phase of the Internet-based network FIDAMERICA (<http://www.fidamerica.org>). FIDAMERICA is a pioneer in the exchange of information and dissemination of lessons learned in working with rural poor people. It has played an important part in establishing processes of learning and knowledge management in 18 IFAD programmes and projects in 13 countries. The website includes important information on the programmes' and projects' achievements. During 2005, four electronic conferences were held with some 1,200 subscribers taking part in each conference. The electronic newsletter *InterCambios* was sent to a large number of subscribers. Together with the Rural Microenterprise Support Programme in Latin America and the Caribbean, FIDAMERICA promoted the creation of a network of rural organizations involved in agricultural marketing, and collaborated on monitoring and evaluation activities. During the year, the PREVAL website (<http://www.preval.org>) was substantially expanded for the dissemination of information and communication. It offers news on events, courses, tools and employment opportunities in the field of monitoring and evaluation.

Near East and North Africa, Central and Eastern Europe and the Newly Independent States

30 countries: Albania, Algeria, Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, Cyprus, Djibouti, Egypt, Georgia, Iraq, Jordan, Kuwait, Lebanon, the Libyan Arab Jamahiriya, Malta, Morocco, Oman, Qatar, the Republic of Moldova, Romania, Saudi Arabia, Somalia, the Sudan, the Syrian Arab Republic, The former Yugoslav Republic of Macedonia, Tunisia, Turkey, United Arab Emirates and Yemen.

Overview

Two distinct regions, the Near East and North Africa (NENA) and Central and Eastern Europe and the Newly Independent States (CEN), are covered by one division in IFAD.

In 2005 the economic performance of the NENA region maintained the same upward trend that had begun in 2004, with an average real growth rate in GDP of 6 per cent. However, as in other regions, this satisfactory performance masked a high degree of disparity from country to country. While Algeria, Jordan, the Sudan, Tunisia and Turkey have maintained an upbeat economic outlook, with real GDP growth rates ranging from 5 to 7 per cent, Djibouti, Egypt, Gaza and the West Bank, Lebanon, Morocco, the Syrian Arab Republic, Yemen and others have witnessed growth rates hovering between 2 and 4 per cent. Key current issues for the NENA region include youth unemployment, economic liberalization and the need to improve governance frameworks. Political and economic instability is a recurring factor in Gaza and the West Bank, Iraq, Somalia and the Sudan.

In the CEN region, economic growth in most countries continued to be quite robust in 2005. The top performers were Azerbaijan, where large-scale foreign direct investment in the oil and gas sector continued to provide the main boost, and Armenia, where the manufacturing sector remained strong, with real GDP growth rates at 10 per cent. Next in rank are Albania, Bosnia and Herzegovina, Georgia, the Republic of Moldova, and Romania, with real GDP growth rates ranging from 5 to 8 per cent.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio consisted of 33 programmes and projects in 17 countries and Gaza and the West Bank, with a total IFAD investment of US\$484.5 million. Six new loans were approved for activities in Albania, Georgia, Morocco, the Republic of Moldova, Tunisia and Yemen (see page 114). The loans for Georgia and Yemen were complemented by two large grants for capacity-building and policy dialogue.

Strategy and activities in 2005

IFAD's current strategies for both the NENA and the CEN regions focus on four main objectives. For the NENA region these are:

- empowering rural poor people and their organizations
- promoting gender equality
- enabling rural poor people to diversify their incomes
- ensuring the sustainable management of natural resources

For the CEN region they are:

- empowering rural poor people and their organizations
- promoting gender equality
- supporting the transition process and the move to market-based economies
- facilitating market linkages in the agricultural sector

During 2005, country strategic opportunities papers (COSOPs) were approved by the Executive Board for Albania and for Bosnia and Herzegovina. Both COSOPs focus on supporting the development of small-scale commercial agriculture and rural enterprises. Work started on revision of the regional strategies for the NENA and CEN regions at the end of the year.

Empowering rural poor people

All operations approved in 2005 aim to empower rural poor people. In Yemen, the Pilot Community-Based Rural Infrastructure Project for Highland Areas will involve the targeted poor communities in the decision-making process and in the building and maintenance of new rural roads and drinking water supplies. In Albania, the Programme for Sustainable Development in Rural Mountain Areas will work to strengthen the capacity of the IFAD-established Mountain Areas Development Agency to promote private- and public-sector investment in remote communities in mountain areas.

Promoting gender equality

Gender mainstreaming programmes in both regions continued their activities throughout 2005. In the NENA region, IFAD also provided 21 small grants to support key gender-related activities and improve programme and project outreach and impact on women. In the CEN region, IFAD project staff received training to promote equal development opportunities for women.

In Morocco, the Rural Development Project in the Eastern Middle Atlas Mountains will work with poor women who are heads of households and with young women to improve their living and working conditions. Project participants will receive vocational training in off-farm income-generating activities.

Diversifying the incomes of rural poor people

Several programmes and projects approved in 2005 will work to increase employment and investment opportunities through provision of rural finance services, and promotion of microenterprise development and private-sector involvement. In Tunisia, the second phase of the Integrated Agricultural Development Project in the Governorate of Siliana will work to improve employment opportunities by supporting small- to medium-sized businesses and mobilizing private investments. The project will provide technical assistance for accounting, business management and market analysis activities. Similarly, the new project in Morocco will assist young unemployed people in the mountain areas in starting up microenterprises and in acquiring training in income-generating activities.

Ensuring the sustainable management of natural resources

In 2005, IFAD continued to support sustainable natural resource management and equitable access to natural resources in the NENA region. An objective of the project in Tunisia is to mainstream sustainable land management into the development plans of project participants, and it will support the establishment of a comprehensive decision-making and monitoring system. The project in Morocco will promote the preservation and sustainable management of the area's main natural resources. It will also improve the living conditions of the local population by rehabilitating irrigation infrastructure, conducting soil and water conservation activities, improving access to irrigated plots and setting up drinking water supplies.

Supporting the transition process and the move to market-based economies

During 2005, the aim of most IFAD interventions in the CEN region was to develop rural market economies based on the private sector by supporting small- and medium-sized enterprises. In the Republic of Moldova, the Rural Business Development Programme will strengthen the growth of economically viable farming and rural business activities by providing rural financial and business development services. In Georgia, the Rural Development Project will work to expand profitable market opportunities by developing agricultural supply chains.

Facilitating market linkages in the agricultural sector

Linking producers to markets is becoming an increasingly important aspect of the CEN portfolio. In Albania, the new programme will support emerging small businesses by connecting them with business development service providers that operate in rural areas. In Georgia, the new project will enable farming communities to develop commercial relationships within commodity supply chains. Initially it will reach out to 300 community groups of small farmers and rural poor people.

Policy and partnerships

IFAD's policy dialogue interventions are based on experience at the field level. During 2005 rural finance continued to be one of IFAD's main policy thrusts in the NENA and CEN regions. In the Syrian Arab Republic, dialogue with the Government led the Cooperative Agricultural Bank to reformulate its lending terms and conditions to suit the needs of rural poor people. In Algeria, IFAD engaged in dialogue with the Government to strengthen the organizational capacity of financial service providers targeting rural poor people. In Jordan, the organization is supporting the reform process of the Agricultural Credit Corporation to improve its lending terms and conditions to

better serve IFAD's target groups. During 2005, IFAD also engaged in policy dialogue to support decentralization and enhance people's participation in natural resource management to foster a favourable investment environment and to improve land and water governance. In the Sudan, this dialogue was particularly important in the Gash Sustainable Livelihoods Regeneration Project.

In 2005, IFAD continued to work in partnership with NGOs, civil society and other bilateral and multilateral organizations. It also stepped up its relationships with traditional Arab financial partners such as the Organization of the Petroleum Exporting Countries (OPEC) Fund, the Arab Fund for Economic and Social Development (AFESD) and the Islamic Development Bank (IsDB) and other international financial institutions, in a bid to expand complementary programmes in the field and enhance the impact of agricultural and rural investment on poverty reduction. In order to strengthen technical assistance through institutional grant programmes, IFAD intensified its cooperation with a number of international organizations. In Albania, IFAD sought cofinancing from the OPEC Fund and the European Union to support the new programme. In Georgia, IFAD is joining hands with the International Development Association (IDA) of the World Bank group to support the new project through a loan and grant, and in Tunisia, with IFAD support, the Government has pursued cofinancing from the Global Environment Facility (GEF).

Cooperation with the private sector has become an increasingly important feature of IFAD's work in the NENA region. In 2005, the organization started a pilot grant programme with the international microfinance network ACCION International to assess the interest of commercial banks in providing rural microfinance services in Egypt and Jordan. Four banks were identified in each country. A second phase of the programme, approved in August 2005, was extended to Algeria and Morocco.

Under the Field Presence Pilot Programme, country offices started work during the year in Egypt and the Sudan. In Yemen, the country office will become operational during the first quarter of 2006.

Impact

Significant results and impact reported in the two regions in 2005 include:

- increased access of households participating in programmes and projects to physical assets such as farmland, water supplies and improved livestock
- successful rural finance interventions, including 112 village credit funds that were established in the Sudan and 30 in the Syrian Arab Republic, while formal credit institutions in Albania and Armenia continued to receive support from IFAD
- improved household food security and production resulting from effective development and dissemination of agricultural technologies (for example, through the farming systems approach in Egypt)
- enhanced empowerment of rural poor people through the creation of grass-roots organizations and the formation of natural resource and range management associations

During the year, IFAD proceeded with implementation of the results and impact management system (RIMS). All 21 eligible programmes and projects in the two regions took steps to report on first-level indicators of physical progress.

In September 2005, a US\$1.9 million grant was approved to develop country capacities in monitoring and evaluation and to create a specialized regional network in the NENA region. The Programme for Capacity-Building in Managing Results and

Impact will work to strengthen implementation of rural and agricultural development projects by building the technical capacities of local service providers in monitoring and evaluation.

Learning and sharing

In partnership with the Fund for Integrated Rural Development of Syria, IFAD organized a large regional workshop in Damascus in May 2005 as a forum for policy dialogue, knowledge-sharing and strategic planning on gender equality in rural development. The workshop, which was entitled Rural Women as Agents of Change and Development in the NENA Region, was attended by 90 participants from 11 countries in the region and inaugurated by the Syrian Minister of Agriculture. The participants, who included ministry representatives, NGOs, grass-roots organizations, and project and IFAD staff, highlighted two priority areas for policy reform in relation to gender: rural financial services and management of natural resources.

KariaNet, the region's knowledge-generation and sharing network, continued its work to strengthen the capacity of IFAD operations in the NENA region. Activities conducted in 2005 included the exchange of practical experience in community-level planning and monitoring and evaluation collected from ten IFAD projects, and the training of project staff in facilitating knowledge-sharing at the local level.

Quality assurance

The Technical Advisory Division provides quality assurance support at key stages of the design and implementation of IFAD's loan and grant portfolio, with the aim of ensuring efficient and effective delivery of objectives and maximizing impact on poverty. Specialists from a range of technical areas contribute to the quality assurance process, covering technological, institutional and policy aspects, as well as economic viability and responsiveness to gender and social equity concerns.

In 2005, the mix of skills in the division was broadened. The division moved from playing a purely technical advisory role in programme and project formulation to backstopping country portfolio implementation. The division also helped develop and disseminate impact assessment tools, both for pro-poor research and for use in the results and impact management system (RIMS) (see page 47).

During the quality assurance process in 2005, particular attention was paid to: gender mainstreaming; fostering pro-poor institutions, which included providing advisory support for business development services for rural small- and medium-sized enterprises; and facilitating producers' access to markets. All programmes and projects entering the IFAD pipeline continued to undergo an environmental screening exercise.

During the year, quality assurance also promoted the following innovations in programme and project design and implementation:

- flexible design and sharper focus on issues that may improve the effectiveness of interventions if addressed at an early stage of implementation, such as enlisting stakeholder participation in implementation planning and in strategic targeting
- more proactive links with key issues at the country level, through field presence, and partnerships for project development and implementation
- more and better "learning" features in country programmes, making use of thematic knowledge management processes, such as learning notes (see page 36)

The division has continued to strengthen quality assurance, drawing on more proactive project development teams.

IFAD's Global Environment Facility Unit

The Global Environment Facility (GEF) is an independent financial organization that provides grants to developing countries for projects that yield global environmental benefits and contribute to sustainable livelihoods. IFAD was identified as a GEF specialized executing agency in 2001, in recognition of its work addressing land degradation and supporting sustainable rural development and integrated land management. IFAD established its GEF Unit within the Programme Management Department in August 2004 to respond actively to the growing IFAD/GEF portfolio. The unit's overall objective is to enhance IFAD's role as an executing agency and to demonstrate its catalytic role in addressing the links between poverty and environmental degradation.

In close collaboration with the Programme Management Department divisions, the GEF Unit has developed project grants and secured greater access to GEF funds, for a total of US\$68.0 million since it was established.

In addition to the inherited portfolio of four project grants and four preparatory grants in their early stages, the unit has identified and developed five new preparatory grants. Out of the total of nine approved preparatory grants, eight had been initiated by the end of 2005. During the year, the unit successfully implemented and completed IFAD's first medium-sized project grant with GEF financing. It also finalized three project grants. Brazil's Sustainable Land Management Project in the Semi-Arid Sertao was submitted to the GEF for endorsement, and Mali's Biodiversity Conservation and Participatory Sustainable Management of Natural Resources in the Inner Niger Delta and its Transition Areas in the Mopti Region was endorsed. The third project grant, for the Mount Kenya East Pilot Project for Natural Resource Management, will be presented for endorsement in early 2006. All three projects will be implemented in 2006.

Learning and knowledge-sharing

Communication

In 2005, IFAD conducted media outreach and advocacy to enhance understanding of the barriers that rural poor people face in overcoming poverty and of successful approaches to poverty eradication. Highlights included participation in a meeting to review and appraise the Beijing declaration on the status of women, the Latin America/Caribbean Region Microcredit Summit Meeting of Councils, the seventh session of the Conference of Parties to the United Nations Convention to Combat Desertification, and the International Federation of Organic Agriculture Movements World Organic Congress, held in Adelaide, Australia. Over 800 news reports throughout the world highlighted IFAD's work and its efforts to combat poverty. IFAD also drew attention to the importance of financial services to rural poor people in 2005 through engagement in the United Nations International Year of Microcredit.

Partnerships with global broadcasters helped IFAD to reach an estimated 1.5 billion viewers in more than 200 countries with documentaries and short television features on rural poverty issues. Among these were *Cash flow fever*, a documentary about the global flow of remittances, broadcast on BBC World, and several short video productions broadcast on CNN International, including *Liquid gold*, about Mayan honey producers who switched to organic production methods in Mexico's Yucatan Peninsula, and *Election day*, which examines how IFAD-initiated community development committees are contributing to peace-building in Burundi.

Election day was chosen by UN Television as a teaching tool for field staff and a model for production, and *In the wake of war*, an IFAD documentary broadcast on BBC World in 2004, was selected by jurors for the 2005 United Nations Documentary Film Festival in New York.

As part of its work to promote knowledge-sharing and replication of successful initiatives, IFAD organized a visit by the First Lady of Uganda, Mrs Janet Museveni, to its microfinance-related projects in India. Mrs Museveni was particularly interested in learning about the women's self-help groups set up under IFAD's Maharashtra Rural Credit Project.

The First Lady is the patron and founder of the Uganda Women's Effort to Save Orphans (UWESO). She emphasized that visits like hers could support the development of self-help group movements in Uganda. She also commended the positive results that IFAD projects had achieved in implementing microcredit schemes for poor rural women in India.

Rural Poverty Portal

In 2005 IFAD continued its work to connect communities of people with the information and knowledge they need to eradicate rural poverty, making the fight to eradicate rural poverty a global priority. New country pages and topics were added to the Rural Poverty Portal, the IFAD-powered website where rural poor people, policymakers, donors, research institutes, NGOs and other development partners can share information. IFAD presented version zero at the World Summit on Information Society, where its design and structure were favourably received.

The Portal is the result of a collaborative effort of many IFAD country programme managers, regional economists and staff from across the organization. When fully implemented, it will provide space for discussion and serve as a cornerstone of information and knowledge management at IFAD, bringing together a wealth of knowledge on rural poverty eradication, and information and resources from many sources and providers. The Portal will give a voice to rural poor people and their organizations. It will also allow individuals to store, manage, create, read, exchange and use information and knowledge.

At the time of writing, people can use the Portal to:

- search for information by topic, region or country
- share information about what does and what does not work in rural development projects
- listen to farmers, development practitioners and decision-makers as they explain the challenges of rural poverty eradication

The Rural Poverty Portal provides access to millions of links from a single entry point and streamlines the search for information. The Portal can be found at <http://www.ruralpovertyportal.org>.

Learning notes

By the end of 2005, 17 *learning notes* were ready to be put into circulation within IFAD. Learning notes were introduced in 2003 to systematically address issues that recur during project design, including targeting, food security, gender, technical support and water management.

A working group was set up in 2004 to improve the quality of the draft learning notes. During 2005, the notes were reviewed by consultants experienced in regional issues and were revised to incorporate their recommendations. The working group also identified topics for new learning notes, such as marketing, implementation support and monitoring and evaluation. The learning notes will be regularly updated and are based on evolving experience. Notes on project implementation needs will accompany notes that focus on project design.

Technical advisory notes

During 2005, work continued on IFAD's *technical advisory notes* as a tool for promoting pro-poor technologies and knowledge-sharing. The notes describe technologies and their application, bridging the gap between researchers and practitioners. Launched by IFAD a few years ago, they present information in a format that can easily be included in loan programme and project design.

Several new technical advisory notes were prepared in 2005 by grant recipients on the basis of concrete results and outcomes of new technologies. They were reviewed and further elaborated by the Technical Advisory Division and then posted on the IFAD website. Four new technical advisory notes were available in 2005 on issues such as strengthening the value chain of non-timber forest products, and community-based fish management practices.

A systematic approach for quality assessment of the notes was developed during the year. It involves peer review by IFAD staff and selected external specialists. Quality assessment is now a necessary step before a technical advisory note is published on the IFAD website.

Thematic groups/clusters

The Financial Services and Access to Markets Cluster conducted the following activities in 2005 as part of its knowledge management strategy:

- IFAD/Microfinance Information eXchange (MIX) Initiative: following the successful pilot in West Africa and Latin America, conducted under the Initiative for Mainstreaming Innovation (IMI) (see page 45), IFAD is expanding use of the MIX Market financial reporting platform to IFAD-supported microfinance institutions in all divisions.
- International Year of Microcredit rural finance publications (see page 70): IFAD published a series of technical papers on social performance and governance in microfinance institutions, the commercialization of village banks in Latin America, remittances, and the challenges of agricultural microfinance.
- A training strategy started with partners to develop short training modules for IFAD staff on rural finance issues that are relevant to IFAD.

During the year, the cluster also developed strategic partnerships with:

- Freedom from Hunger, to extend their innovative model linking financial services with basic educational modules on such health issues as HIV/AIDS prevention
- FAO, to create a rural finance training curriculum for use in leading microfinance training centres
- ACCION International, to facilitate the involvement of commercial banks in microfinance in the Near East and North Africa region (see page 33)
- Microfinance Centre in Warsaw, to develop a series of rural finance training courses for microfinance institutions

- the Consultative Group to Assist the Poor, to promote the Rural Pro-Poor Innovation Challenge, a competitive, demand-driven facility that funds microfinance institutions with innovative approaches to providing financial services in rural areas

The Productive Assets and Technology Cluster covers the environment and natural resources management, water management and rural infrastructure, livestock and rangeland management, agronomy and farming systems. During 2005, the cluster worked in four areas:

Learning: an analysis of IFAD loan and grant investments in the agricultural water sector (2000-2004) was carried out and showed that about 40 per cent of total commitments are invested in the sector. Work started on a joint project with UNDP, the GEF Secretariat, UNEP and FAO through which IFAD will promote cross-project learning and knowledge management for projects related to land degradation.

Knowledge-sharing: in this area, the cluster updated the Livestock and Rangeland Knowledgebase, contributed to IFAD's intranet portal on environment and natural resources management, to the Technical Advisory Division's webpages on water, and to the Rural Poverty Portal (see page 36). The cluster organized seminars on land and water issues for IFAD staff and took part in national and international seminars. It also prepared a paper for PovNet (see page 80), case studies for the Conference on Water and Territorial Development, papers entitled *Reforming the future: water governance and IFAD* and *Improving knowledge management for IFAD water management*, and chapters of the next *World water development report*.

Quality assurance: cluster members provided quality assurance for loan and grant operations and worked with the Canadian International Development Agency to prepare the agency's Strategic Environmental Assessment for IFAD.

Partnerships: the cluster supported preparations for IFAD's joint participation with FAO at the International Conference on Agrarian Reform and Rural Development, to be held in March 2006 in Brazil. It worked to promote strategic partnerships for action-research and thematic issues such as desertification, the environment and financing water, and for backstopping services for quality assurance.

In 2005, the Human and Social Assets Cluster undertook learning- and innovation-related activities to promote corporate knowledge management and to disseminate IFAD's learning in four areas:

- Targeting and poverty analysis: a new IMI project started work to consolidate and field-test IFAD's new framework for targeting, and to produce an IFAD approach paper on targeting.
- Impact assessment: cluster members backstopped four pilot surveys on impact assessment, using IFAD's results and impact management system (RIMS), and supported the scaling up of RIMS in IFAD's portfolio.
- Gender: the cluster led the mid-term review of the implementation of IFAD's Gender Plan of Action, and an assessment of IFAD's five ongoing regional gender programmes. The cluster also helped to organize side events at two major United Nations forums, the 2005 World Summit (see page 67) and the forty-ninth session of the United Nations Commission on the Status of Women (see page 68), for which a publication was prepared. *Gender news*, an internal newsletter, was also produced.
- Pro-poor institutions: the cluster finished work on a sourcebook on institutions and collaborated with the Western and Central Africa Division on institutional analysis.

IFAD evaluation activities in 2005

Independent External Evaluation of IFAD

One of the most important activities finalized by the Office of Evaluation in 2005 was the supervision of the Independent External Evaluation (IEE) of IFAD (see page 44). This was completed on time and within the overall budget allocation authorized by the Executive Board. The draft final report was discussed by the Board at its eighty-fourth session in April 2005. The documents considered by the Executive Board included:

- the report of the Director of the Office of Evaluation, as supervisor of the IEE
- the draft final report submitted by the independent consultant team
- comments of the IEE senior independent advisers
- IFAD management's response to the IEE

The final IEE report has been posted on the IFAD website. It has also been printed in all official languages as an IFAD publication and distributed accordingly.

Overview of the third annual report on the results and impact of IFAD operations

In 2005, the Office of Evaluation prepared the third annual report on the results and impact of IFAD operations based on operations evaluated in 2004. This report draws on the findings of 13 evaluation reports covering nine project evaluations, two country programme evaluations and two thematic evaluations undertaken in 2004. It also consolidates the findings of the 20 project evaluations completed in 2002 and 2003, presented in the two previous reports.

The report includes a number of interesting conclusions. Nearly two thirds of the projects evaluated had a significant positive impact on food security, but impacts were weaker in other areas, such as formation of social capital and empowerment, and support for development of institutions, policies and regulatory frameworks. While the design of almost all activities is relevant to government and IFAD policy, during implementation the activities often turn out to be less relevant for the poorest or most disadvantaged groups. Sustainability remains a challenge. It is rated as modest in 56 per cent of the projects evaluated in 2004.

The report recommends that IFAD should:

- sharpen its focus on key target groups
- increase government ownership of country programmes and projects through improved participation by rural poor people and other stakeholders and partners
- identify differentiated approaches for countries of different income levels (middle-income or low-income) and policy and institutional frameworks within the group of low-income countries in order to have a stronger impact on poverty
- clarify the organization's approach to partnership-building and develop a strategy to increase its development effectiveness, as well as make greater contributions to attainment of the MDGs through partnerships

Office of Evaluation activities

In 2005, the Office of Evaluation implemented its second work programme and budget and completed supervision of the IEE of IFAD.

During the year the Office of Evaluation also carried out:

- the corporate-level evaluation of the Direct Supervision Pilot Programme
- four country programme evaluations, in Bangladesh, Egypt, Mexico and Rwanda

- two thematic evaluations, on organic agriculture in Asia and on decentralization efforts in Eastern and Southern Africa
- 13 project evaluations, including three in Asia and the Pacific, three in Eastern and Southern Africa, one in the Near East and North Africa, four in Western and Central Africa, and two in Latin America and the Caribbean

These evaluations produced significant results and recommendations. For example, the evaluation of the Direct Supervision Pilot Programme generated far-reaching recommendations that were agreed by the Executive Board. The most significant of these was that IFAD should undertake direct supervision and implementation support activities in all its operations. The country programme evaluations reached similar conclusions about IFAD operations. For example, most of the evaluations noted the generally high relevance of IFAD's programmes, a modest impact on the lives of rural poor people and on policies, weak prospects for sustainability, and the need for IFAD to establish a more permanent country presence. The results of the various country programme evaluations will be used as building blocks in the elaboration of the related COSOPs.

Also in 2005, work began on the evaluations of IFAD's regional strategies for Asia and the Pacific and the Near East and North Africa. As evaluations of this type have not been conducted before, a specific methodology was developed. Work also started on preparations for an evaluation of IFAD's Rural Finance Policy. These evaluations will be finalized in 2006.

During the year, the Office of Evaluation supported the Programme Management Department in enhancing its self-evaluation capabilities. Specifically, the Office of Evaluation:

- made suggestions for improving the project portfolio report and the President's report on the implementation status of evaluation recommendations and management actions (PRISMA)
- provided feedback on the project portfolio report guidelines for 2006
- provided inputs to the results and impact management system (RIMS) (see page 47)
- started work with the Programme Management Department on alignment of the ratings scale used in IFAD's self-evaluation and independent evaluation systems

The Office of Evaluation also continued to upgrade its country programme and project evaluation methodologies. To ensure the highest standards and the credibility of its methodology, the revised guidelines were peer-reviewed by a panel of international experts in development evaluation. Internal peer reviews of evaluations were also introduced as a quality assurance mechanism and knowledge-sharing device within the Office for selected evaluations.

In collaboration with the World Bank, the Office of Evaluation organized a conference in January in Washington, D.C., to discuss and disseminate the results of the thematic evaluation on organic agriculture in Asia and the Pacific. Together with FAO and the World Food Programme (WFP), IFAD's Office of Evaluation organized the annual meeting of the United Nations Evaluation Group in Rome in April, during which the norms and standards for evaluation in the United Nations system were adopted. In November, the office helped organize an IFAD/African Development Bank conference to discuss the results of the thematic evaluation on decentralization.

Further, the Director of the Office of Evaluation was invited to be part of a five-member panel conducting an assessment of the evaluation function at the UNDP. This assessment is part of a wider approach, led by the Development Assistance Committee's Evaluation Network, aimed at improving the evaluation capacity of multilateral agencies, and thus leading to enhanced performance at the institutional level.

Office of Evaluation 2006 Work Programme and Budget

The 2006 work programme and budget of the Office of Evaluation was prepared and first discussed with the Evaluation Committee of the Executive Board in September and October, and with the Executive Board itself in September and December. Among other evaluations, in 2006 the Office of Evaluation will undertake an evaluation of the Field Presence Pilot Programme, which will be presented to the Board in September 2007. Towards the end of 2006, the office will start an evaluation of IFAD's Action Plan for Improving its Development Effectiveness. The main priorities identified for 2006 for the Office of Evaluation are:

- selected corporate-level, regional strategy, country programme, and project evaluations
- specific evaluation work required under IFAD's Evaluation Policy for presentation to the Evaluation Committee and the Executive Board
- further development of evaluation methodologies
- evaluation outreach and partnerships

Evaluation Committee activities

Four sessions of the Evaluation Committee were held during the year. In line with its new terms of reference and rules of procedure, for the first time the Evaluation Committee reviewed the portfolio performance report prepared by IFAD's Programme Management Department. It also reviewed and provided comments on the President's report on the implementation status of evaluation recommendations and management actions.

Among other topics, during the year the Evaluation Committee also discussed:

- the Office of Evaluation work programme and budget proposal for 2006
- the third annual report on the results and impact of IFAD operations
- the corporate-level evaluation of the Direct Supervision Pilot Programme
- two country programme evaluations, for Egypt and Mexico

Major corporate initiatives in 2005

Dzao women build a new road in Hoang Su Phi, Viet Nam.



IFAD's Action Plan for Improving its Development Effectiveness

In December 2005, the Executive Board endorsed IFAD's Action Plan for Improving its Development Effectiveness, which will be implemented over a three-year period at a cost of US\$9.5 million. The Action Plan embraces the Independent External Evaluation's (IEE) recommendations, the views of IFAD's Executive Board and feedback received from Member States during the Consultation on the Seventh Replenishment of IFAD's Resources.

The goal of the Action Plan is to increase development effectiveness. The plan targets three dimensions of IFAD's development effectiveness: relevance, effectiveness and efficiency of IFAD's rural poverty programmes. In implementing the plan, IFAD will focus on three major areas of work:

- strategic planning and guidance to establish the priority areas for the organization's operations
- strengthened country programmes rooted in a new operating model to deliver a more effective and efficient work programme of improved quality and impact
- knowledge management and innovation to ensure that priorities and operations are grounded in the best knowledge about critical issues for rural poverty reduction and what works to solve them

These action areas will be underpinned by strengthened human resource management, which will enable the development of a strategy and actions to support the transition towards a new organizational culture with a more creative and performance-driven work environment.

Delivery of the Action Plan is IFAD's first and foremost corporate priority during the period from 2006 to 2008.

Independent External Evaluation of IFAD

In 2005, the Office of Evaluation completed the Independent External Evaluation (IEE) of IFAD by issuing a final report on this exercise, which was conducted by the service provider, Information Training and Development (ITAD) Ltd. The report was initially reviewed at a joint informal meeting with members of the Consultation on the Seventh Replenishment of IFAD's Resources and the Executive Board. At its session in April 2005, IFAD's Executive Board formally considered the draft final IEE report, together with IFAD management's response to the evaluation. Board Directors provided comments on both. The Executive Board welcomed management's response to the IEE and endorsed it as a framework for developing an action plan that would be presented to the Board in September 2005 for its consideration.

The IEE raised many issues of importance for IFAD's future. It concluded that IFAD has a clear, relevant and distinctive role to play in reducing rural poverty, but that it needs to improve its performance in order to fulfil its objectives. The IEE concluded that IFAD's overall portfolio performance is similar to that of comparable multilateral development organizations; half of the projects evaluated had made a notable impact. Moreover, a number of promising change initiatives have been launched recently by IFAD to improve the effectiveness of its portfolio and its management of knowledge and human resources.

Taking into consideration the IEE's findings and the feedback on IFAD management's response to the IEE in April, the organization presented the first draft of the Action Plan for Improving IFAD's Development Effectiveness to the Executive Board in September. In December a revised Action Plan was considered and approved by the Board. The IEE report also constituted the basis for discussions held throughout the Consultation on the Seventh Replenishment of IFAD's Resources (see page 52).

Initiative for Mainstreaming Innovation

As the only institution dedicated exclusively to rural poverty reduction globally, IFAD is looked to as a primary source of new approaches in this area. For this reason, IFAD is managing a three-year initiative to expand its capacities for innovation, learning and influence: the Initiative for Mainstreaming Innovation (IMI). With a complementary contribution of US\$10.0 million from the United Kingdom of Great Britain and Northern Ireland, the main phase of the IMI started in February 2005 with the appointment of the IMI Policy Coordinator. The IMI implementation plan has three phases:

- learning: 2005
- institutionalization: 2006
- consolidation: 2007

These phases are reflected in the three-year workplan prepared for the IMI. A logistical framework exercise was completed in May 2005 to establish priorities for the IMI with progress indicators.

The IMI policy paper that was presented to the Executive Board in December 2004 divides the funds available through the IMI into three categories:

- special funds earmarked for organization-wide activities that are not appropriate for competitive funding
- competitive funds to be used over a three-year period to finance innovative projects
- a small pilot funding facility to provide rapid funding for innovative action

In 2005, the competitive bidding process was put in place, the Innovation Screening Committee was established, and terms of reference and guidelines for the screening were prepared. Three rounds of bidding were carried out during the year and the IMI approved eight projects. The terms of reference for the Rapid Fund Facility were also established, and availability of funds was announced through the log-on message on IFAD's intranet.

Innovation was selected as the theme for the 2006 Governing Council, and a Policy Forum session (see page 60) was held in June to discuss preparation of a background paper for the panel. Two consultants were subsequently hired to prepare the background paper. A major workshop entitled *What are the Innovation Challenges for Rural Development?* was organized in November 2005 in Rome. Rural innovation experts, development practitioners, researchers, representatives of NGOs, United Nations and international agencies, and IFAD staff attended. The workshop results will feed into the 2006 Governing Council panel and background papers.

During the year, the IMI Secretariat planned a field exposure visit to be organized for selected staff with the help of the Self Employed Women's Association (SEWA) of India in March 2006. A brown-bag seminar series on innovation was set up, and four seminars were held on the themes of: the transformation of rural India, the role of information and communication technologies in poverty reduction, alleviating poverty through private-sector development, and modern forced labour: the challenges for rural development. These were well attended by both external and internal participants.

During 2005, the IMI internal website was set up, offering details on IMI activities, including progress reports prepared for IFAD senior management.

Field presence: stepping up IFAD's presence in the countries that it serves

When IFAD was set up, a deliberate choice was made to limit its involvement in programme and project implementation and thus to maintain no formal representation in borrowing countries. However, following a recommendation by the Consultation on the Sixth Replenishment of IFAD's Resources, in December 2003 the Executive Board authorized the Field Presence Pilot Programme, to be implemented over three years with an approved budget of US\$3.0 million.

The Field Presence Pilot Programme deepens IFAD's engagement in programme and project implementation, and at the same time promotes policy dialogue, partnership-building and the documentation and synthesis of knowledge gained at the field level. The programme is flexibly designed to allow for a variety of arrangements.

With the approval of the last three field presence initiatives in December 2004, design work for all 15 initiatives was complete. By the end of 2005, offices had started work in the following countries or country groups: Bolivia, China, the Democratic Republic of the Congo/the Congo, Egypt, Ethiopia, Haiti, Honduras, India, Nigeria, the Gambia/Senegal, the Sudan, the United Republic of Tanzania, Uganda and Viet Nam. The field presence initiative for Yemen was in the final stages of preparation.

Experience thus far suggests that field presence will be an invaluable vehicle both for strengthening support to programme and project implementation and for enabling IFAD to engage more actively in policy dialogue.

Performance-based allocation system

The performance-based allocation system (PBAS) allocates IFAD's loan and country grant resources to country programmes on the basis of country performance (broad policy framework, rural development policy and portfolio performance), population and per capita gross national income. Under the PBAS, annual resource allocations are made in three-year cycles and are administered within a six-year time frame. The first allocation exercise covers the period from 2005 to 2007. The IFAD programme of work approved in 2004 for activities in 2005 involved application of the PBAS within the framework of regional allocations adopted by the Executive Board in 1999.

The system will continue to evolve in the light of experience. The design is expected to be finalized only after the PBAS has been operational for some time. During 2005 a series of simulations based on 2005-2007 PBAS allocations were prepared, running sensitivity analyses of changing scenarios for the optimal allocation of loans and grants to IFAD Member States, in line with country needs, performance indicators, and the scope and nature of IFAD operations.

In January 2005, IFAD took part in the first Multilateral Development Bank Technical Meeting on Performance-Based Allocation Methods, held at the Asian Development Bank headquarters in Manila, the Philippines. The meeting was jointly planned by the African Development Bank, the Asian Development Bank, and the International Development Association of the World Bank Group. It had three main objectives:

- to survey and record recent changes in performance-based allocation systems and associated country performance assessment frameworks
- to identify opportunities for inter-agency cooperation and alignment on the conduct of performance-based allocation and performance-based allocation methods
- to consider ways in which technical cooperation might best be carried forward within the framework of institution-specific mandated policies and shareholder agreements

Results and impact management system

In December 2003, the Executive Board approved a framework for the results and impact management system (RIMS). The framework includes common indicators to assess first- and second-level project results and impact with timelines and milestones for implementation. During 2005, there was a high level of compliance in terms of reporting to IFAD, indicating that ongoing programmes and projects had begun to internalize the RIMS in their own systems. The first aggregated figures on project results were reported in the 2005 portfolio performance report.

During 2005, RIMS indicators were agreed upon for programmes and projects that became effective during the year. Since the reporting is from relatively young projects, most of the results relate to achievement of physical progress, such as hectares of irrigation schemes rehabilitated, kilometres of roads constructed or numbers of people trained.

The methodology for carrying out impact surveys for ongoing and new projects was successfully pilot-tested during 2005 in four IFAD projects in Bangladesh, Jordan, Kenya and Nicaragua. This followed the first pilot test, which was conducted in Senegal in 2004. The surveys provide the basis for measuring impact in terms of child malnutrition, household ownership of assets (as a proxy for income), and other indicators related to the MDGs. Revisions were made to the questionnaire and survey methodology on the basis of experiences in the pilot surveys. Essential tools to assist in the implementation of such surveys, including a manual and computer software, were also finalized in 2005.

Strategic Change Programme

In 2005, IFAD continued work on its Strategic Change Programme to streamline administrative processes with the support of an integrated commercial software package. Work focused on deploying solutions developed during 2004, completing projects in progress and resolving outstanding issues.

In particular, during 2005:

- a new payroll system went live and was further developed to include processing of temporary employees
- the budget management and travel authorization processes were decentralized to budget holders in the various divisions and subsequently extended to include decentralized management of supplementary funds

- additional analytical reports for cash management were developed to better support the liquidity management function in the Office of the Treasurer
- the Loans and Grants System went through a technical overhaul to make the system easier to maintain and to improve the accuracy of the historical database
- the asset management system was enhanced to facilitate tracking of office equipment and other physical assets throughout IFAD

With these activities, the first phase of the Strategic Change Programme drew to a close.

IFAD's new headquarters

On 14 January 2005, work started on a new headquarters for IFAD. It will take approximately 22 months to fully renovate the building that will house the organization's headquarters. For the first time, IFAD will have a headquarters that will meet its long-term needs. IFAD staff, who have been divided among various buildings since 1982, will be united in one workplace, and ample conference rooms will host workshops and meetings with IFAD's partners and Member States.

The Italian Government's commitment to providing a new headquarters for IFAD was officially announced during the twenty-seventh session of IFAD's Governing Council in February 2004. A seven-story building was identified and the preliminary lease contract was finalized in December 2004. The rental costs are paid by the Italian Government. The new building has 30,000 square metres of covered area, of which 18,000 square metres will be used as office space, compared with the 16,000 square metres used in the present three buildings.

The owners of the building are responsible for its renovation. IFAD is responsible for designing the building's main common areas, which include a reception lounge, a conference floor, meeting rooms, a cafeteria and a library, as well as the offices of the President and Vice-President.

In February 2005, the Governing Council approved a special expenditure of €3.4 million (US\$4.1 million) to finance the common areas and facilities. Following a tender process, four architectural firms were awarded contracts to design these areas. The project proposals were completed by the end of October 2005 and delivered to Pirelli & C. Real Estate for execution.

It is expected that the new building will be inaugurated during the thirtieth session of the Governing Council in February 2007.

Resource mobilization in 2005

Village fishermen dry their catch on a beach in Khor-Anghar, Djibouti.



IFAD is financed through periodic replenishments. Every three years, Member States take part in negotiations to determine the organization's policy direction, consult with its management and replenish its resources.

Consultation representatives consist of: all Member States from List A, which are mainly countries that are members of the Organisation for Economic Co-operation and Development (OECD); all Member States from List B, which are mainly countries that are members of the Organization of the Petroleum Exporting Countries (OPEC); and selected Member States from List C, which are mainly developing countries (see page 127). In IFAD, unlike in other international financial institutions, OPEC and developing countries play an important financial and governance role. Since IFAD's inception, OPEC and developing countries have contributed more than 30 per cent of its core resources (Table 2).

Sixth Replenishment

IFAD's Sixth Replenishment (2004-2006) is currently ongoing and will be completed in December 2006. By the end of 2005 Member States had pledged a total amount equivalent to US\$509.0 million,¹ representing about 91 per cent of the Sixth Replenishment pledge target of US\$560 million. By 31 December, instruments of contribution had been received totalling US\$451.6 million (89 per cent of pledges). Actual payments received amounted to US\$354.0 million (70 per cent of pledges). Details on contributions to IFAD's resources are given in the consolidated financial statements in Appendices E and E1.²

IFAD's programme of work during the Sixth Replenishment period is estimated at US\$500 million for each year.

Seventh Replenishment

IFAD's Seventh Replenishment (2007-2009) comes at a time when the international community is reviewing progress and stepping up efforts to reach the MDGs. The 2005 World Summit held in New York in September stressed the importance of agriculture and rural development, IFAD's key areas of work.

Some of the main issues discussed in the sessions of the Consultation on the Seventh Replenishment included IFAD's work programme and financing requirements for the Seventh Replenishment period, the road map for implementing the action plan for management's response to the Independent External Evaluation of IFAD, a debt

TABLE 2
Contributions and pledges to IFAD's replenishments
(amounts in US\$ million)

	Initial resources	IFAD I	IFAD II	IFAD III	IFAD IV (pledges)	IFAD V (pledges)	IFAD VI (pledges)
List A	570	630	277	379	360	354	422
List B	309	349	182	114	39	51	34
List C	12	23	18	61	57	57	53
Total	891	1 002	477	554	456	462	509

Source: IFAD's Accounting System.

1/ This total includes pledges of complementary contributions. These are contributions made to IFAD's regular resources within a specified replenishment period; they do not carry voting rights, but are included in the calculation of the overall replenishment level.

2/ In the current chapter, contributions to the Sixth Replenishment in currencies other than United States dollars are converted at exchange rates fixed for the Sixth Replenishment. In the financial statements, Member State contributions received in other currencies are converted into United States dollars at market rates of exchange on the date payments are received (see Note 2c to the financial statements).

sustainability framework to compensate IFAD for principal payments and service charges forgone, and the need for the Executive Board to focus on providing strategic and policy guidance to IFAD on the one hand and monitoring development effectiveness and efficiency on the other.

A target of US\$800 million was agreed for the Seventh Replenishment. Five sessions of the Consultation were held during the year and at the final session in December, the Consultation was completed and came to an agreement on policy directions. The recommendations of the Consultation and the funding target were to be submitted to the 2006 Governing Council for formal approval.

Financing the Debt Initiative for Heavily Indebted Poor Countries

The Debt Initiative for Heavily Indebted Poor Countries (HIPC) aims to reduce the external debt of the world's poorest, most heavily indebted countries. When it was proposed and agreed upon by governments around the world in 1996, the Initiative represented an important step forward in situating debt relief within an overall framework of poverty reduction. The principal objective of the HIPC Initiative, which is administered by the World Bank, is to bring identified countries' debt burdens to sustainable levels, so that adjustment and reform efforts are not placed at risk by continued heavy debt and debt-service burdens.

During 2005 IFAD continued to participate in the enhanced HIPC Initiative, delivering debt relief promptly to countries that had reached completion point – the point at which the agreed targets and conditions are met and debt relief operations are triggered – and to post-conflict countries with arrears (the Democratic Republic of the Congo, Guinea-Bissau and Sierra Leone). Since 1978 IFAD has provided US\$92.0 million in debt relief to the 18 countries that have reached completion point.

Ten countries are in the interim period between their decision and completion points. The decision point marks the agreement reached between all creditors and the participating government on the general targets, terms and conditions of debt relief. The pace at which countries reach completion point has accelerated over the past two years. Since September 2004, Honduras, Madagascar, Rwanda and Zambia have reached completion point, with the IFAD Executive Board approving a top-up of approximately US\$7.0 million for Rwanda. Nearly 40 per cent of IFAD's lending programme is committed to sub-Saharan Africa, where the majority of heavily indebted poor countries are located and where, as a result, IFAD is heavily exposed to the cost implications of the HIPC Initiative.

The total net-present-value cost of IFAD's participation in the overall HIPC Initiative is currently estimated at SDR 269.5 million (US\$384.4 million), which corresponds to an approximate nominal cost of SDR 422.2 million (US\$602.2 million)³. Cost estimates are likely to increase in response to worsening economic conditions leading to the need for completion point top-ups, and continuing low discount rates.

The majority of IFAD's financing of its HIPC Initiative requirements comes from two main sources: transfers from the organization's regular core resources and contributions from donors. At the end of 2005 external contributions (paid or pledged) amounted to about US\$83.7 million (57 per cent of the total financing received to date). IFAD's own resource contributions amounted to about US\$59.7 million (41 per cent).

3/ December 2005 base estimates using exchange rates prevailing at 31 December 2005.

The financial impact on IFAD may increase because the boards of the International Development Association (IDA) and the International Monetary Fund (IMF) have extended the “sunset clause” of the enhanced HIPC Initiative to the end of 2006. This may allow more countries to join, subject to indebtedness criteria. To mitigate the impact of debt relief on the resources available for commitment to new loans and grants, IFAD is pursuing two avenues for mobilizing additional external resources, encouraging Member States to:

- provide IFAD directly with additional resources to help finance its participation in the Initiative
- provide IFAD with access to the World Bank-administered HIPC Initiative Trust Fund

Apart from external contributions received to date, IFAD has further financing requirements of US\$454.8 million for its participation in the HIPC Initiative (see Table 3).

Supplementary funds

Supplementary funds are extra-budgetary resources provided by Member States for specific programmes or activities. They are managed within the framework of bilateral partnership agreements with donor countries. The supplementary funds referred to in this section were provided to finance programmatic initiatives and technical assistance activities. They do not include Associate Professional Officer resources, other supplementary funds for single-purpose programmes or projects, or funds administered by IFAD on behalf of partner organizations hosted by IFAD, such as the Belgian Survival Fund, the Global Mechanism of the United Nations Convention to Combat Desertification or the International Land Coalition.

In 2005 IFAD received approximately US\$11 million in new supplementary funds for thematic and technical assistance, and approximately US\$2 million in cofinancing supplementary funds (box below and Table 4). These amounts include only the resource flows through IFAD and exclude parallel cofinancing for IFAD programmes and projects.

TABLE 3
Estimated HIPC Initiative financing requirements
 (amounts in US\$ million)

IFAD contributions	59.7
Donor contributions	83.7
Investment income	4.0
Total	147.4
Estimated nominal cost to IFAD	(602.2)
Estimated HIPC Initiative financing requirements	(454.8)

Source: IFAD financial statements for 2005.

ITALY RURALFIN €5 million (US\$6,104,250)	In May an administration agreement was signed between the Italian Ministry of Foreign Affairs and IFAD for the establishment of the Facility to Support Rural Finance (RURALFIN). The agreement assures an annual contribution of €5 million for five years to promote activities related to sustainable rural finance, remittances and rural enterprise.
ITALY Voluntary contribution €3 million (US\$3,813,750)	Ongoing activities financed under Italy's voluntary contribution relate mainly to pro-poor policy dialogue and capacity-building of grass-roots organizations; microfinance, rural small enterprises and microenterprises, and access to markets; natural resource management and environmental protection; post-conflict assistance and rehabilitation; and gender and civil society partnerships.
NORWAY Mozambique US\$1,363,533	Norway contributed US\$1,363,533 to assist the Sofala Bank Artisanal Fisheries Project in Mozambique. This is the fourth tranche under the cofinancing agreement signed between the Norwegian Agency for Development Cooperation (NORAD) and IFAD in December 2002.
UNITED KINGDOM India Orissa £330,000 (US\$619,080)	The United Kingdom of Great Britain and Northern Ireland provided £330,000 (US\$619,080) to support the Orissa Tribal Empowerment and Livelihoods Programme in India. This is the first tranche under the memorandum of understanding between the Department for International Development (DFID) and IFAD for a total contribution of £7.9 million.
GERMANY HIV/AIDS €376,358 (US\$470,447)	Germany contributed €376,358 (US\$470,447) as the third tranche of financing for the arrangement entitled Support to Mitigating the Impact of HIV/AIDS on Rural Populations in Eastern and Southern Africa.
FINLAND Technical assistance €350,000 (US\$422,958)	Finland provided €350,000 (US\$422,958) under the July 2003 partnership agreement to finance a variety of activities, in particular the side event held at IFAD's Governing Council with farmers' organizations, and the regional workshop entitled Thematic Evaluation and Decentralization, held in Uganda.
FRANCE Technical Assistance €350,000 (US\$411,548)	France provided €350,000 (US\$411,548) under the January 2004 partnership agreement to finance support for the joint IFAD-France-OECD project on agricultural policies in sub-Saharan African countries.
UNITED KINGDOM Institutional strategy £127,500 (US\$224,552)	In May a memorandum of understanding was signed between the United Kingdom of Great Britain and Northern Ireland and IFAD for a three-year institutional strategy. A first tranche of £127,500 (US\$224,552) from a total contribution of £765,000 (US\$1.4 million) was received in 2005.
DENMARK Poverty reduction strategy US\$100,000	In July Denmark and IFAD signed a partnership agreement for US\$100,000 to enable the organization to engage more systematically and proactively in support of poverty reduction strategies.

TABLE 4
Supplementary funds received in 2005 for thematic and technical assistance and cofinancing activities
(amounts in US\$)

Country	Thematic and technical assistance	Cofinancing (excluding parallel cofinancing)
Denmark	100 000	
Germany	470 447	
Finland	422 958	
France	476 690	
Italy – voluntary contribution	3 813 750	
Italy – rural finance	6 104 250	
Luxembourg	39 215	
Netherlands	12 000	
Norway		1 363 533
Portugal	75 750	
Switzerland	39 385	
United Kingdom	224 552	619 080
World Bank GEF	57 600	242 400
Total	11 836 597	2 225 013

Source: IFAD financial statements for 2005.

Partnerships with the private sector

In April 2005, the Executive Board adopted a private-sector development and partnership strategy focused on promoting private-sector growth at the country and regional level for the benefit of rural poor people (see page 61). The strategy will allow IFAD to develop private-sector partnerships with corporations, NGOs, foundations and charities, academic institutions, and individuals.

Policy development and dialogue

A fish farmer casts his net to collect shrimp from a pond in the Sensuntepeque district, El Salvador.



Policy development

Policy reference groups

During 2005, policy reference groups were created to work on all main policy themes taken up by IFAD. Group members are selected among the staff on the basis of relevance of individual expertise and institutional knowledge. Coordinated by the Policy Division, the groups are interdepartmental structures that function informally to bring together experience and expertise from across IFAD to shape and articulate the organization's policy statements.

Four policy reference groups worked on the following areas during 2005: the farmers' forum, land tenure, targeting and sector-wide approaches (SWAPs). The last group completed its work, which culminated in a formal policy paper that was approved by the Executive Board in April 2005 (see page 61).

Policy Forum

The Policy Forum was established in 2004 to guide IFAD's policy processes. It provides a meeting place for the exchange of knowledge arising from policy discussions at the country or regional level, from implementation of the programme and project portfolio and from positions expressed in global policy contexts or raised by IFAD's own Member States. During 2005, several sessions of the Forum were held to debate key policy issues and to prepare the ground for elaboration and development of diverse policy positions and papers.

The first session of the year discussed the contents of the Way Forward document for the Consultation on the Seventh Replenishment of IFAD's Resources. This was a discussion paper prepared by IFAD management on how the institution would evolve over the next three years. It was written to stimulate discussions on strategy and focus in the replenishment consultation. Discussion focused on the main issues involved in raising IFAD's impact on poverty reduction, in the context of ongoing changes in the global economy and in the international system of development assistance.

A second session gave guidance to the policy reference group that was preparing a paper on IFAD's targeting strategies. The organization's strategies for targeting the people who will participate in programmes and projects distinguish IFAD from other development organizations. In 2006, building on its accumulated knowledge and experience and on an in-depth study of the evolving dynamics of rural poverty, IFAD will prepare a clearly articulated policy on targeting to provide systematic guidance to staff and partners.

A third session was dedicated to a collective reflection on how to institutionalize IFAD's partnerships with farmers' and rural producers' organizations at the national, regional and international levels, and on the organization of a farmers' forum as a regular side event to IFAD's Governing Council meetings (see page 81).

A fourth session was organized to brainstorm on the overall theme of the 2006 Governing Council, innovation for rural poverty reduction. The meeting considered the ways in which the theme would inform the panel discussions and round tables.

A fifth session was held on rural poor people's secure access to land. Discussion focused on IFAD's engagement in land issues and on why in the past it was not sufficiently involved in attempting to resolve such issues. As an outcome, an interdepartmental process will be put in place in 2006 to identify best practices and lessons learned, articulate an IFAD position on land issues and boost internal capacity to mainstream land issues in IFAD's operations and policy engagement.

Policy seminar

In October, Rehman Sobhan, past chairman of the Centre for Policy Dialogue and currently visiting scholar at Columbia University in New York, conducted a policy seminar for IFAD staff entitled *Poverty Reduction Strategies of the International Organizations: The Need for Structural Change*. The seminar explored the idea of creating an asset base for rural poor people by giving them access to land and other natural resources through land titles, guaranteeing user rights, creating new pro-poor legislation, and by integrating them in the value chain. It discussed ways of getting poor people involved in the capital market through innovative capitalization and securitization in the stock market, giving the example of the Grameen Bank in Bangladesh, where poor people own both the bank and the associated telephone company.

IFAD Policy on Sector-wide Approaches for Agriculture and Rural Development

In April 2005, the Executive Board approved the IFAD Policy on Sector-wide Approaches (SWAp) for Agriculture and Rural Development. Under a SWAp, all significant funding for the sector supports a single policy and expenditure programme, under government leadership, that adopts common approaches across the sector and moves towards relying on government procedures to disburse and account for all funds.

The IFAD policy places SWAp within the context of the new development architecture. It reviews the evolution and experiences of agricultural and rural SWAp to date and the lessons learned from their implementation, and it defines how and under what circumstances IFAD should participate in them. The policy argues that IFAD should support agricultural and rural SWAp where they are a priority of its partner governments, and that the organization should use its engagement as a basis for policy dialogue on key issues. These include ensuring that SWAp have a strong focus on poverty reduction, that they are adequately oriented towards achieving and measuring impact, and that there is government ownership. To promote this agenda, IFAD will engage in SWAp as early as possible, working as a full partner to support their development and implementation.

In those cases where IFAD is satisfied that the government's fiduciary and monitoring and evaluation arrangements for the SWAp are satisfactory, it will channel its resources through the pooled funding mechanism established for the SWAp. This is consistent with IFAD's mandate and is not a major departure from its traditional way of doing business. IFAD may also support discrete projects that promote innovation and generate important lessons for SWAp. Under the terms of the policy paper, IFAD is not permitted to provide general or sector budget support to its Member States.

IFAD's Office of Evaluation will undertake an evaluation of IFAD's engagement in SWAp in 2008.

IFAD's private-sector development and partnership strategy

In April 2005 the Executive Board approved IFAD's private-sector development and partnership strategy. In most developing countries, the private sector is now responsible for the majority of employment and income-generating opportunities, and has become the driving force for poverty reduction.

IFAD's new strategy encourages policy dialogue to promote local private-sector development, suggests ways for investing in operations to support local private-sector development, and fosters partnerships with the private sector to leverage additional resources and knowledge to help reduce rural poverty.

By establishing partnerships with the private sector, IFAD is able to encourage the sector to become more responsive to the needs of rural poor people. At the same time, the organization continues to work with the public sector to strengthen its role in creating the appropriate conditions for a vigorous private sector. IFAD also works with Member States to create the right conditions for promoting income-generating opportunities and attracting investment.

The new private-sector strategy includes a results framework that sets indicators for monitoring increases in private-sector activities and investment. Each IFAD unit or division will identify the types of private-sector activities it will support and include them in annual plans of work and budgets. All new IFAD country strategic opportunities papers (COSOPs) will review the policy and institutional environment for local private-sector development in rural areas, and private-sector representatives will be involved during the consultative process. IFAD's portfolio review and its results and impact management system will also provide ways to report on progress being made.

IFAD's anti-corruption policy

IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations was approved by the Executive Board in December 2005. The goal of the policy is to prevent fraud and corruption in IFAD-supported programmes and projects, including in contracts at the local, national, regional and international level.

The policy states that for loan and grant activities and for IFAD staff and individuals representing IFAD, the organization shall apply a zero-tolerance policy where it has determined that fraudulent, corrupt, collusive or coercive actions have occurred. Investigations will be performed by IFAD, the borrower or another competent entity. IFAD shall enforce a range of sanctions in accordance with the provisions of applicable IFAD rules and regulations and legal instruments.

"Zero tolerance" means that IFAD will pursue all allegations falling under the scope of the policy and that appropriate sanctions will be applied where the allegations are substantiated. The policy applies to IFAD-funded activities whether supervised directly by the organization or by a cooperating institution. It is in line with the policies adopted by other international financial institutions.

During 2005, in preparation for implementation of the policy, an IFAD employee code of conduct was issued. Staff also received the first report of the Oversight Committee on investigations covering cases handled during the period from 2000 to 2004, and an investigation section was established within the Office of Internal Audit. IFAD will continue to improve its internal controls, including those inherent in or pertaining to its programme and project activities, to ensure that it is effective in preventing, detecting and investigating fraudulent, corrupt, collusive and coercive practices.

Achieving the Millennium Development Goals: rural investment and enabling policy

IFAD prepared a background paper as a basis for the panel discussion at the 2005 session of the Governing Council. The paper was entitled *Achieving the Millennium Development Goals: rural investment and enabling policy*.

The paper built on the findings and recommendations of the Millennium Project report (see page 83) and argued that the MDGs can be achieved, and that practical solutions to poverty do exist, as do the resources to pursue them. What is needed is the political will to direct solutions and resources where they will bring the greatest changes and thus have the greatest impact on poverty.

The paper argued that since three quarters of the world's extremely poor people in the world live in the rural areas of developing countries, halving extreme poverty means first and foremost transforming rural lives and livelihoods. Because agriculture is central to the lives of poor rural people, agricultural and rural development should be at the centre of the poverty reduction effort. Public investment and conducive policies and institutions are essential enabling conditions for rural development.

The paper welcomed the recent reversal of a long-term neglect of agriculture and rural development on the part of donors and developing country governments. The re-engagement with agriculture and rural development, however, should take account of the new challenges confronting poor rural people, including global market relations and new forms of competition for influence and resources. Until rural poor people are in a position to manage these challenges and competition, the risk will always be that what brings prosperity to others brings continued and deeper poverty to them.

Rural poverty, the paper concludes, shrinks fastest when rural people have a secure position in the mainstream of economic and social change. A decision to address the challenges confronting extremely poor people is as much a political as an economic issue.

Policy dialogue

IFAD's work in 2005 with indigenous and tribal peoples

Indigenous peoples' development is now at the forefront of international debate. During 2005, IFAD continued to play an active role in support of "development with identity" for indigenous peoples, and in September Phrang Roy was designated as Assistant President on a special assignment on Indigenous Peoples.

This underscores the importance IFAD places on listening to indigenous and tribal peoples. Under this special assignment, IFAD will compile documentation of best practices that are sensitive to indigenous and tribal peoples' needs and perspectives. Mechanisms will also be developed for the United Nations Permanent Forum on Indigenous Issues and other selected organizations to validate these best practices and use them for advocacy and training purposes.

2005 Governing Council side event

In December 2004, IFAD approved a grant to the Secretariat of the Permanent Forum on Indigenous Issues to enable indigenous experts to review some of the initiatives financed by IFAD in support of indigenous peoples. Subsequently the Secretariat organized a side event at IFAD's 2005 Governing Council, held in February, entitled Integrating Indigenous Peoples' Perspectives on Development to Reach the MDGs. A panel of indigenous experts highlighted indigenous perspectives on "development with identity". This event was attended by IFAD governors and staff, and a large number of civil society organizations. A cultural side event featured indigenous music from Latin America.

Fourth session of the United Nations Permanent Forum on Indigenous Issues

In May, IFAD participated in the fourth session of the Permanent Forum on Indigenous Issues, which focused on the first two MDGs. IFAD made two statements: one summarized its activities in 2004 to implement the Forum's recommendations and to finance activities relevant to indigenous peoples; the second reviewed its achievements in support of indigenous peoples, lessons learned and gaps. IFAD also put suggestions to the Forum on its future work.

The Secretariat of the Permanent Forum organized a side event entitled Helping Achieve the MDGs: Findings of Case Studies of IFAD-Financed Projects in Indigenous Communities of Bolivia, Brazil, India and Peru. All the projects scrutinized had taken into account indigenous peoples' perspectives on development, and had enhanced the identities and cultural values of the communities concerned. Panellists recommended that a policy dialogue component be included in the final years of project implementation to ensure that the good practices established influence national policies. IFAD was urged to diffuse and advocate its best practices, and to continue raising indigenous peoples' concerns at the national and international level to ensure that the MDGs are reached by these marginalized groups.

Working Group on Indigenous Populations

In July, IFAD participated in the twenty-third session of the Working Group on Indigenous Populations. The theme of the session was Indigenous Peoples and the International and Domestic Protection of Traditional Knowledge.

IFAD also took part in a two-day meeting held at the International Labour Organization in Geneva to discuss a draft document entitled Advocacy Framework for Indigenous and Tribal Peoples' Rights and Development. The draft was shortened and modified to strengthen its content.

Meeting of the Inter-Agency Support Group

In September, IFAD participated in the annual meeting of the Inter-Agency Support Group on Indigenous Issues, organized by the United Nations Children's Fund (UNICEF) in Panama City. The theme was Strengthening Inter-Agency Cooperation at Regional and Country Level. The meeting agreed on a number of actions at the regional level, including urging United Nations country teams to create a thematic group on indigenous issues, and calling for all member agencies to nominate a regional focal point for indigenous peoples. IFAD offered to host the group's 2006 meeting and its offer was accepted.

Workshop on indigenous traditional knowledge

A workshop on the theme of Indigenous Traditional Knowledge was organized by the Permanent Forum and hosted by UNICEF in Panama. Indigenous specialists from around the world and representatives of United Nations agencies attended.

A new IFAD publication entitled *Indigenous knowledge systems and intellectual property rights: an enabling tool for development with identity* was presented at the meeting, and the United Nations Educational, Scientific and Cultural Organization (UNESCO) expressed interest in working with IFAD on the topic. The workshop's recommendations included one urging IFAD to continue assisting communities in documenting their ecological knowledge and protecting their intellectual property rights.

Workshop in Rome

In November the Secretariat of the Permanent Forum and IFAD organized the Brainstorming Workshop on Indigenous and Tribal Peoples' Perspectives on Selected IFAD-funded Projects. The workshop was held in Rome.

The chair of the Permanent Forum and the indigenous authors of case studies on some of IFAD's projects in Latin America and the Caribbean and in Asia presented the findings of their studies. In break-out groups, participants discussed the significance of

“development with identity” and of initiatives that enhance indigenous peoples’ perspectives on development. An advocacy framework for indigenous and tribal peoples’ rights and development was debated. The participants presented recommendations to IFAD; these included strategic and operational recommendations as well as initial suggestions for the future work programme of the Assistant President on special assignment for Indigenous Peoples.

Sharpening the rural focus of poverty reduction strategy processes

In line with IFAD’s approach paper on how to enhance its support for country-led poverty reduction strategies, the organization hosted a multi-agency brainstorming meeting in February to review the scope and modalities for a poverty reduction strategies rural focus initiative. A follow-up workshop was held in July to review progress, taking into account the 2005 poverty reduction strategy review conducted by the World Bank and the International Monetary Fund, as well as United Nations-led debates on the connections between poverty reduction strategies and achievement of the MDGs.

Participants agreed on a number of follow-up activities, linked to ongoing or planned work by partners. The activities include:

- literature reviews, country case studies, stakeholder surveys and innovative pilots to fill knowledge gaps and document both good practices and failures
- country-level poverty reduction strategy partnerships, focusing on:
 - how to support governments in the formulation of sector policies and strategies linked to poverty reduction strategies
 - institutionalizing participation by rural poor people in poverty reduction strategy processes
 - strengthening poverty reduction strategy results-oriented monitoring and evaluation systems
 - building capacity and promoting knowledge-networking

Interaction with global and regional policy forums

United Nations High-level Committee on Programmes

IFAD’s President chairs the United Nations High-level Committee on Programmes (HLCP) of the United Nations System Chief Executives Board for Coordination. As the main coordination body for policies with United Nations system-wide relevance, in 2005 the HLCP comprehensively reviewed the implementation of the Millennium Declaration and issued the One United Nations report. The report, which takes stock of actions undertaken by United Nations organizations in pursuit of the MDGs, highlighted three cross-cutting issues: improving knowledge management, strengthening resource mobilization and capacities, and increasing transparency and accountability. At the invitation of the United Nations Secretariat, the President of IFAD, in his capacity as chair of the HLCP, provided an overview of the report and presented its key findings at the High-level Segment of the United Nations Economic and Social Council.

Taking into account the guidance provided to the United Nations system as a whole by the 2005 World Summit outcome document, the HLCP agreed on a number of priority issues requiring the committee’s future engagement, including peace-building, gender mainstreaming, migration, employment and sustainability. The committee also established two task forces to study the issues of curbing transnational crime and economic development, respectively.

United Nations Development Group

The United Nations Development Group (UNDG) is an instrument for United Nations reform that brings together 25 agencies, including IFAD. By developing policies and procedures for greater collaboration among these agencies, it plays an important role in advancing the United Nations' simplification, harmonization and alignment efforts. It has been tasked with supporting developing country efforts to achieve the MDGs, ensuring a coherent United Nations country presence, and helping to build national capacities.

IFAD contributes to the UNDG's work to improve the quality of United Nations country team programme collaboration, simplify and harmonize programme procedures, and set directions for UNDG deliberation and decision-making. During 2005, IFAD participated in developing guidelines for the United Nations' role in national and local capacity-building and in identifying modalities for engagement in United Nations country programmes of agencies without resident representation.

The African Union

During 2005, IFAD continued to cooperate with the African Union at the highest level. In January, IFAD took part in the sixth ordinary session of the Executive Council and the fourth ordinary session of the Assembly of the African Union, both of which were held in Abuja, Nigeria. The latter meeting was attended by more than 40 heads of State and government and the Secretary-General of the United Nations. The main issues discussed were food security and HIV/AIDS and other infectious diseases. Africa's conflicts and United Nations reform were also discussed.

IFAD's President attended a closed session on food security and other issues at the invitation of the chair of the African Union, President Olusegun Obasanjo of Nigeria, and the President of the Commission of the African Union, Professor Alpha Oumar Konaré. The session was attended by African leaders and the Secretary-General of the United Nations.

The African leaders asked IFAD, FAO and WFP to assist the African Union in drafting the Report on Food Security in Africa. The report was completed in August 2005, and will be presented to the African Union Assembly of Heads of State and Government in February 2006. IFAD provided two consultants and technical support to the African Union during preparation of the report.

United Nations Economic and Social Council

The 2005 session of the United Nations Economic and Social Council (ECOSOC) reviewed progress and identified future challenges and opportunities for achieving the goals of the Millennium Declaration and other United Nations conferences and summits. IFAD played an active part in the preparatory meetings and in the High-level Segment, underscoring the need to focus on agricultural and rural development to achieve the MDGs. The conclusions of the ECOSOC session subsequently informed deliberations at the 2005 World Summit.

Together with FAO and WFP, IFAD organized a round table on the eradication of poverty and hunger during the ECOSOC preparatory meeting in March. The round table focused on concrete options and specific recommendations for redoubling efforts to cut the proportion of the world's hungry and extremely poor people by half by 2015.

At the July meeting of the High-level Segment, IFAD worked with others to organize a forum to review progress in the implementation of the 2003 ECOSOC Ministerial Declaration on integrated rural development. There was an in-depth discussion on the topic of rural development, and IFAD shared its experience in implementing the declaration. The speakers unanimously underlined the importance of agriculture and rural development for economic growth, poverty reduction and attainment of the MDGs.

2005 World Summit

IFAD's engagement in the 2005 World Summit was guided by the twin objectives of supporting resource mobilization efforts and strengthening policy outreach for rural poverty reduction. The various initiatives carried out by IFAD in the course of the year to draw attention to rural poverty helped ensure that this concern was reflected in the 2005 World Summit outcome document. At the summit, world leaders agreed that agricultural and rural development must be addressed urgently in national development strategies. Development in those sectors should be an integral part of national and international development policies, and this will require a marked increase in productive investments and support for those sectors.

Together with the Government of Japan, IFAD organized a summit side event on the economic empowerment of rural women. The event addressed the links between poverty reduction, economic empowerment of rural women and gender equality. Panellists agreed on the major socio-economic challenges faced by rural women, and highlighted policy approaches and national experiences that successfully responded to those challenges. The discussion confirmed the broad agreement among policymakers and development practitioners on the crucial role that rural women play in attainment of the MDGs.

Dakar Agricole Forum

The Dakar Agricole Forum took place in February 2005. An initiative of Abdoulaye Wade, the President of Senegal, the forum brought together heads of State, academics, development practitioners and farmers' organizations to discuss the "agricultural divide" and the future of African agriculture. Farmers' organizations held a pre-forum meeting.

The forum was attended by seven heads of State, including the presidents of Nigeria and France, most African ministers of agriculture and various other African leaders. Representatives of farmers' organizations from around the world gathered at the pre-forum meeting to voice their concerns about international trade and its impact on farming families.

IFAD participated financially and technically in both events. In his address, the President of IFAD emphasized how important it is that rural poor people's voices be heard and that their needs be considered in the formulation of policies that affect them. IFAD promotes this process by working to strengthen farmers' organizations. At the pre-forum meeting the IFAD team sought feedback about the proposal to establish a farmers' organizations forum during IFAD's Governing Council.

The Dakar forum created an open and constructive debate among a wide range of stakeholders and raised awareness of the central role of agriculture in sustainable development. There was general consensus on the need for developing countries to adopt national policies that support agriculture.

International meeting on sustainable development for small island developing states

In January 2005, IFAD took part in the International Meeting to Review the Implementation of the Barbados Programme of Action for the Sustainable Development of Small Island Developing States (SIDS). The meeting was held in Mauritius. The Barbados Plan of Action was produced by the 1994 Global Conference on Sustainable Development of Small Island Developing States.

IFAD contributed a paper entitled Enhancing the Sustainable Development of the Small Island Developing States to the meeting. The paper highlighted lessons learned from development project experience in SIDS, particularly in people-centred approaches to development.

The meeting found that progress has been made in the past ten years. Some small islands have carved out new market niches, particularly in services such as finance, tourism, and information and communication technologies. The latter, in particular, have helped ease their isolation. The meeting also identified and discussed new and emerging issues, including trade, HIV/AIDS, renewable energy resources, information and communication technologies and security.

The meeting provided an opportunity for IFAD to strengthen its networks with representatives of small island countries and with civil society organizations and NGOs working with SIDS.

Beijing+10

Early in 2005, IFAD took part in the Review and Appraisal of the Beijing Declaration and Platform for Action. The UN Commission on the Status of Women dedicated its regular session to reviewing achievements and identifying the remaining obstacles to the implementation of the Beijing Platform for Action. A joint IFAD/International Land Coalition team, which included NGO representatives from Nepal and southern Africa, attended the meeting.

This was a global event. It brought together high-level representatives from governments and the UN system and more than 1,000 representatives from civil society. There were more than 260 side events.

During the conference, IFAD highlighted the need to improve women's access to productive resources. It organized a round table entitled Rural Women's Access to Land and Property and, jointly with the International Land Coalition, held a side event on the theme of Women's Access to Land and Water. During the meeting, IFAD also strengthened partnerships and networks with major players such as governments, UN agencies and NGOs on the key issues of gender, land and water; the status of women in rural areas; economic empowerment; and indigenous peoples.

Outreach activities in 2005

IFAD conducted outreach in several countries in 2005. Japan is an example of one of the organization's priority countries. During a visit to Japan in June, the President of IFAD delivered a public lecture at Tokyo University. The lecture focused on investment in agriculture as a key to the eradication of rural poverty. Some 300 students attended and participated in a lively question and answer session with the President after the lecture.

In August, IFAD participated in the UN pavilion at the World Expo 2005, held in Aichi, Japan, organizing a panel discussion entitled Indigenous Peoples and Natural Resource Management. The event included the screening of the film *Still, the children are here*, which shows how indigenous communities in north-east India are still practising traditional rice cultivation methods. Parliamentarians, including a former prime minister of Japan, and NGO representatives took part in the discussion.

In October, for the first time, IFAD played a part in the Global Festa, an international festival organized by the Japanese Ministry of Foreign Affairs, the Japan International Cooperation Agency and the Japan Bank For International Cooperation. The festival raises public awareness about Japan's international cooperation for sustainable development. More than 30,000 people visited Global Festa 2005, which opened with a workshop organized by IFAD drawing participants from a wide range of stakeholders in Japan, including development workers, university teachers, NGOs and students.

Also in October, IFAD organized a seminar in the Congress of the United States of America to examine private-sector engagement in microfinance. The meeting was co-sponsored by the Congressional Hunger Center. Discussion focused on stories from the field, provided by two of IFAD's NGO partners, FINCA International and ACCION International.

Seventh session of the Conference of the Parties of the Convention to Combat Desertification

In October an IFAD team took part in the seventh session of the Conference of the Parties (COP 7) to the United Nations Convention to Combat Desertification (UNCCD), held in Nairobi. IFAD presented a portfolio review of its programmes and projects showing that the number of UNCCD-related activities had grown steadily between 2002 and 2004. The review was conducted in close collaboration with the Global Mechanism (see page 77).

During the High-level Segment of COP 7, the Vice-President of IFAD delivered a statement stressing the importance of addressing land degradation issues. Because of the close link between land degradation and poverty, reversing desertification is essential to achieving the first MDG of halving the proportion of people living in extreme poverty by 2015.

During COP 7 the Vice-President also addressed the Sixth Round Table of Members of Parliament. He called on the parliamentarians to play their role in influencing policymakers and decision-makers in their countries and regions for effective implementation of the UNCCD. A short IFAD film on Burkina Faso was screened.

During the session, IFAD took part in talks about the upcoming International Year of Deserts and Desertification in 2006, in its role as one of the focal points for the year. On the occasion of COP 7, the news magazine *Africa Week* featured a cover story on IFAD and desertification.

IFAD's recently established Global Environment Facility (GEF) Unit (see page 35) also contributed significantly to COP 7. The unit organized and participated in several meetings and side events, including the presentation of the Country Partnership Programme on Sustainable Land Management in Burkina Faso and the launch of TerrAfrica, at the same time pursuing new partnerships and initiatives. With financial support from the GEF Secretariat, the unit also organized a field visit to a pilot project in Kenya that is supported by IFAD and GEF.

World Summit on the Information Society

During the second phase of the World Summit on the Information Society (WSIS), held in Tunis from 15 to 18 November, IFAD organized a panel discussion entitled Eradicating Rural Poverty by Connecting Rural Communities. The purpose was to highlight the issues and lessons emerging from IFAD's First Mile Project in the United Republic of Tanzania and to discuss their implications regionally and globally.

The main purpose of the First Mile Project is to determine whether access to information and communication technologies (ICTs) can help rural poor people communicate and negotiate with others along the market chain to build fairer and more efficient market relationships.

The panel discussion highlighted such issues as:

- the importance of relevant local content
- how local people are using and adapting ICTs in innovative ways to their own circumstances and needs
- convergence and complementarity of traditional and new ICTs
- the importance of an enabling policy and regulatory environment

Ideas emerged from the discussion on how to increase the positive impact of ICTs in rural areas of developing countries, and how to ensure that ICTs can contribute in meaningful, substantive and sustainable ways to the eradication of rural poverty and achievement of the Millennium Development Goals.

International Year of Microcredit

The International Year of Microcredit was celebrated in 2005. Almost three quarters of IFAD's programmes and projects provide financial services to rural poor people, and the organization played an active role in celebrating the year.

To mark the year and share its experience in the field, IFAD developed a series of tools and publications on key microfinance issues. It also supported research, working with the Consultative Group to Assist the Poorest (CGAP) to develop a research agenda on agriculture microfinance that was shared with donors and practitioners. It supported innovation, promoting the Rural Pro-Poor Innovation Challenge, a competitive, demand-driven facility that funds microfinance institutions with new approaches to providing services in rural areas.

In partnership with the Microfinance Information eXchange (the MIX), IFAD continued to promote performance monitoring and transparency among its rural finance partners through the web-based MIX Market. IFAD also participated in the preparation of the *Blue book on building inclusive financial sectors*, a compilation of microfinance institutions' experiences.

In April, IFAD participated in the Latin American/Caribbean Region Microcredit Summit Meeting of Councils, which highlighted the importance of financial services for poor rural people. In June, the organization took part in a conference held at FAO to discuss the importance of microinsurance services to poor people.

Throughout the year, articles and opinion editorials were written and disseminated through publications such as *All Africa*, radio stations like Kenya Broadcasting Corporation, and international newswire services such as the Associated Press. An e-mail campaign was also launched whereby a message about microfinance was included in every e-mail sent from IFAD.

Economic Commission for Africa

In May 2005, IFAD's Vice-President took part in the thirty-eighth session of the Commission/Conference of African Ministers of Finance, Planning and Economic Development, held in Abuja, Nigeria. The session was organized by the United Nations Economic Commission for Africa (ECA). The theme for the year was Achieving the Millennium Development Goals in Africa. The conference was preceded by the twenty-fourth meeting of the Committee of Experts, in which IFAD also participated.

The conference stressed that the majority of countries in Africa continue to face serious challenges and are not on track to achieve the MDGs by 2015. In this context, agriculture and rural development were given top priority. IFAD presented a paper on the theme of Rural Poverty and MDG Challenges in Africa. Following IFAD's contribution to the debate, the ministerial declaration highlighted the issues of rural poverty reduction and access by rural poor people to markets.

The meeting recommended that a second generation of poverty reduction strategies be prepared by African countries, expanding on existing poverty reduction strategy papers (PRSPs) to better focus on the MDGs and address critical areas. IFAD will work with the countries to ensure that the new PRSPs sharpen the focus on rural poverty reduction and that pro-poor development approaches are included.

Gender policy discussions at United Nations headquarters in New York

Throughout the year, IFAD highlighted gender-related issues in rural poverty reduction, and particularly the need to empower rural women, at a number of events at United Nations headquarters. These included the session of the Committee for the Elimination of All Forms of Discrimination Against Women, the Commission on the Status of Women, and the Social, Humanitarian and Cultural Committee of the United Nations General Assembly. As a result of work on these fronts, the situation of rural women has received greater attention in the relevant United Nations bodies, and improved references to issues of concern to rural women have been included in legislative texts, as well as in the outcome document of the 2005 World Summit.

Other policy arenas

In March, together with the Center for Global Development, IFAD co-hosted a seminar in Washington, D.C., entitled Poverty Reduction as if Rural People Mattered. The seminar aimed to increase awareness among policymakers and advocates of the need to give greater priority to rural development as part of larger poverty reduction efforts. The event was attended by nearly 200 people and sparked a lively discussion. It was part of ongoing efforts to provide information and education about the dimensions of rural poverty and development.

Partnerships

Mobile phones have become an important way for farmers' groups to share market information in Babati district in the United Republic of Tanzania.



Belgian Survival Fund

The year 2005 was a significant one for the partnership between the Belgian Survival Fund (BSF) and IFAD. It began with the celebration of the twentieth anniversary of the partnership at the twenty-eighth session of the IFAD Governing Council in February 2005. The President of Uganda, Yoweri Museveni, and the Prime Minister of Belgium, Guy Verhofstadt, addressed the audience on the occasion. Prime Minister Verhofstadt underscored the synergy between IFAD and the BSF, which share the same philosophy and are working together towards the MDGs by focusing on child mortality reduction, basic education for all, maternal healthcare, HIV/AIDS prevention and sustainable development. President Museveni opened the Governing Council and commended IFAD for its contribution towards rural development in Uganda and in other countries around the world.

During 2005, IFAD and the Government of Belgium further strengthened the strategic elements of their long-standing partnership. Special efforts were devoted to the issues of evaluations, knowledge management, increased dialogue with Belgium and more effective support for project implementation.

At the end of 2005, the BSF had provided approximately US\$140.0 million in 43 grants to programmes and projects in Angola, Burkina Faso, Chad, the Democratic Republic of the Congo, Eritrea, Ethiopia, Kenya, Mali, Mozambique, the Niger, Rwanda, North-western Somalia (Somaliland), Uganda and the United Republic of Tanzania.

In July 2005, the Government of Belgium approved additional BSF financing of €525,000 (US\$627,000) for the Northern Region Foodcrops Development Project in Angola, which restarted work in 2003, with the beginning of the peace process. The funds will be used to strengthen the BSF-funded community rehabilitation component. This is focusing on the construction and repair of schools, health centres, wells, boreholes, roads and bridges, all of which will contribute to the resettlement of families returning to rural areas after the war.

Cofinancing of €4.9 million (US\$5.9 million) was also approved for the Mali Northern Regions Investment and Rural Development Programme, which is preparing to start work. The funds will be used to develop sustainable health, nutrition, water and sanitation components in the programme.

As part of the IFAD-BSF-International Land Coalition partnership, the BSF agreed to finance the Collaborative Action on Land Issues Joint Programme in the Niger and Uganda. The BSF will provide a maximum of €425,000 (US\$500,000) for the two-year pilot programme, which has an action-research component on land tenure issues.

During 2005, a new IFAD/BSF programme was formulated for the Democratic Republic of the Congo. The Agricultural Rehabilitation Programme in Orientale Province incorporated lessons learned in the other programme in the country cofinanced by IFAD and the BSF, the Agricultural Revival Programme in Equateur Province. There was specific focus on lessons learned regarding post-conflict and post-crisis interventions, support to farmers' organizations, and capacity-building for public services.

In 2005, for the first time, IFAD proposed a sector-wide approach (SWAp) programme for BSF cofinancing: the Agricultural Sector Development Programme – Livestock: Support for Pastoral and Agro-Pastoral Development in the United Republic of Tanzania. The BSF provided cofinancing amounting to €4.0 million (US\$4.8 million) for social-sector investments that will build on the successes of an earlier BSF-funded project in the country. Work done by the Water Supply and Health Project in Marginal Areas will be consolidated in two districts, and new activities will start in a third district. An estimated 73 villages will benefit from the new programme's water supply facilities.

During 2005, BSF bridge financing of €400,000 (US\$500,000) was approved for the Uganda Women's Effort to Save Orphans (UWESO) Development Programme in Uganda. The programme is a unique, innovative and replicable model for poverty reduction interventions in post-conflict and HIV/AIDS environments. In line with the recommendations of the programme's completion evaluation, UWESO will embark on a process of institutional reform leading to full sustainability and multi-donor programme cofinancing.

Mid-term reviews with BSF participation were organized during 2005 for the Northwestern Integrated Community Development Programme in Somaliland (Northwestern Somalia), the Sofala Bank Artisanal Fisheries Project in Mozambique, and the Gash Barka Livestock and Agricultural Development Project in Eritrea. The reviews identified constraints to implementation and recommended corrective action. In Eritrea and Mozambique, measures were taken to improve the performance of the BSF-funded social services components, and to integrate them more fully into the overall project frameworks. In Somalia, the review confirmed that overall implementation performance was satisfactory, particularly in the light of the complex social context in which the programme is being implemented.

Under the guidance of the Institute for Tropical Medicine in Antwerp, Belgium, an impact assessment survey was carried out for the BSF-funded water, sanitation and health components of the Southern Region Cooperatives Development and Credit Project in Ethiopia. This survey will provide a complete picture of the BSF components' achievements and impact at all levels of project implementation, and will be incorporated into the project completion report.

In February 2005, six Belgian parliamentarians, accompanied by representatives of the Directorate-General for Development Cooperation, the Cabinet of the Belgian Minister for Development Cooperation and BSF partners, visited the Project for the Promotion of Local Initiative for Development in Aguié, in the Niger. This visit was part of periodic sensitization and follow-up and of an overall review of the BSF portfolio in the country.

International Land Coalition

Since its creation in 1995, the International Land Coalition has served as a forum for policy dialogue and a convener of joint programmes and activities among intergovernmental, governmental and civil society organizations, to improve the access of rural poor people to land and related productive assets. The Land Coalition is hosted at IFAD and is independently governed by an Assembly of Members, which meets once every two years, and a Coalition Council of six intergovernmental and eight civil society organizations, which meets twice each year. In 2005, the Assembly of Members met in Santa Cruz, Bolivia.

Six strategic areas form the core of the Land Coalition's action programme:

- building coalitions and networks
- creating space for dialogue
- advocating for rural poor people's secure access to land
- promoting collective empowerment and capacity-building
- documenting and sharing knowledge
- scaling up civil society experiences

The Land Coalition is not a project-funding organization.

The meeting of the Assembly of Members in Bolivia in March was the highlight of the year. It brought together members and partners from 40 countries to share their best practices and to guide the strategic and operational activities of the Land Coalition over the next biennium. This was the first time that the Assembly had been convened outside of Rome, and delegates agreed that future meetings of the membership should again be held in developing regions. The Bolivia venue made field visits possible and focused international attention on the issue of agrarian reform, generating more than 100 media stories and appearances. It also boosted international solidarity with both the President of Bolivia and his government and with civil society organizations, in support of their joint efforts to advance the land reform agenda in their country. The Assembly Declaration for Collective Action will be the foundation for the policy and advocacy work of the Land Coalition until the next Assembly in 2007.

The Assembly identified ten lessons that can contribute to the success of agrarian reform and rural development programmes:

- situate access to land in a socio-political framework
- create multi-stakeholder spaces for dialogue
- strengthen the role of communities in policymaking
- promote a precautionary principle for the use of land as collateral
- support and protect common property and group rights to land
- advocate for the legal protection of the resource rights of poor households
- encourage government compliance with international commitments to land reform
- support strategies to prevent and resolve resource-based conflicts
- encourage countries to establish inclusive decision-making processes
- use information technology to strengthen collective action

These ten lessons may be useful to governments and other stakeholders in preparing their participation in the International Conference on Agrarian Reform and Rural Development (ICARRD), to be held in Porto Alegre, Brazil, in March 2006.

In 2005, the Land Coalition supported 62 projects of its civil society partners in 42 countries. These included 41 projects under the Community Empowerment Facility, 11 under the Knowledge Programme and 10 under the Network Support Programme.

The Land Coalition contributes to the development of public policy on issues related to access to land and productive resources by generating new and additional knowledge based on experiences at the grass-roots level, identifying best practices, supporting community-based experiences and carrying out normative work. In this way the Land Coalition positions important land themes in its advocacy and on the agendas of international, regional and national events.

In 2005, in consultation with its intergovernmental and civil society partners, the Land Coalition formulated policies on four themes:

- conflicts over land
- common property systems
- pastoralists and tenure issues
- the cost of land, or can land funds work for the poor?

A comparative review of multilateral and bilateral land policies and programmes was also completed. Published results are available from the Secretariat. Additional information about the International Land Coalition can be found at <http://www.landcoalition.org>.

Global Mechanism

Established in 1997, the Global Mechanism is the organ of the United Nations Convention to Combat Desertification (UNCCD) that works with member countries to mobilize resources to halt land degradation and poverty. The Global Mechanism also contributes to national policy processes, working with governments to integrate sustainable land management issues into their development frameworks. IFAD has hosted the Global Mechanism since its inception, and the two organizations work closely together. In 2005, IFAD was chair of the Global Mechanism Facilitation Committee.

Since the establishment of the Global Mechanism, IFAD has contributed US\$6.3 million to its operational budget. This has enabled the Global Mechanism to provide catalytic financing to 29 countries and 12 subregions to elaborate and implement UNCCD action programmes. IFAD continues to provide the Global Mechanism with full administrative services for human resource development and financial management.

During 2005, a new director was appointed to the Global Mechanism. The appointment was followed by development of a consolidated strategy and enhanced approach to resource mobilization. Under the new strategy, the Global Mechanism will:

- provide long-term support to country partners
- engage in strategic small-scale interventions at the national and regional level
- collaborate in regional processes that support policy dialogue

Boosting cooperation with IFAD will be a central focus of the Global Mechanism's strategic approach for the next biennium (2006-2007). Over the past 25 years, IFAD has committed about US\$3.5 billion in support of dryland development, and the organization's support of the UNCCD is increasing. The share of UNCCD-related loans and grants in IFAD's portfolio increased from 35 per cent in 2002 to 55 per cent in 2004.

In October 2005, the Global Mechanism and IFAD attended the seventh session of the Conference of the Parties (COP 7) that oversees the implementation of the Convention to Combat Desertification. The meeting was held in Nairobi. Participants discussed a report from the Global Mechanism on its work and successes in mobilizing financial resources to assist affected countries. The meeting also endorsed the Global Mechanism's consolidated strategy and enhanced approach. On this basis, during the last part of the year, the Global Mechanism prepared its plan of work and budget for 2006 and started to update its rolling business plan for the coming years.

During COP 7, the World Bank launched TerrAfrica, a programme that has the aim of strengthening investment in sustainable land management in Africa. The Global Mechanism is on the steering committee of TerrAfrica because of its institutional role in the UNCCD as a financial mechanism.

The first portfolio review of IFAD-funded loans and grants related to UNCCD objectives was presented at COP 7. This joint undertaking by IFAD and the Global Mechanism showed that 68.5 per cent of all loans and 38.5 per cent of all grants approved between 2002 and 2004 were relevant to the UNCCD. The review used the Rio markers methodology developed by the Global Mechanism and the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD). Rio markers identify activities that target the objectives of the three Rio conventions: the UN Convention on Biological Diversity, the UN Framework Convention on Climate Change and the UNCCD. The review was well received and other organizations, such as the World Bank, expressed interest in using the methodology.

A second phase of the portfolio review was approved. It will refine the methodology, examine the reasons and incentive mechanisms that lead to the integration of sustainable land management into IFAD's strategies and planning cycles, and disseminate the findings to other interested organizations. Lessons learned will be included in IFAD's learning notes (see page 36) so that country programme managers can use them in project formulation. This will increase integration of UNCCD objectives into IFAD operations, improve reporting on UNCCD-related activities and promote learning from experience.

During 2005, in collaboration with IFAD and other partner organizations and as part of the enhanced approach, the Global Mechanism developed a knowledge management and communication strategy, which includes a programme of events and initiatives for the 2006 International Year of Deserts and Desertification. The programme will highlight the global nature of desertification, with its devastating environmental, social and economic costs; its aim is to establish sustainable land management as a high priority on the international development agenda.

Promoting innovation and research partnerships: the Consultative Group on International Agricultural Research and the Global Forum on Agricultural Research

During the year, IFAD continued to play a leadership role in the Consultative Group on International Agricultural Research (CGIAR), as co-sponsor together with the World Bank, FAO and UNDP. IFAD consistently highlighted the need for research targeted at improving the generation and impact of pro-poor technologies and for promoting the related methodological, institutional and professional changes. In 2005, IFAD approved grants in the amount of US\$4.75 million for four CGIAR-led programmes.

IFAD also continued to play an active role in the CGIAR Executive Council, contributing to the dialogue on performance measurement, and to programme and organizational alignment, intended to enhance the effectiveness and efficiency of the research and development processes of the CGIAR system. IFAD also contributed to a book entitled *Agricultural research and poverty reduction: some issues and evidence*, which was widely distributed in the global agricultural research system in 2005.

As co-sponsor of the CGIAR, IFAD also supports the development of effective and inclusive research governance mechanisms that respond to the needs of rural poor people, and stresses the importance of systematic interaction with downstream research partners. Such partners include national agricultural research institutes, NGOs, agricultural universities, the private sector and producer organizations.

IFAD has supported the Global Forum for Agricultural Research (GFAR) since its inception in 1996. GFAR works to support worldwide collaborative research partnerships. It fosters inclusiveness in the decision-making processes that set and deliver research agendas at the global level, with particular reference to the involvement of civil society organizations such as farmers' associations and NGOs. This is the aspect of GFAR that IFAD supports.

During 2005, GFAR began to work with the International Federation of Agricultural Producers (IFAP), exploring creative ways to connect local initiatives that empower farmers, as researchers, with collective actions taken by the producers' organizations on their behalf in order to influence strategic decisions affecting research and development. IFAD's support to this initiative is intended to strengthen the work carried out at the field level to set up more democratic research governance mechanisms. This facilitates the participation of different interest groups, benefiting smallholders and involving them in all stages of the decision-making process.

Partnerships with intergovernmental agencies

New Partnership for Africa's Development

During 2005, IFAD continued to support the New Partnership for Africa's Development (NEPAD), working in particular to ensure that farmers' organizations are fully involved in implementation planning for the Comprehensive Africa Agriculture Development Programme (CAADP).

Using supplementary resources contributed by the Government of Italy, IFAD supported consultations among national and subregional farmers' organizations to enable them to agree on a common vision for African agricultural development. On the basis of these consultations, delegates were prepared to represent the grass-roots position at a series of CAADP regional implementation planning meetings held by NEPAD.

In May 2005, IFAD took part in the G8/NEPAD Summit on the Implementation of the CAADP, held in Accra, Ghana. The summit brought together government representatives, private-sector leaders, G8 members, heads of bilateral and multilateral development organizations, regional economic communities, and civil society and farmers' organizations, whose contributions were among the highlights of the meeting.

At the summit, IFAD's Vice-President stressed that the organization would continue its work to support the CAADP implementation process, enabling farmers' and professional organizations to play an active part, and strengthening the capacities of regional economic communities.

IFAD will also play a key role in specific NEPAD initiatives to scale up innovations, such as New Rice for Africa (NERICA), as well as in the dissemination of processing technologies and the development of regional markets for cassava, improved approaches for agricultural water use, and promotion of rural finance at the regional and continental levels.

OPEC Fund for International Development

In 2005, IFAD and the Organization of the Petroleum Exporting Countries (OPEC) Fund co-published a brochure highlighting their work together over the past 26 years. *IFAD and the OPEC Fund: a partnership to eradicate rural poverty* was launched on 1 October during the fourth session of the Consultation on the Seventh Replenishment of IFAD's Resources, held in Doha, Qatar.

IFAD's President and the Director-General of the OPEC Fund met in September 2005 to review ongoing operations and discuss ways to build on the successes of the partnership.

The OPEC Fund is the largest cofinancier of IFAD-sponsored programmes and projects after the World Bank. Over the past 26 years, IFAD has worked with the OPEC Fund on 57 projects in 33 countries. The OPEC Fund has provided nearly US\$270.0 million in cofinancing, and IFAD has provided US\$575.0 million. IFAD has also lent a total of nearly US\$500.0 million in funds for 29 projects in OPEC member states: 6 in Algeria, 12 in Indonesia, 7 in Nigeria and 4 in Venezuela (Bolivarian Republic of). These projects attracted substantial cofinancing and had a total investment cost of about US\$1.4 billion.

Harmonization and alignment follow-up

IFAD took part in the Second High-Level Forum on Aid Effectiveness, held in Paris in spring 2005. The organization played an active role in the forum's discussions and also participated in the round tables that preceded the main meeting. In addition, IFAD presented a statement highlighting its work in support of the harmonization agenda.

The forum in Paris was a milestone in the overall preparations by the international community for the 2005 World Summit that reviewed progress towards achieving the MDGs. The forum endorsed the Paris Declaration, which contains some 50 commitments to improve aid delivery while placing more emphasis on country ownership and government leadership of development interventions, and on results. The declaration commits partner countries, donors and multilateral development agencies to undertaking concrete and monitorable actions within a specific time frame in the areas of alignment, harmonization and results. It also commits donors to providing aid in more streamlined ways, while meeting the needs of developing countries.

Organisation for Economic Co-operation and Development's Development Assistance Committee Network

PovNet was established in 1998 by members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) to help bilateral aid agencies sharpen the focus and impact of their poverty reduction efforts. Its membership is informal and it brings DAC members together with other development organizations such as United Nations agencies and international financial institutions.

PovNet's current mandate is to develop policy guidance for donors on using aid effectively to promote economic growth and poverty reduction. Task teams focus on three sectors: agriculture, infrastructure and the private sector. The work of the three task teams and of two cross-cutting teams will be inputs in the paper on promoting pro-poor growth, which will be the final policy product under this PovNet mandate.

IFAD is a member of the PovNet Agriculture Task Team (ATT). The team works to develop a shared understanding of the role of agriculture in pro-poor growth and has prepared 14 background chapters on agriculture and pro-poor growth over the past two years. During 2005, IFAD prepared Chapter 12 of the series, entitled *Revitalizing Science and Technology for Pro-Poor Agricultural Growth*. This paper and others were discussed at the ATT meeting hosted by IFAD in Rome in March 2005. The meeting was opened by the Vice-President of IFAD. A synthesis paper based on the 14 chapters was reviewed by team members at the PovNet ATT September meeting in Paris.

In November 2005, IFAD participated in the general PovNet meeting. Two task teams and two cross-cutting teams presented the final drafts of their work, and the paper on infrastructure was endorsed by PovNet members. Work on the agriculture paper was still ongoing and the final draft for comments was to be distributed by the end of the year. In addition, PovNet members extensively discussed the draft of the overarching paper, *Promoting Pro-Poor Growth*, and it was agreed that major editorial changes are still required for final PovNet endorsement. The members also discussed possible working areas for the next PovNet mandate, which will start in 2007.

Global Donor Platform for Rural Development

The Global Donor Platform for Rural Development is a joint initiative of donor organizations established in 2003. The platform's objective is to reduce poverty and enhance economic growth in rural areas of developing countries. The principal aims of the initiative are to:

- advocate on behalf of rural poor people and the agriculture agenda
- raise the quality and impact of rural development investments through shared learning
- foster collaborative efforts among development partners at the country level

Because of its exclusive focus on development in rural areas, IFAD was invited to join the platform at its inception. The Secretariat is in Bonn, Germany.

As a member of the steering committee, IFAD works along with its partners in the platform to influence the global development agenda in favour of rural poor people. One initiative of particular interest to IFAD is a study in selected countries that analyses the issues influencing rural poor people's participation in PRSP processes. The second initiative concerns support to FAO initially through peer review of a study on the effectiveness of SWaps as instruments for poverty reduction. IFAD will continue to play an active role in the platform, both in the steering committee and by contributing to the knowledge base from its country programmes.

Partnerships with civil society

Strengthening the capacity of rural poor people and their organizations is one of IFAD's three strategic objectives. Further, as its Strategic Framework 2002-2006 clearly states, IFAD also works to enable rural poor people and their organizations to influence institutions, and policies, laws and regulations of relevance to rural poverty.

From the beginning of its operations and in almost all of its activities, IFAD has worked with grass-roots farmers' groups and community-based organizations. Focus on the grassroots is central to IFAD's mandate.

In addition, recognizing the limits of an exclusive focus on the grassroots, IFAD has sought to enhance its engagement with rural people's organizations in the design and implementation of its operations, the articulation of its regional and country strategies, and policy dialogue and advocacy activities at the national, regional and global level.

As part of these efforts, IFAD decided to establish a farmers' forum – a periodic platform that will bring together farmers' and rural producers' organizations from developed and developing countries. The forum will provide a space to share experiences and concerns, learn from one another, build solidarity and articulate positions and recommendations that, in turn, could be presented to key policymakers.

In February 2005, IFAD organized a workshop in partnership with major global and regional networks of farmers' and rural producers' organizations, including the International Federation of Agricultural Producers (IFAP), Via Campesina and the Network of Peasant Organizations and Agricultural Producers in West Africa (ROPFA), to consider the idea of a farmers' forum. The workshop was held in Rome as a side event of the twenty-eighth session of IFAD's Governing Council, and it brought together 34 representatives of farmers' and rural producers' organizations from all over the world.

They discussed the proposals put forward by ROPPA and IFAD for a farmers' forum as a permanent side event of IFAD's Governing Council meetings with IFAD staff and FAO colleagues. The participants supported the overall proposal of creating a farmers' forum for consultation and dialogue on rural poverty reduction through economic, social and political empowerment of rural poor people and their organizations. They presented a concluding statement to IFAD, recommending that the farmers' forum be an ongoing, bottom-up process rather than a periodic event, spanning IFAD-supported operations on the ground and policy dialogue. The forum process would start with consultations at the national level feeding into subregional and regional meetings. The latter would then shape the content of, and participation at, the farmers' forum at the Governing Council. The first forum would take place at the 2006 Governing Council. During 2005, in addition to a number of national consultations, two regional consultations were held in Asia and in Western and Central Africa.

In June 2005, a meeting was organized at IFAD with a delegation from AgriCord, a network of "agri-agencies" linked to the Development Cooperation Committee of the International Federation of Agricultural Producers. Agri-agencies are NGOs created by farmers' organizations in developed countries to contribute to the development cooperation initiatives of their governments, particularly in building the capacities of farmers' and rural producers' organizations in developing countries. During the meeting, prospects for cooperation between IFAD and AgriCord in strengthening the capacity of rural organizations was discussed, and a joint programme will be launched in 2006 for capacity-building activities addressing the needs of farmers' and rural producers' organizations in Africa.

In 2005, IFAD supported the publication of the annual Hunger Report of the Bread for the World Institute. The theme of this year's report was Strengthening Rural Communities. The report stresses the need to focus immediate attention on the development challenges facing rural communities around the world, and argues that failure to do so will jeopardize progress toward the MDGs. The report is a valuable resource for anti-hunger advocates and activists, providing background information and analysis on key dimensions of hunger and poverty.

Partnerships with Rome-based United Nations agencies

International Alliance Against Hunger

IFAD continued to cooperate with the International Alliance Against Hunger (IAAH) in 2005. In particular, the organization worked to promote alliances against hunger at the community level. In April and May, IFAD and IAAH carried out a participatory assessment in Nonglang village in the State of Meghalaya in the north-eastern region of India, exploring ways of creating alliances to help overcome hunger and poverty.

The IAAH mission worked with people participating in an ongoing IFAD project to identify the community's perception of hunger and poverty, while exploring with local people the issue of whether alliances could be built within and outside the community. On the basis of local people's suggestions, IFAD and IAAH had discussions with key leaders and officials of the State of Meghalaya and the Government of India. The idea of a community-led state alliance against hunger was enthusiastically accepted by all stakeholders.

In October 2005, IAAH hosted a follow-up meeting in Rome with representatives of the State of Meghalaya and representatives of the civil society and faith-based organizations participating in the alliance. IFAD approved a grant to IAAH to support the emerging community-led alliance against hunger in Meghalaya.

UN Millennium Project report

The year 2005 was a milestone for the international community's drive to meet the MDGs. With only ten years to go before the 2015 deadline, IFAD and its partners stepped up their own efforts to achieve the MDGs and to focus international attention on how much is still to be achieved. Among other activities, in January IFAD, FAO and WFP jointly launched the UN Millennium Project report, entitled *Global plan to achieve the Millennium Development Goals*.

The report recognizes that while some countries are making good progress, most of the poorest countries are not on track towards achieving the MDGs by 2015, including the goal to reduce by half the proportion of people suffering from hunger and extreme poverty. It concludes that the MDGs will not be met unless the international community puts agriculture and rural development at the top of the development agenda.

Operational aspects

Testing milk at a collection centre
in the Central Bekaa valley, Lebanon.



Programme and project portfolio management

In 2005, IFAD continued to strengthen its programme and project management processes to improve development effectiveness and impact. In particular, IFAD focused on its self-evaluation processes. It upgraded portfolio review practices and instituted a system to closely monitor actions taken following project evaluations. A new set of portfolio review guidelines was issued in June 2005.

Under the improved portfolio review process, assessments are more rigorous, and there is a system to identify the root causes behind weak performance and to propose corrective actions. During 2005, the review process also helped identify strategic issues in the regional portfolios and areas where operational processes can be improved.

During the year, the portfolio management function also focused strategically on managing knowledge to boost impact. This involved:

- increasing cooperation between operations and evaluation
- sharpening the focus on learning during project completion reviews
- putting the operational lessons learned during supervision and mid-term reviews into practice more quickly in the field

At year-end, there were 184 programmes and projects in the ongoing portfolio, for a total IFAD investment of more than US\$2.8 billion (Table 5).

Programme and project supervision and cooperating institutions

Supervision of the majority of IFAD-financed programmes and projects continued to be contracted to a select number of cooperating institutions during 2005. Thirteen programmes and projects, or about 7 per cent of the active portfolio, were directly supervised by IFAD during 2005 as part of the Direct Supervision Pilot Programme. At year-end, 171 active programmes and projects were supervised by cooperating institutions, of which 125 (some 73 per cent) were supervised by the United Nations Office for Project Services (UNOPS) and 46 by other supervising institutions (Table 6). By the end of 2005, two of the directly supervised pilot projects had been completed.

The corporate-level evaluation of directly supervised projects, carried out by IFAD's independent Office of Evaluation, was published in 2005. Taking into account the recommendations of this and earlier evaluations, a new supervision and implementation support policy will be presented to the Executive Board by mid-2007.

The project portfolio and lending trends

In 2005, 31 new programmes and projects were approved, financed through IFAD loans worth US\$478.4 million (see Table 1) and project component grants worth US\$6.2 million (Table 8). The total cost of these programmes and projects is estimated at US\$1,053.2 million, of which US\$153.7 million will be provided by other external financiers and US\$414.8 million by financiers in the recipient countries – primarily the governments. When fully operational, these projects are expected to directly benefit more than 14 million people.

Grants worth a total of US\$36.6 million were approved in 2005 (Table 8).

Since it began operations in 1978, IFAD has supported 707 programmes and projects in 114 countries and in Gaza and the West Bank for total financing of US\$9,004.9 million (Table 7). Governments and other financing sources in the recipient countries, including individuals and households participating in the projects, have contributed about US\$8,791.3 million. Another US\$6,995.0 million came from external cofinanciers, of which bilateral donors contributed US\$1,182.6 million, multilateral donors US\$5,475.6 million, and NGOs US\$25.2 million (Table 1). Basket funding or similar arrangements amounted to about US\$72.7 million and private-sector sources accounted for some US\$7.9 million. Cofinancing from sources yet to be confirmed amounted to US\$230.9 million.

TABLE 5
Ongoing programme and project portfolio by region^a
(as at end December 2005)

	Number of programmes and projects	IFAD investment ^b (amounts in US\$ million)
Western and Central Africa	41	518.0
Eastern and Southern Africa	39	589.8
Asia and the Pacific	41	785.1
Latin America and the Caribbean	30	460.7
Near East and North Africa ^c	33	484.5
Total^d	184	2 838.1

Source: Project and Portfolio Management System.

^a The ongoing portfolio consists of approved programmes and projects that have reached effectiveness but have not yet been completed.

^b Amounts as per the Report and Recommendation of the President for each loan presented to the Executive Board. Amounts include grants that are components of loan-funded programmes and projects.

^c This region includes countries in the former Soviet Union, Eastern Europe and Central Europe.

^d Any discrepancy in totals is the result of rounding.

TABLE 6
IFAD cooperating institutions entrusted with loan administration and programme and project supervision
Regular Programme and Special Programme for Sub-Saharan African Countries
Affected by Drought and Desertification^a

Cooperating institution	Programmes and projects at end 2003		Programmes and projects at end 2004		Programmes and projects at end 2005	
	Number	%	Number	%	Number	%
African Development Bank	3	1.6	1	0.6	1	0.6
Andean Development Corporation	14	7.7	12	6.7	10	5.8
Arab Fund for Economic and Social Development	8	4.4	7	3.9	4	2.3
Asian Development Bank	4	2.2	2	1.1	2	1.2
Caribbean Development Bank	4	2.2	4	2.2	2	1.2
Central American Bank of Economic Integration	3	1.6	4	2.2	4	2.3
United Nations Office for Project Services	113	62.1	118	66.3	125	73.1
West African Development Bank	10	5.5	8	4.5	8	4.7
World Bank	23	12.6	22	12.4	15	8.8
Total^c	182	100.0	178	100.0	171	100.0

Source: Project and Portfolio Management System.

^a Year reference for programmes and projects relates to loan effectiveness. Figures refer to approved programmes and projects that have not been completed for each year period.

^b Programmes and projects may change cooperating institution. This table shows numbers of cooperating institutions at end 2005 for programmes and projects that were effective in 2003, 2004 and 2005.

^c Figures do not include programmes and projects supervised or administered directly by IFAD.

TABLE 7
IFAD financing by region, 1978-2005^a
(amounts in US\$ million)

	1978-1984	1985-1994	1995-2004	2005	%	1978-2005	%
Western and Central Africa							
Total amount	265.2	537.4	687.3	86.5	17.8	1 576.3	17.5
Number of programmes and projects	31	60	58	6		155	
Recipient borrowers						24	
Eastern and Southern Africa							
Total amount ^b	289.4	473.8	761.1	65.5	13.5	1 589.8	17.7
Number of programmes and projects	26	45	54	5		130	
Recipient borrowers						20	
Asia and the Pacific							
Total amount	819.0	718.2	1 164.6	207.6	42.8	2 909.3	32.3
Number of programmes and projects	45	56	67	11		179	
Recipient borrowers						21	
Latin America and the Caribbean							
Total amount	298.8	355.2	716.4	53.0	10.9	1 423.3	15.8
Number of programmes and projects	32	38	48	3		121	
Recipient borrowers						28	
Near East and North Africa^c							
Total amount ^b	335.7	399.2	699.2	72.1	14.9	1 506.2	16.7
Number of programmes and projects	28	36	52	6		122	
Recipient borrowers						22	
Total IFAD financing^{d, e}	2 008.1	2 483.7	4 028.5	484.6	100.0	9 004.9	100.0
Total number of programmes and projects^f	162	235	279	31		707	
Total recipient borrowers						115	

Source: Project and Portfolio Management System.

^a Amounts as per the Report and Recommendation of the President for each loan presented to the Executive Board. Amounts include grants that are components of loan-funded programmes and projects.

^b Programmes and projects totally financed by grants are included.

^c This region includes countries in the former Soviet Union, Eastern Europe and Central Europe.

^d Any discrepancy in totals is the result of rounding.

^e Includes four programmes (with IFAD financing of US\$33.7 million) approved in 2005 outside the Regular Programme for countries affected by the tsunami.

^f Fully cancelled or rescinded programmes and projects are not included.

Regional⁴ and priority country lending

In 2005, the Asia and the Pacific region received 38.5 per cent of new loans (Chart 2). Sub-Saharan Africa received 33.7 per cent of new loans in 2005. The Near East and North Africa received 16.0 per cent of new lending, and Latin America and the Caribbean 11.8 per cent.

IFAD continues to emphasize assistance to least developed countries and countries with low food security. Of 2005 lending, 82.7 per cent was to low-income food-deficit countries – as classified by FAO – and 37.7 per cent to the UN-classified least developed countries (Table 9).

4/ See pages 14, 18, 22, 26 and 30 for lists of countries by administrative region.

TABLE 8
Summary of grant financing, 1978-2005^a
(amounts in US\$ million)

	1978-2003	%	2004	%	2005	%	2004-2005	%
Projects and project component^b								
Amount	32.4	7.0	3.1	9.3	6.2	16.9	9.3	13.3
Number of grants	40		6		12		18	
Project preparation/ Project Development Fund^{c, d}								
Amount	89.4	19.3	0.0	–	0.0	–	0.0	–
Number of grants	621		0	–	0	–	0	–
Research								
Amount	172.5	37.3	0.0	–	0.0	–	0.0	–
Number of grants	216		0	–	0	–	0	–
Research CGIAR								
Amount	115.6	67.0	0.0	–	0.0	–	0.0	–
Number of grants	143		0	–	0	–	0	–
Research non-CGIAR								
Amount	56.9	33.0	0.0	–	0.0	–	0.0	–
Number of grants	73		0	–	0	–	0	–
Training and other								
Amount	127.7	27.6	0.0	–	0.0	–	0.0	–
Number of grants	329		0	–	0	–	0	–
Special Operations Facility^d								
Amount	18.1	3.9	0.0	–	0.0	–	0.0	–
Number of grants	185		0	–	0	–	0	–
Environmental assessment^d								
Amount	4.2	0.9	0.0	–	0.0	–	0.0	–
Number of grants	52		0	–	0	–	0	–
IFAD/NGO Extended Cooperation Programme								
Amount	18.7	4.0	0.0	–	0.0	–	0.0	–
Number of grants	275		0	–	0	–	0	–
Global/regional grants								
Amount			23.9	71.7	27.6	75.4	51.5	73.6
Number of grants			48		39		87	
Country-specific grants^e								
Amount			6.3	19.0	2.8	7.7	9.1	13.1
Number of grants			33		15		48	
Total amount	463.0	100.0	33.3	100.0	36.6	100.0	69.9	100.0
Total number of grants	1 718		87		66		153	

Source: Project and Portfolio Management System.

^a The grant policy adopted in December 2003 stipulated two grant windows: Global/regional and Country-specific. Reporting from 2004 onwards reflects the new policy.

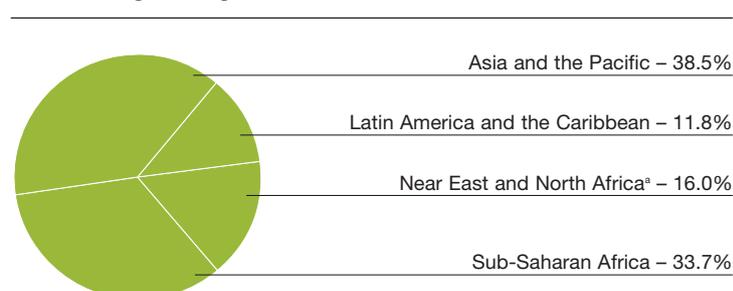
^b Grants that are components of loan-funded programmes and projects are not reflected in the country-specific window to avoid double counting. Includes one project component grant (of US\$0.2 million) approved in 2005 outside the Regular Programme for a country affected by the tsunami.

^c The Project Development Fund was established in 1995 to cover the costs of project formulation. Prior to 1995, part of such costs was covered under the Preparation Grant Facility.

^d These grants have been covered under the Programme Development Financing Facility (PDFF) since 2002.

^e Amounts related to activities financed under the PDFF are not included in this table.

CHART 2
**Regional distribution of IFAD financing approved in 2005
under the Regular Programme**



Source: Project and Portfolio Management System.

^a This region includes countries in the former Soviet Union, Eastern Europe and Central Europe.

Allocation of lending by lending terms⁵

The bulk of IFAD's lending is on highly concessional terms.⁶ In 2005, the value of highly concessional loans represented 85.0 per cent of the year's total lending. Another 3.4 per cent were intermediate loans and the remaining 11.6 per cent were ordinary-term loans (Chart 4 and Table 10). As a share of IFAD's cumulative lending portfolio, highly concessional loans now represent 72.2 per cent (Table 10), higher than the two-thirds target set out in the Lending Policies and Criteria of IFAD.

In terms of regional distribution, 93.3 per cent of total cumulative IFAD lending to sub-Saharan Africa has been on highly concessional terms, followed by lending to Asia and the Pacific with 84.2 per cent. In Latin America and the Caribbean and the Near East and North Africa, where recipients on average are relatively higher-income countries, lending tends to be on less concessional terms. Highly concessional loans to these regions have represented 23.2 per cent and 43.7 per cent respectively of their total loans from IFAD (Table 11).

Disbursements

In 2005, IFAD loan disbursements under the Regular Programme reached their highest level ever at US\$341.6 million. Cumulative disbursements on loans under the Regular Programme amounted to US\$5,247.4 million (75.6 per cent of effective commitments) at the end of 2005 (Tables 12 and 13), compared with US\$4,906.5 million (74.4 per cent of effective commitments) disbursed at the end of 2004.

Cofinancing of IFAD projects

Twenty-nine of the 31 programmes and projects approved in 2005 were designed and initiated by IFAD (Table 14). Of these, 17 will receive external cofinancing for US\$99.2 million (14 per cent of their cost) and domestic contributions – from recipient governments or other local sources – for another US\$331.7 million, or 46.8 per cent of their cost. The other 12 IFAD-initiated projects were financed by IFAD for US\$188.7 million (73.3 per cent of their cost) and domestic sources for US\$68.9 million (26.7 per cent of their cost).

Of the US\$2,710.2 million contributed over the years to IFAD-initiated projects by external cofinanciers, the bulk was from multilateral donors (69.3 per cent) followed by bilateral donors with 20.8 per cent. NGOs have contributed US\$15.2 million (0.6 per cent) (Chart 5).

The major multilateral cofinanciers of IFAD-initiated projects over the years were the International Bank for Reconstruction and Development (IBRD) (World Bank Group) with US\$259.9 million, the OPEC Fund with US\$245.2 million, and the Arab Fund for Economic and Social Development with US\$236.1 million, and WFP with US\$191.5 million (Chart 6). Together, these four represent almost 50 per cent of the total multilateral cofinancing of US\$1,878.3 million.

Belgium and Germany are the largest bilateral donors, having provided US\$83.7 million each over the years in cofinancing, followed by the Netherlands with US\$80.5 million and the United Kingdom of Great Britain and Northern Ireland with US\$77.0 million. These figures represent 14.9 per cent, 14.3 per cent and 13.7 per cent respectively of the total bilateral cofinancing of IFAD-initiated projects of US\$562.5 million (Chart 7).

5/ These lending terms refer to loans made by IFAD to borrowing countries and have no bearing on the terms and conditions placed on credit lines offered through programmes and projects.

6/ IFAD provides loans on three different types of lending terms: highly concessional loans carry no interest charge but have a service charge of 0.75 per cent and are repaid over 40 years; intermediate loans carry a variable interest charge equivalent to 50 per cent of the interest rate charged on IBRD loans and are repaid over 20 years; ordinary loans carry a variable interest charge equal to that charged by the IBRD and are repaid over 15 to 18 years.

TABLE 9
Summary of IFAD programme and project lending to priority countries, 1978-2005
(amounts in US\$ million)

	1978-1984	%	1985-1994	%	1995-2004	%	2005	%	1978-2005	%	Number of countries ^a		
											In group	IFAD members	With IFAD project
Least developed countries^b													
Amount ^c	802.3	40.2	1 001.7	40.6	1 563.0	38.9	180.2	37.7	3 547.2	39.6	50	48	44
Number of programmes and projects	80		114		119		14		327				
Low-income food-deficit countries^d													
Amount ^c	1 624.2	81.4	1 976.2	80.0	3 138.9	78.2	395.9	82.7	7 135.1	79.6	82	77	72
Number of programmes and projects	125		183		215		25		548				
Lending for all IFAD programmes and projects^{e, f}	1 995.7		2 470.2		4 015.9		478.4		8 960.2				
Total number of programmes and projects^g	162		235		279		31		707				

Source: Project and Portfolio Management System.

^a All countries in the least developed countries group, except Maldives, Myanmar and Samoa, also belong in the low-income food-deficit group, and thus there are overlaps in the group numbers.

^b The United Nations classifies countries as "least developed countries" on the basis of the following criteria: low income, low literacy rate and low share of manufacturing in total output. In 2005, 50 countries were thus classified: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, the Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, the Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen and Zambia.

Tuvalu and Vanuatu are not Members of IFAD.

^c Amounts as per the Report and Recommendation of the President for each loan presented to the Executive Board. Any discrepancy in totals is the result of rounding.

^d In 2005, FAO identified 82 countries as "low-income food-deficit": Afghanistan, Albania, Angola, Armenia, Azerbaijan, Bangladesh, Belarus, Benin, Bhutan, Bosnia and Herzegovina, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, the Central African Republic, Chad, China, the Comoros, the Congo, Côte d'Ivoire, the Democratic People's Republic of Korea, the Democratic Republic of the Congo, Djibouti, Ecuador, Egypt, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Haiti, Honduras, India, Indonesia, Iraq, Kenya, Kiribati, Kyrgyzstan, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mongolia, Morocco, Mozambique, Nepal, Nicaragua, the Niger, Nigeria, Pakistan, Papua New Guinea, the Philippines, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, the Sudan, Swaziland, the Syrian Arab Republic, Tajikistan, Timor-Leste, Togo, Tonga, Turkmenistan, Tuvalu, Uganda, the United Republic of Tanzania, Uzbekistan, Vanuatu, Yemen, Zambia and Zimbabwe.

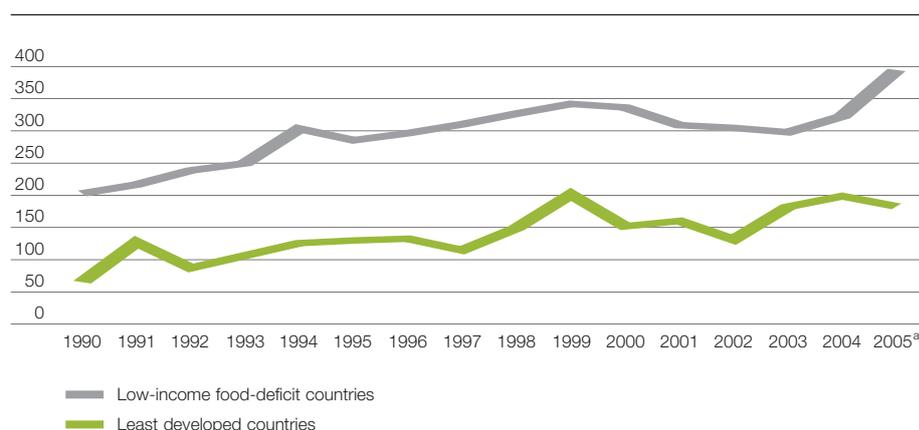
Belarus, Turkmenistan, Tuvalu, Uzbekistan and Vanuatu are not Members of IFAD.

^e Fully cancelled or rescinded programmes and projects are not included.

^f Includes four loans (worth US\$33.5 million) approved in 2005 outside the Regular Programme for countries affected by the tsunami.

^g Includes four programmes approved in 2005 outside the Regular Programme for countries affected by the tsunami.

CHART 3
IFAD lending to priority countries, 1990-2005
(amounts in US\$ million)



Source: Project and Portfolio Management System.

^a Includes four loans (worth US\$33.5 million) approved outside the Regular Programme for countries affected by the tsunami.

TABLE 10
Summary of IFAD loans by lending terms, 1978-2005^a
(amounts in US\$ million)

	1978-1984	%	1985-1994	%	1995-2004	%	2005	%	1978-2005	%
Highly concessional										
Amount	1 355.9	68.0	1 530.3	62.0	3 178.1	79.1	406.7	85.0	6 471.0	72.2
Number of loans	108		162		224		27		521	
Intermediate										
Amount	521.1	26.1	631.5	25.5	409.6	10.2	16.2	3.4	1 578.5	17.6
Number of loans	45		55		30		1		131	
Ordinary										
Amount	118.7	5.9	308.4	12.5	428.2	10.7	55.5	11.6	910.7	10.2
Number of loans	10		27		27		3		67	
Total amount	1 995.7	100.0	2 470.2	100.0	4 015.9	100.0	478.4	100.0	8 960.2	100.0
Total number of loans^{b, c}	163		244		281		31		719	

Source: Project and Portfolio Management System.

^a Amounts as per the Report and Recommendation of the President for each loan presented to the Executive Board. Any discrepancy in totals is the result of rounding. Includes Regular Programme loans, Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans, and four loans (worth US\$33.5 million) approved in 2005 outside the Regular Programme for countries affected by the tsunami.

^b A programme or project may be financed through more than one loan and thus the number of loans may differ from the number of programmes and projects shown in other tables.

^c Fully cancelled or rescinded loans are not included.

TABLE 11
Summary of IFAD loans by region and lending terms, 1978-2005^a
(amounts in US\$ million)

	Sub-Saharan Africa	%	Asia and the Pacific	%	Latin America and the Caribbean	%	Near East and North Africa ^b	%	Total	%
Highly concessional										
Amount	3 142.5	93.3	2 443.7	84.2	329.7	23.2	555.2	43.7	6 471.0	72.2
Percentage of highly concessional loans	48.6		37.8		5.1		8.6		100.0	
Number of loans	295		151		28		47		521	
Intermediate										
Amount	208.1	6.2	457.7	15.8	446.9	31.5	465.7	36.6	1 578.5	17.6
Percentage of intermediate loans	13.2		29.0		28.3		29.5		100.0	
Number of loans	21		29		48		33		131	
Ordinary										
Amount	16.7	0.6		0.0	643.1	45.3	251.0	19.7	910.7	10.2
Percentage of ordinary loans	1.8		0.0		70.6		27.6		100.0	
Number of loans	3				45		19		67	
Total amount	3 367.3	100.0	2 901.4	100.0	1 419.7	100.0	1 271.9	100.0	8 960.2	100.0
Percentage of total IFAD lending	37.6		32.4		15.8		14.2		100.0	
Total number of loans^{c, d}	319		180		121		99		719	

Source: Project and Portfolio Management System.

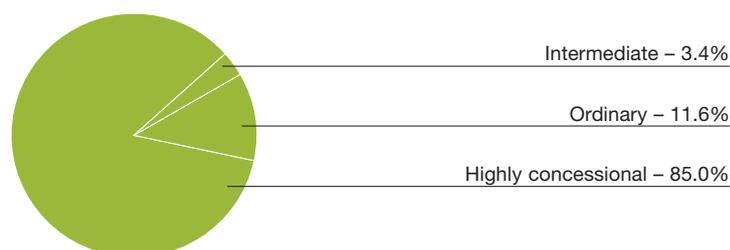
^a Amounts as per the Report and Recommendation of the President for each loan presented to the Executive Board. Any discrepancy in totals is the result of rounding. Includes Regular Programme loans, Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans, and four loans (worth US\$33.5 million) approved in 2005 outside the Regular Programme for countries affected by the tsunami.

^b This region includes countries in the former Soviet Union, Eastern Europe and Central Europe.

^c A programme or project may be financed through more than one loan and thus the number of loans may differ from the number of programmes and projects shown in other tables.

^d Fully cancelled or rescinded loans are not included.

CHART 4
IFAD loans approved in 2005 by lending terms^a



Source: Project and Portfolio Management System.

^a Percentages refer to value of loans. Includes four loans (worth US\$33.5 million) approved outside the Regular Programme for countries affected by the tsunami.

TABLE 12
Annual loan disbursement by region under the Regular Programme, 1995-2005^a
(amounts in US\$ million)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	1979-2005
Western and Central Africa	25.8	27.8	34.2	34.2	30.4	36.0	33.0	34.5	48.6	61.4	62.3	746.7
Eastern and Southern Africa	27.2	28.9	24.9	37.9	30.7	40.2	54.1	46.9	55.4	70.2	75.9	838.2
Asia and the Pacific	62.7	88.4	94.8	95.7	86.2	83.0	97.9	86.1	78.7	73.1	93.1	1 882.4
Latin America and the Caribbean	29.7	35.7	45.3	50.4	53.2	51.0	63.1	51.4	47.0	49.1	42.3	855.2
Near East and North Africa^b	19.5	38.9	28.9	55.5	70.2	59.7	43.2	44.5	56.1	57.6	68.0	924.9
Total^c	164.9	219.7	228.2	273.7	270.7	269.8	291.3	263.4	285.8	311.4	341.6	5 247.4

Source: Loans and Grants System.

^a Loan disbursements relate solely to Regular Programme loans and exclude the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification.

^b This region includes countries in the former Soviet Union, Eastern Europe and Central Europe.

^c Any discrepancy in totals is the result of rounding.

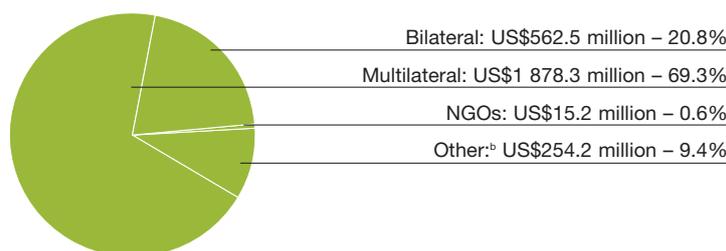
TABLE 13
Loan disbursement by region and lending terms under the Regular Programme, 1979-2005
(amounts in US\$ million)

	Highly concessional	Intermediate	Ordinary	Total
Western and Central Africa				
Amount	674.0	60.3	12.4	746.7
Percentage of effective commitment	69.7%	100.0%	100.0%	70.5%
Eastern and Southern Africa				
Amount	760.6	76.4	1.2	838.2
Percentage of effective commitment	70.9%	79.7%	100.0%	71.6%
Asia and the Pacific				
Amount	1 513.9	368.5	0.0	1 882.4
Percentage of effective commitment	76.4%	99.8%	0.0%	80.0%
Latin America and the Caribbean				
Amount	192.1	343.1	320.0	855.2
Percentage of effective commitment	63.6%	92.9%	67.0%	74.6%
Near East and North Africa^a				
Amount	484.4	280.6	159.9	924.9
Percentage of effective commitment	75.9%	70.7%	79.5%	74.8%
Total	3 625.0	1 128.9	493.5	5 247.4
Total percentage of effective commitment	73.1%	87.3%	75.6%	75.6%

Source: Loans and Grants System.

^a This region includes countries in the former Soviet Union, Eastern Europe and Central Europe.

CHART 5
Cofinancing of IFAD-initiated programmes and projects, 1978-2005^a



Source: Project and Portfolio Management System.

^a Percentages refer to value of loans. Includes Regular Programme loans, Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans, and four loans (worth US\$33.5 million) approved outside the Regular Programme for countries affected by the tsunami.

^b The "other" category includes financing under basket or similar funding arrangements, financing from private-sector resources or financing that may not have been confirmed at the time of Executive Board approval.

TABLE 14
Cofinancing of IFAD programmes and projects, 1978-2005^a
(amounts in US\$ million)

	1978-1984	%	1985-1994	%	1995-2004	%	2005	%	1978-2005	%
Programmes and projects initiated by cooperating institutions										
IFAD ^b	928.6	14.6	206.7	18.6	340.6	17.9	18.0	20.7	1 493.8	15.8
Cofinanced ^c	2 475.2	39.0	639.0	57.4	1 116.2	58.6	54.5	62.8	4 284.8	45.4
Domestic	2 938.8	46.3	267.4	24.0	447.6	23.5	14.3	16.5	3 668.0	38.8
Total	6 342.5	100.0	1 113.1	100.0	1 904.3	100.0	86.8	100.0	9 446.7	100.0
Number of programmes and projects	80		25		31		2		138	
Programmes and projects initiated by IFAD and cofinanced										
IFAD ^b	362.2	41.3	1 606.8	42.1	2 175.1	43.5	277.9	39.2	4 421.9	42.5
Cofinanced ^c	276.2	31.5	1 066.9	27.9	1 267.8	25.3	99.2	14.0	2 710.2	26.0
Domestic	238.8	27.2	1 145.7	30.0	1 559.3	31.2	331.7	46.8	3 275.5	31.5
Total	877.2	100.0	3 819.4	100.0	5 002.1	100.0	708.8	100.0	10 407.6	100.0
Number of programmes and projects	34		154		151		17		356	
Programmes and projects initiated and exclusively financed by IFAD										
IFAD ^b	717.3	58.2	670.3	60.9	1 512.9	64.5	188.7	73.3	3 089.1	62.6
Domestic	515.8	41.8	430.6	39.1	832.4	35.5	68.9	26.7	1 847.8	37.4
Total	1 233.1	100.0	1 100.9	100.0	2 345.3	100.0	257.6	100.0	4 936.9	100.0
Number of programmes and projects	48		56		97		12		213	
All programmes and projects^d										
IFAD	2 008.1	23.8	2 483.7	41.2	4 028.5	43.5	484.6	46.0	9 004.9	36.3
Cofinanced	2 751.4	32.5	1 705.9	28.3	2 384.0	25.8	153.7	14.6	6 995.0	28.2
Domestic	3 693.4	43.7	1 843.7	30.6	2 839.3	30.7	414.8	39.4	8 791.3	35.5
Total	8 452.9	100.0	6 033.3	100.0	9 251.8	100.0	1 053.2	100.0	24 791.2	100.0
Number of programmes and projects	162		235		279		31		707	

Source: Project and Portfolio Management System.

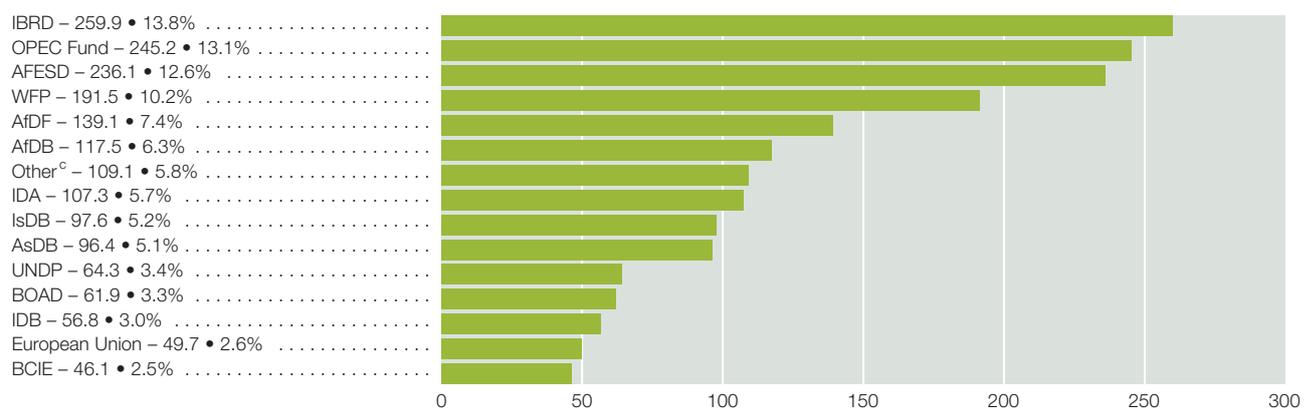
^a Includes four programmes (with IFAD financing of US\$33.7 million) approved in 2005 outside the Regular Programme for countries affected by the tsunami.

^b Amounts as per the Report and Recommendation of the President for each loan presented to the Executive Board. Programme and project amounts include grants that are components of loan-funded programmes and projects. Grants not related to programmes and projects are not included in this table. Any discrepancy in totals is the result of rounding.

^c Includes cofinancing that may not have been approved by the Executive Board.

^d Fully cancelled or rescinded programmes and projects are not included.

CHART 6
Cofinancing of IFAD-initiated programmes and projects by multilateral donor, 1978-2005^{a, b}
 (amounts in US\$ million)



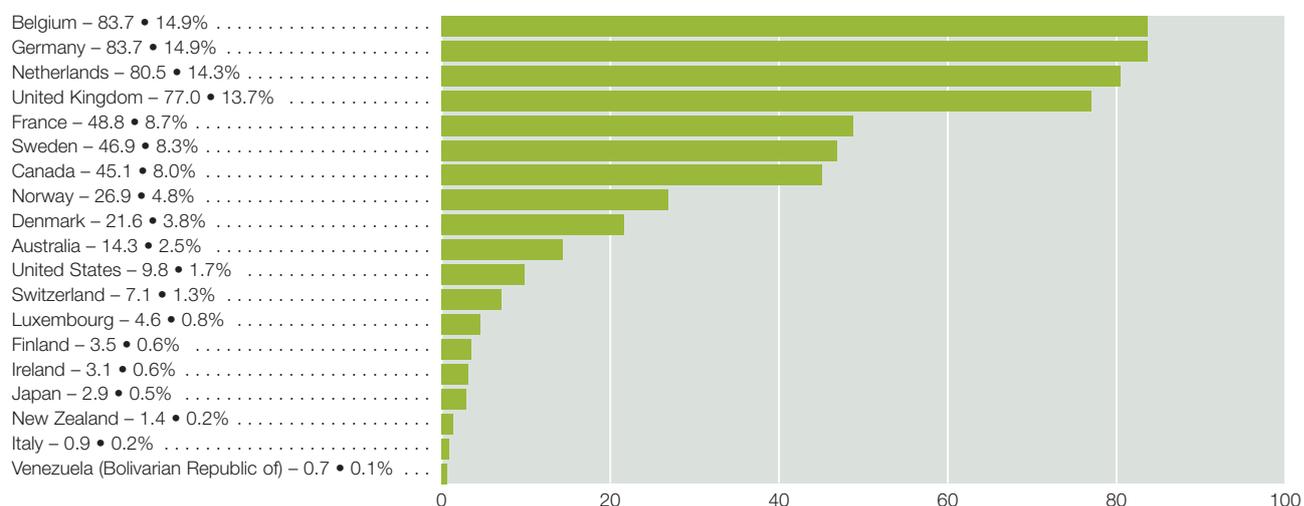
Source: Project and Portfolio Management System.

^a Amounts as per the Report and Recommendation of the President for each loan presented to the Executive Board. Includes Regular Programme loans, Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans, and four loans (worth US\$33.5 million) approved outside the Regular Programme for countries affected by the tsunami. Any discrepancy in totals is the result of rounding. The amounts and percentages shown here represent the share of each multilateral in total multilateral cofinancing of US\$1,878.3 million. Multilateral participation in basket or similar funding arrangements is not included.

^b See list of acronyms on page 9.

^c Other cofinanciers include: Arab Authority for Agricultural Investment and Development (AAAID), Arab Bank for Economic Development in Africa (BADEA), Africa Fund, Andean Development Fund (CAF), Caribbean Development Bank (CDB), FAO, GEF, Inter-American Institute for Cooperation on Agriculture (IICA), United Nations Capital Development Fund (UNCDF), United Nations Drug Control Programme (UNDCP), United Nations Fund for Drug Abuse Control (UNFDAC), United Nations Fund for Population Activities (UNFPA), United Nations Children's Fund (UNICEF) and United Nations Development Fund for Women (UNIFEM).

CHART 7
Cofinancing of IFAD-initiated programmes and projects by donor Member State (bilateral), 1978-2005^a
 (amounts in US\$ million)



Source: Project and Portfolio Management System.

^a Amounts as per the Report and Recommendation of the President for each loan presented to the Executive Board. Includes Regular Programme loans, Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans, and four loans (worth US\$33.5 million) approved outside the Regular Programme for countries affected by the tsunami. Any discrepancy in totals is the result of rounding. The amounts and percentages shown here represent the share of each bilateral in total bilateral cofinancing of US\$562.5 million. Bilateral participation in basket or similar funding arrangements is not included.

Summary of 2005 programmes, projects and grants

A woman feeds the chickens on
a poultry farm in Gansu Province, China.



Number of effective programmes and projects by region and country (end 2005)

184 programmes and projects
82 countries and Gaza and the West Bank

Western and Central Africa

41 programmes and projects
17 countries

Eastern and Southern Africa

39 programmes and projects
15 countries

Asia and the Pacific

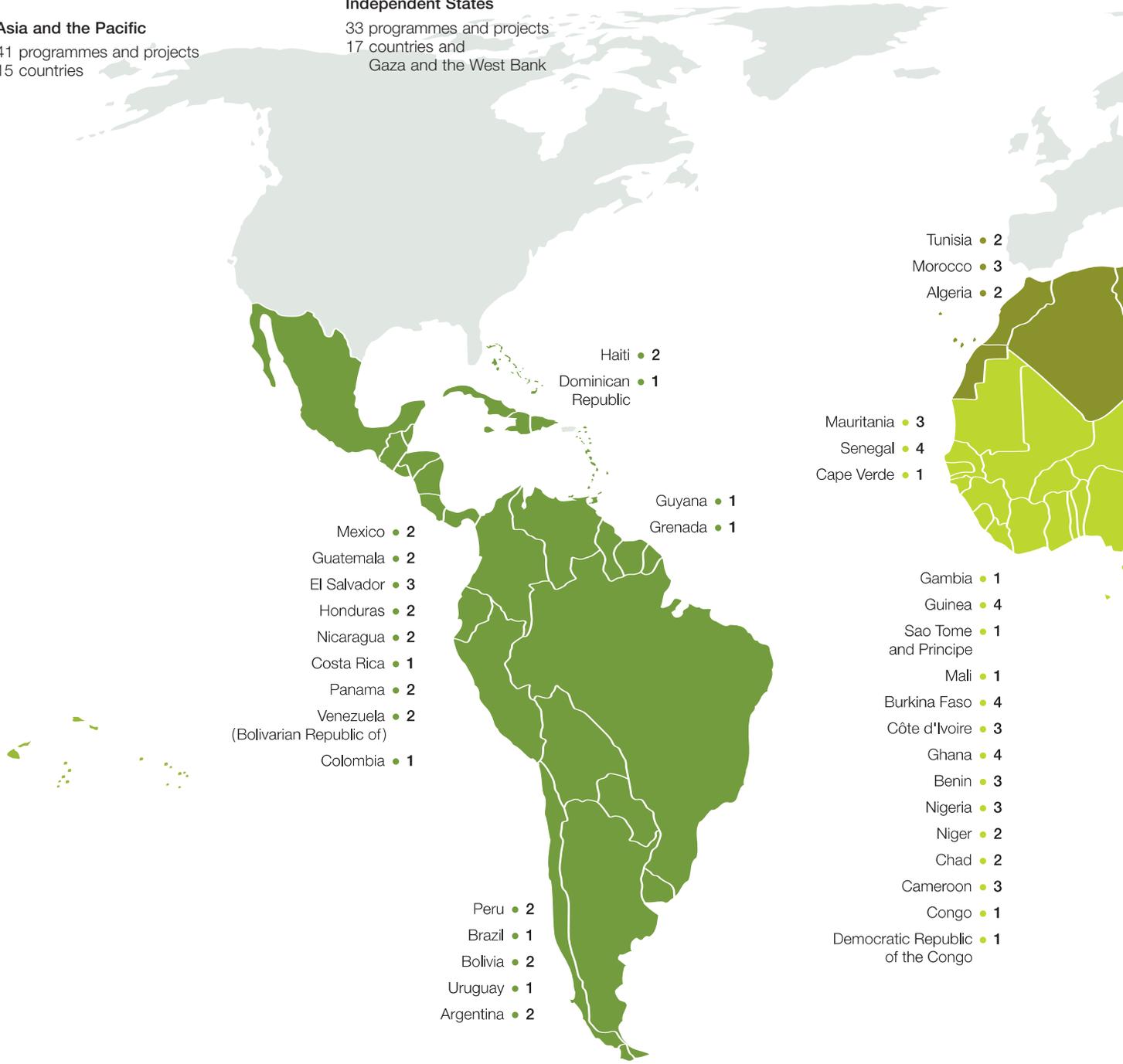
41 programmes and projects
15 countries

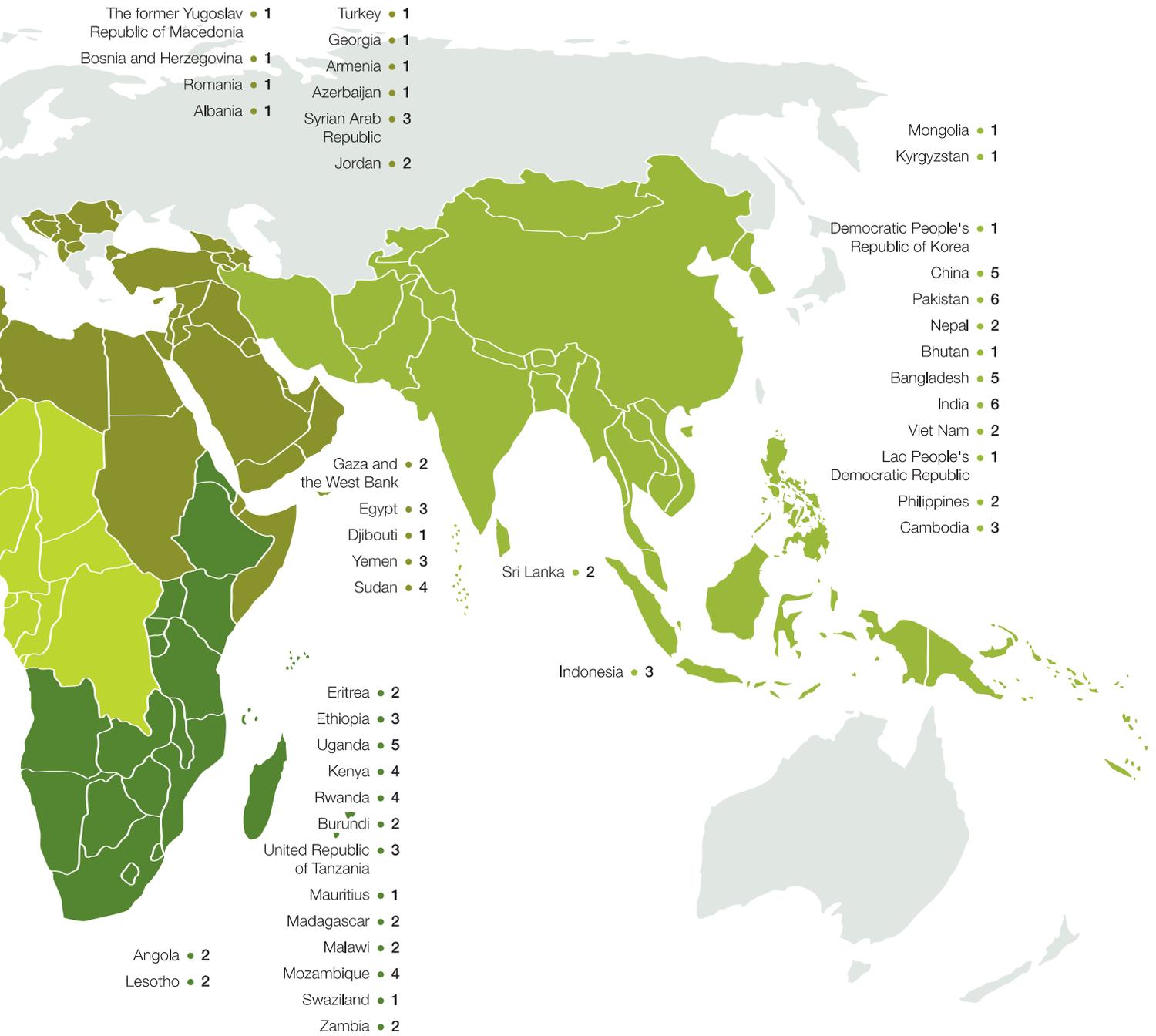
Latin America and the Caribbean

30 programmes and projects
18 countries

Near East and North Africa, Central and Eastern Europe and the Newly Independent States

33 programmes and projects
17 countries and
Gaza and the West Bank





Programmes and projects

Western and Central Africa

Benin

Rural Development Support Programme

The programme will work to reduce rural poverty by increasing household incomes. Specifically, it will:

- foster the further development of rural income-generating groups and microenterprises
- support the consolidation and expansion of the financial services association network as a self-sustaining rural microfinance system that meets the needs of rural poor people, particularly women
- build the capacity of village-level institutions and actors to play a role in decision-making by local government units
- participate in policy dialogue and strategic partnerships on rural poverty issues by means of a highly qualified programme management team

The inhabitants of 280 villages will benefit from the programme. Special attention will be given to reaching socially disadvantaged women and their groups, as well as unemployed and underemployed young people and landless households.

Loan amount: SDR 7.0 million (approximately US\$10.0 million) on highly concessional terms

Total programme cost: estimated at US\$14.8 million, of which beneficiaries will provide US\$2.9 million and national government US\$1.9 million

Cooperating institution: UNOPS

Chad

Batha Rural Development Project

The overall objective of the project is to sustainably improve the incomes and food security of rural poor households in the Batha region. The project will:

- strengthen the technical, managerial and financial capacities of rural people for self-development
- promote economic investment and farm and non-farm income-generating activities
- facilitate the access of rural poor people to financial services

Rural poor people in the region who live in areas with severe soil degradation and limited access to resources, particularly land, will take part in the project. Participants will include subsistence farmers who depend on rainfed farming activities, as well as women and young people. Women, especially those who are alone in assuming family responsibility, and young people are particularly vulnerable because they are traditionally excluded from decision-making processes and face greater difficulties than men in accessing resources and information.

Loan amount: SDR 8.4 million (approximately US\$12.8 million) on highly concessional terms

Total project cost: estimated at US\$15.0 million, of which IFAD will provide a grant of US\$400,000, with beneficiaries providing US\$541,000 and national government US\$1.3 million

Cooperating institution: UNOPS

Democratic Republic of the Congo

Agricultural Rehabilitation Programme in Orientale Province

Orientale Province lies in the north-eastern part of the country. The programme's development goal is to help improve the food security, incomes, nutritional status and living standards of up to 55,000 households. Over a six-year investment period, the programme will:

- strengthen grass-roots organizations, such as village development committees and producers' groups, and apex bodies, such as unions and federations
- intensify, diversify and add value to the production and processing of crops, livestock and fisheries
- facilitate marketing by rehabilitating or building road and river infrastructure, and collecting and disseminating information on markets and prices
- improve access to basic social services – health, primary education, safe water and sanitation
- build the capacity of public- and private-sector service providers to carry out field activities

Loan amount: SDR 11.0 million (approximately US\$15.5 million) on highly concessional terms

Total programme cost: estimated at US\$26.1 million, of which IFAD will provide a grant of US\$300,000, with beneficiaries providing US\$582,000, BSF US\$6.3 million and national government US\$3.4 million

Cooperating institution: UNOPS

Ghana

Root and Tuber Improvement and Marketing Programme

The programme's development goal is to enhance the food security and incomes of poor rural households in Ghana, with special emphasis on women and other vulnerable groups. Its specific objective is to build up competitive, market-based and inclusive commodity chains for root and tuber crops, supported by relevant, effective and sustainable services that are accessible to rural poor people. The programme will support the emergence both of an inclusive private sector that is deeply anchored in the realities of Ghana, and of a stronger public sector capable of improving the policy and regulatory environment and delivering the required public goods. The target group will comprise all small-scale operators in the roots and tubers subsector, be they farmers, processors or traders. Women will represent at least half of the direct beneficiaries.

Loan amount: SDR 13.1 million (approximately US\$19.0 million) on highly concessional terms

Total programme cost: estimated at US\$27.7 million, of which beneficiaries will provide US\$832,000, domestic financial institutions US\$4 million and national government US\$3.9 million

Cooperating institution: World Bank

Mali

Northern Regions Investment and Rural Development Programme

The programme will work to reduce rural poverty and vulnerability in northern Mali by reconstructing the economic and social fabric that has been severely compromised by drought and conflict, and to contribute to policy dialogue on rural poverty reduction. Specifically, the programme will:

- build the capacity of local government, particularly at the community level, to lead a participatory development process that will benefit the most vulnerable groups
- strengthen the capacity of grass-roots organizations to manage programme-financed investments in an efficient and sustainable manner
- improve access to basic services
- contribute to the promotion of policies for rural poverty reduction

The programme will focus on 14 communities along the Niger River and will include conflict-prevention activities in five adjacent upland communities. The population of the programme area was estimated at 220,000 in 2003. Special attention will be given to women, young people and other vulnerable groups.

Loan amount: SDR 9.6 million (approximately US\$14.6 million) on highly concessional terms

Total programme cost: estimated at US\$33.6 million, of which IFAD will provide a grant of US\$803,000, with beneficiaries providing US\$2.0 million, Belgium US\$5.9 million, BOAD US\$5.2 million and national government US\$5.1 million

Cooperating institution: BOAD

Senegal

Promotion of Rural Entrepreneurship Project – Phase II

The overall goal of the project is to promote sustainable diversification of rural livelihoods and income sources with attention to gender equity. Over a period of seven years, the project will build on the experience of the first phase to increase the profitability of about 3,000 small businesses and microenterprises located in zones with high potential. This will be done by:

- fostering self-sustaining networks of providers of financial and non-financial services
- assisting rural small businesses and microenterprises in identifying new markets and more profitable technologies
- strengthening their local and apex organizations
- enhancing the voice of rural poor people in policy dialogue with the Government and small business and microenterprise professional organizations
- improving access by all stakeholders to relevant information for rural small business and microenterprise development

Loan amount: SDR 8.7 million (approximately US\$13.1 million) on highly concessional terms

Total project cost: estimated at US\$18.8 million, of which beneficiaries will provide US\$1.5 million, BOAD US\$2.0 million and national government US\$2.2 million

Cooperating institution: BOAD

Eastern and Southern Africa

Kenya

Smallholder Dairy Commercialization Programme

The overall goal of the programme is to increase the incomes of poor rural households that depend substantially on the production and trade of dairy products for their livelihoods. The programme will:

- increase the financial returns of market-oriented production and trade activities by small operators by improving information on market opportunities, increasing productivity, reducing costs, adding value and promoting more reliable trade relations
- generate self-employment and other income opportunities for rural households through market-oriented dairy activities resulting from strengthened farmer organizations

The programme will work with the Government to improve the environment for market-driven private-sector development of the dairy industry. At the same time, it will work with groups of smallholder dairy producers and traders to strengthen their capacity to respond to market opportunities. Approximately 24,000 households engaged in dairy production and trading, organized into 600 groups in nine districts, will benefit from the programme's activities.

Loan amount: SDR 12.1 million (approximately US\$17.5 million) on highly concessional terms

Total programme cost: estimated at US\$19.8 million, of which IFAD will provide a grant of US\$845,000, beneficiaries will provide US\$500,000 and national government US\$920,000

Cooperating institution: UNOPS

Malawi

Irrigation, Rural Livelihoods and Agricultural Development Project

The project will work to raise agricultural productivity and the net incomes of poor households by promoting sustainable pro-poor growth. Specifically, it will:

- restore and increase agricultural productivity and the net incomes of poor households in a sustainable manner, through an integrated package of support for irrigation development and rainwater harvesting, at the same time as providing seed and fertilizer to a large number of rainfed farms in response to the current food crisis
- strengthen central and local government institutions and the capacity of farmers and their organizations to participate in long-term development and irrigation management

The project's principal target group will be economically active rural poor people and the transient poor. Farmers with access to land in irrigation schemes will benefit from irrigation development. About 196,550 households in 11 target districts are expected to benefit from the project.

Loan amount: SDR 5.5 million (approximately US\$8.0 million) on highly concessional terms

Total project cost: estimated at US\$52.1 million, of which beneficiaries will provide US\$1.3 million, the World Bank US\$40.0 million and national government US\$2.8 million

Cooperating institution: World Bank

Rwanda

Support Project for the Strategic Plan for the Transformation of Agriculture

The project will provide implementation support to the Strategic Plan for the Transformation of Agriculture (PSTA), which aims to enable smallholder producers to transform their subsistence-based farming systems towards a more market-oriented agriculture, increasing opportunities for growing cash crops while ensuring food security and preserving the existing resource base. This will be achieved by:

- strengthening the technical, managerial and institutional capacity of major stakeholders associated with PSTA implementation, to improve their delivery of priority services to the target group
- undertaking innovative agricultural pilot action programmes and strengthening the research and extension system
- improving the overall management information system and the communications system, and strengthening the participatory monitoring and evaluation system to accelerate dissemination and adoption of farm technologies

Loan amount: SDR 5.7 million (approximately US\$8.2 million) on highly concessional terms

Total project cost: estimated at US\$20.1 million, of which IFAD will provide a grant of US\$202,000, with beneficiaries providing US\$1.0 million, BSF US\$1.6 million, the Netherlands US\$4.8 million, the United Kingdom of Great Britain and Northern Ireland (DFID) US\$3.0 million and national government US\$1.3 million

Cooperating institution: UNOPS

United Republic of Tanzania

Agriculture Sector Development Programme – Livestock: Support for Pastoral and Agro-Pastoral Development

The overall goal of the programme is to reduce poverty, improve food security and increase the incomes of communities that depend mainly on livestock for their livelihoods. The programme will:

- improve the livelihoods of the poorest agropastoralists and pastoralists
- strengthen the capacity of communities that depend on livestock, both institutionally and technically
- enhance the delivery of livestock development services to smallholders
- improve marketing infrastructures and systems for livestock products
- strengthen national and local government institutions to provide services to the livestock subsector

The primary target group of the programme comprises the poorer segments of pastoral and agropastoral communities in selected regions and districts, where there is a high level of dependency on livestock. Households keeping livestock can be categorized as transhumant pastoralists, semi-sedentary pastoralists or agropastoralists, and they account for almost 1 million households. Women, young people and marginalized groups within these communities will receive priority attention.

Loan amount: SDR 14.3 million (approximately US\$20.6 million) on highly concessional terms

Total programme cost: estimated at US\$29.1 million, of which beneficiaries will provide US\$625,000, BSF US\$4.8 million and national government US\$3.1 million

Cooperating institution: UNOPS

Zambia

Smallholder Livestock Investment Project

The goal of the project is to increase incomes and food security among poor smallholder farmers by restoring their access to draught animal power. The project will:

- reduce the incidence of contagious bovine pleuropneumonia and East Coast fever to levels that allow re-establishment and growth of smallholders' cattle herds
- restock the herds of smallholder farmers who have lost their cattle because of disease, to a level that will provide them with sustainable access to draught animal power

Some 180,000 households will benefit from the disease-control activities. Although the immediate beneficiaries will include many better-off cattle-owning households, this will improve the target group's access to draught animal power and will facilitate the successful restocking of the herds of poor smallholder farmers. Restocking activities will benefit an estimated 30,000 households, 10,000 of which are headed by women.

Loan amount: SDR 7.0 million (approximately US\$10.1 million) on highly concessional terms

Total project cost: estimated at US\$15.0 million, of which beneficiaries will provide US\$2.3 million and national government US\$2.6 million

Cooperating institution: UNOPS

Asia and the Pacific

Bangladesh

Market Infrastructure Development Project in Charlands Regions

The project's goal is to improve the well-being and reduce the poverty of 87,500 households, including primary producers, char-based traders, both women and men, and landless and single women. The project will work to:

- improve market facilities and terms of access to rural markets for both men and women
- increase wage employment for poor women
- increase production and sale of goods for the market
- move primary producers up the value chain

The project will target three distinct groups: primary producers, small traders and women labourers.

The primary producer group comprises households growing crops or raising livestock on less than 2.5 acres of land, households of fishers and fish-farmers, and households that depend on non-farm enterprises, such as food-processing, basket-making, cloth-weaving or pottery-making. Their common characteristic is that they produce primarily for the market.

Loan amount: SDR 17.6 million (approximately US\$25.0 million) on highly concessional terms

Total project cost: estimated at US\$43.9 million, of which the Netherlands will provide a grant of US\$4.8 million, beneficiaries will provide US\$1.4 million, local NGOs US\$4.2 million and national government US\$8.5 million

Cooperating institution: UNOPS

Bhutan

Agriculture, Marketing and Enterprise Promotion Programme

The programme's development objective is to improve the livelihoods of rural poor people on a sustainable basis by enhancing productivity, income growth and access to economic and social services. The programme will:

- support capital formation in crops, livestock and niche crop production
- improve the conditions under which enterprises and income-generating activities are started and operated
- enhance access to rural financial services, particularly credit, to enable the target population to acquire the necessary resources for productive activities
- build the capabilities of grass-roots organizations and develop participants' skills through training
- improve socio-economic infrastructure, particularly road networks and marketing support systems

A total of 22,000 households, representing 80 per cent of the rural households in the programme area, comprise the primary target group. Women will play a significant role, because they contribute most to farm production and livestock-raising.

Loan amount: SDR 9.3 million (approximately US\$13.9 million) on highly concessional terms

Total programme cost: estimated at US\$19.7 million, of which IFAD will provide a grant of US\$100,000, beneficiaries will provide US\$974,000, the Netherlands Development Organization (SNV) US\$1.6 million and national government US\$3.0 million

Cooperating institution: UNOPS

China

South Gansu Poverty-Reduction Programme

The programme's long-term goal is to achieve sustainable and equitable poverty reduction for vulnerable rural households living in environments with limited and deteriorating natural resources. The objectives are a sustainable increase in productive capacity, both on- and off-farm, and increased access to economic and social resources, including education, health services and social networks, while improving the environment. Programme activities will include:

- producing and implementing participatory and gender-sensitive village development plans
- developing extension services that are gender-sensitive and respond to the needs of farmers and rural poor people, with poor farmers as demonstrators
- improving land and land use through irrigation and dryland development
- making rural credit cooperatives' financial services more poverty- and gender-sensitive
- upgrading social-service facilities, especially for education and health, including a large adult literacy and vocational training programme
- constructing and rehabilitating rural infrastructure

The target group comprises 300,000 households in the 109 poorest townships of ten of the poorest counties in the middle-southern part of Gansu Province.

Loan amount: SDR 20.2 million (approximately US\$29.3 million) on highly concessional terms

Total programme cost: estimated at US\$80.6 million, of which beneficiaries will provide US\$14.7 million, WFP US\$4.8 million and national government US\$31.9 million

Cooperating institution: UNOPS

India

Post-Tsunami Sustainable Livelihoods Programme for the Coastal Communities of Tamil Nadu

The goal of the eight-year programme is to rehabilitate the livelihoods of thousands of tsunami victims along the Tamil Nadu coastal areas, thereby enabling them to return to a stable and productive way of life. The programme's activities will include:

- management of coastal area resources
- development of rural finance and risk-transfer instruments
- generation of employment and provision of vocational training
- community-based sea-safety and disaster management

Activities will be coordinated with medium-term rehabilitation work undertaken by the Government and other relief agencies. The target group comprises coastal dwellers and fishers, wage workers employed in the fisheries sector, farmers, agricultural labourers and other groups. The programme will specifically target marginalized groups, including

households solely headed by women and scheduled castes. Communities will be enabled to manage coastal resources on a sustainable basis. They will also have secure access to financial services and a social safety net in the form of insurance on life and other assets, including fishing gear.

Loan amount: SDR 10.0 million (approximately US\$15.0 million) on highly concessional terms

Total programme cost: estimated at US\$68.7 million, of which beneficiaries will provide US\$10.4 million, domestic financial institutions US\$24.9 million and national government US\$3.4 million, with US\$15.0 million from sources to be determined

Cooperating institution: UNOPS

India

Tejaswini Rural Women's Empowerment Programme

The overall goal of the programme is to enable poor rural women to make use of choices, spaces and opportunities in the economic, social and political spheres, to improve their well-being. The programme's objectives are to:

- create strong and sustainable self-help groups and apex organizations that provide their members with economic and social support
- provide access to savings, credit and insurance services, and build financial security
- create new and improved livelihood opportunities by establishing or expanding enterprises, as well as market linkages and support services
- provide access to functional educational and social services, labour-saving infrastructure and participation in local governance

The programme will also support and promote government policies that empower women and develop the capacities of the Maharashtra Women's Development Corporation and the Women's Finance and Development Corporation to improve the livelihoods of poor women.

Loan amount: SDR 27.8 million (approximately US\$39.5 million) on highly concessional terms

Total programme cost: estimated at US\$208.7 million, of which beneficiaries will provide US\$13.9 million, domestic financial institutions US\$142.3 million, local government US\$160,000, and national government US\$12.6 million, with US\$270,000 to be provided by sources to be determined

Cooperating institution: UNOPS

Lao People's Democratic Republic

Rural Livelihoods Improvement Programme in Attapeu and Sayabouri

The overall goal of the programme is economic growth and the sustained improvement of livelihoods among rural poor people in the eight programme districts. The programme will enable communities to:

- manage their own development, including the operation of social infrastructure, in ways that reduce poverty and are sustainable, participatory and gender-sensitive

- use sustainable farming and natural resource management systems and off-farm income-generating activities to meet their subsistence and income needs with the support of rural microfinance and other services
- have access to the local roads needed to carry out their development activities

The programme will also assist the Government and other service providers in managing, coordinating and supporting decentralized and participatory rural development in ways that are sustainable, accountable, gender-sensitive and pro-poor. The target group will consist of 26,200 poor and food-insecure households in the uplands and households that have recently resettled from the remote uplands to more accessible areas.

Loan amount: SDR 11.3 million (approximately US\$17.3 million) on highly concessional terms

Total programme cost: estimated at US\$26.0 million, of which IFAD will provide a grant of US\$689,000, beneficiaries will provide US\$1.2 million, Germany (Deutscher Entwicklungsdienst) US\$259,000, Germany (Gesellschaft für Technische Zusammenarbeit) US\$1.8 million, WFP US\$1.3 million and national government US\$3.4 million

Cooperating institution: UNOPS

Maldives

Post-Tsunami Agricultural and Fisheries Rehabilitation Programme

The overall goal of the programme is to contribute to restoring agricultural GDP to pre-tsunami levels, and to re-establishing a stable, long-term growth trend while reducing the vulnerability of the sector to natural disasters. Specifically, for the fisheries subsector, the programme will work to resume and improve the operations of the fishing fleet to rebuild and protect livelihoods, and increase household incomes. For agriculture, the programme will work to resume and improve production in the atolls in order to improve the diet of islanders, increase household income, reduce poverty and contribute to improved food security. The primary target group for the agricultural component comprises poor farming households that depend on subsistence agriculture for food and income, whose crops and production assets were destroyed or damaged by the tsunami. The programme will assist about 5,000 households living in an area of approximately 1,000 hectares.

Loan amount: SDR 1.4 million (approximately US\$2.1 million) on highly concessional terms

Total programme cost: estimated at US\$5.0 million, of which IFAD will provide a grant of US\$200,000, Italy US\$500,000, national government US\$193,000, and US\$2.1 million from sources to be determined

Cooperating institution: UNOPS

Pakistan

Microfinance Innovation and Outreach Programme

The development goal of the programme is to reduce poverty and improve the livelihoods of poor rural households, particularly in areas that are currently underserved in terms of microfinance. The programme's overall objective, which is central to achieving this goal, is to enable economically active rural poor people to access a wider range of sustainable financial services and products that respond to their needs. The

programme will be an integral part of the Pakistan Poverty Alleviation Fund's (PPAF) most important operation – its credit and enterprise development programme. Through the development of new microfinance products and services, it will leverage the sizeable funding already available to partner organizations through the PPAF's regular lending programme, which has 2.5 million beneficiaries to date. The 180,000 households projected to benefit directly from programme funding over the five-year implementation period represent only a portion of the households that will benefit once successful products and services are mainstreamed.

Loan amount: SDR 18.3 million (approximately US\$26.5 million) on highly concessional terms

Total programme cost: estimated at US\$30.5 million, of which domestic financial institutions will provide US\$772,000 and local NGOs US\$3.3 million.

Cooperating institution: World Bank

Philippines

Rural Microenterprise Promotion Programme

The programme will work to reduce rural poverty through increased economic development, job creation and incomes for 200,000 poor households in rural areas. Its objective is to boost numbers of profitable and sustainable rural microenterprises. The seven-year programme has three main investment components:

- microfinance credit and support
- microenterprise promotion and development
- programme and policy coordination

The programme targets rural poor people living below the national poverty line. Poor people constitute about 34 per cent of the total population, and 78 per cent of them live in rural areas. The programme will work with poor microentrepreneurs and poor people involved in microenterprises, including women, young people and indigenous peoples. An estimated 200,000 people will directly benefit from the programme.

Loan amount: SDR 14.1 million (approximately US\$21.2 million) on highly concessional terms

Total programme cost: estimated at US\$27.5 million, of which IFAD will provide a grant of US\$500,000, domestic financing institutions US\$4.2 million and national government US\$655,000, with US\$892,000 from sources to be determined

Cooperating institution: UNOPS

Sri Lanka

Post-Tsunami Coastal Rehabilitation and Resource Management Programme

The programme goal is to restore the assets of women and men directly or indirectly affected by the tsunami, and to re-establish the bases of their previous economic activities while helping them diversify into new, profitable, income-generating activities. The immediate objectives of the activities are to:

- provide tsunami-affected families with essential social and economic infrastructure, particularly housing
- strengthen tsunami-affected communities and promote sustainable management of coastal resources
- increase women's participation in social and economic activities

The estimated population of the programme area is 514,100 people, in 141,250 households. The programme will target rural poor women and men in these areas. Community investments will benefit all households. Special efforts will be made to reach poor artisanal fishers and their communities.

Loan amount: SDR 9.4 million (approximately US\$14.2 million) on highly concessional terms

Total programme cost: estimated at US\$33.5 million, of which beneficiaries will provide US\$212,000 and national government US\$3.4 million, with US\$15.7 million from sources to be determined

Cooperating institution: UNOPS

Sri Lanka

Post-Tsunami Livelihoods Support and Partnership Programme

The programme focuses on the rapid recovery of assets and essential infrastructure destroyed by the tsunami, including housing, housing amenities, settlement, social and community infrastructure, fishery roads, and removal of debris. Using a flexible community-based approach, the programme will, in coordination with other funding sources, support the recovery and rehabilitation of physical and financial assets of affected groups and communities. The target group includes rural poor women and men in communities affected by the tsunami.

The programme will work to achieve the following objectives:

- Men and women in the affected areas will recover their assets and re-establish a solid foundation for their usual economic activities, at the same time as they diversify into new and profitable income-generating activities.
- Communities will be strengthened so that they can sustainably manage coastal resources; and they will be provided with essential social and economic infrastructure.
- Women's participation in social and economic activities will improve.

In order to expedite IFAD's financial assistance for the victims of the tsunami, resources will be provided for priority infrastructure development, using the same design and implementation modalities as the priority community infrastructure development component of the ongoing Dry Zone Livelihood and Partnership Programme.

Loan amount: SDR 1.6 million (approximately US\$2.4 million) on highly concessional terms

Total programme cost: estimated at US\$4.7 million, with US\$2.4 million from sources to be determined

Cooperating institution: World Bank

Latin America and the Caribbean

El Salvador

Rural Development and Modernization Project for the Eastern Region

El Salvador is one of the poorest countries in Latin America. The project's goal is to reduce poverty among the rural men, women and young people of the departments of La Unión, Morazán, San Miguel and Usulután, through social and productive investments, and promotion of gender equity and environmental sustainability. The primary objective of the project is to improve the income levels and living conditions of small farmers, microentrepreneurs and wage labourers in the eastern region of El Salvador. The project target group includes 73,000 men and women who live below the poverty line, comprising 33,000 direct and 40,000 indirect beneficiaries. The composition of the target group includes poor small farmers (75 per cent), microentrepreneurs and artisans (10 per cent), and young men and women (15 per cent). The project will support the latter with training in labour skills.

Loan amount: SDR 10.0 million (approximately US\$15.0 million) on ordinary terms

Total project cost: estimated at US\$22.2 million, of which IFAD will provide a grant of US\$1.0 million, beneficiaries will provide US\$1.0 million and national government US\$5.2 million

Cooperating institution: UNOPS

Mexico

Sustainable Development Project for Rural and Indigenous Communities of the Semi-Arid North-west

The project will work to improve the quality of life in rural and indigenous communities. It will support communities and grass-roots organizations in developing their capacity to participate in local, social and economic development processes; to increase their production, employment opportunities and incomes; and to ensure the sustainability of natural resources. Specific objectives include:

- improving the productive capacity of land and natural resources
- developing the human and social resources of poor rural communities and indigenous populations while strengthening the management and decision-making capacity of communities and their organizations, with care to ensure gender equity and respect for ethnic diversity
- boosting employment and income levels of participating households through payment for environmental services and from rural and nature-based tourism microenterprises
- strengthening the institutional coordination capacity of the executing agency and project-related institutions at the municipal, state and federal level

Loan amount: SDR 17.3 million (approximately US\$25.0 million) on ordinary terms

Total project cost: estimated at US\$33.0 million, of which beneficiaries will provide US\$971,000 and national government US\$7.0 million

Cooperating institution: UNOPS

Paraguay**Empowerment of Rural Poor Organizations and Harmonization of Investments Project**

The project's overall goal is to greatly reduce rural poverty in the five poorest departments of the eastern region of Paraguay. The main objective is to ensure that rural poor people and their organizations have access to the productive and financial resources and services that are already available in the project area, and that they are mainstreamed into the national development process. The project will:

- empower rural poor people's organizations to build up their social capital and generate an appropriate demand-driven system for productive and financial resources in the project area
- promote sustainable agricultural and non-agricultural business opportunities based on the diversification and modernization of productive and commercial activities
- harmonize investments and project activities already present in the project area
- support ongoing policy dialogue between the Government and international donors to strengthen a much-needed partnership for poverty reduction

Loan amount: SDR 7.9 million (approximately US\$12.0 million) on highly concessional terms

Total project cost: estimated at US\$14.4 million, of which beneficiaries will provide US\$251,000 and national government US\$2.2 million

Cooperating institution: UNOPS

Near East and North Africa, Central and Eastern Europe and the Newly Independent States

Albania

Programme for Sustainable Development in Rural Mountain Areas

The programme goal is to increase household incomes in Albania's mountain areas, particularly among rural poor people. The overall objectives of the programme are to:

- mobilize additional resources in and for the mountain areas
- accelerate economic growth and poverty reduction
- strengthen the capacities of local institutions and organizations to influence and support private- and public-sector investment

The target group includes underemployed and unemployed rural men and women, small and medium-sized farmers and rural entrepreneurs. The programme will aim to strengthen investment response mechanisms, including those operating in the commercial financial sector, that can be accessed by rural poor people at large. The principles that guide programme operating procedures, including those associated with commercially derived infrastructure investment and the awarding of competitive grants for technology innovation, are pro-poor in orientation and will favour investments that stimulate rural employment, particularly for women.

Loan amount: SDR 5.5 million (approximately US\$8.0 million) on highly concessional terms

Total programme cost: estimated at US\$24.3 million, of which beneficiaries will provide US\$1.7 million and national government US\$5.0 million, with US\$9.5 million from sources to be determined

Cooperating institution: UNOPS

Georgia

Rural Development Project

The project concept reflects aspects of both the Government's Economic Development and Poverty Reduction Programme and the development emphases embodied in IFAD's new strategy for investment in Georgia, as expressed in the country strategic opportunities paper. The project's overall goal is sustained rural income growth and poverty reduction. This will be achieved by:

- facilitating access by Georgia's mainly small- and medium-scale farmers to commodity supply chains
- improving the competitiveness of agribusinesses and the associated supply chains
- strengthening the capacity of selected agricultural and financial institutions serving private-sector agricultural market activity

Project activities are expected to increase incomes and employment and reduce poverty in rural areas. The project target group will consist of small- and medium-scale farmers, farmer groups, trader associations and firms involved in the marketing chain (trade, collection, packaging, transport and processing). Nearly 300 community groups of small farmers and rural poor men and women throughout Georgia will receive direct project support to build their technical and institutional capacity to interact with marketing chains.

Loan amount: SDR 6.1 million (approximately US\$9.2 million) on highly concessional terms

Total project cost: estimated at US\$34.7 million, of which IFAD will provide a grant of US\$800,000, beneficiaries will provide US\$4.8 million, domestic financial institutions US\$2.9 million, Japan US\$4.5 million, the World Bank US\$10 million and national government US\$2.5 million.

Cooperating institution: World Bank

Morocco

Rural Development Project in the Eastern Middle Atlas Mountains

The general objective of the project is to help reduce rural poverty through the diversification and sustainable growth of rural poor people's incomes. This will be achieved by improving management of the natural resources that constitute the basis of their livelihood. The specific objective is to strengthen the capacity of target groups to engage in participatory community management of a sustainable rural development process that will increase, diversify and secure incomes. The project will benefit, both directly and indirectly, the 75,250 rural residents of the project area. The direct and indirect beneficiaries will consist of over 14,700 poor households living on smallholdings from which they draw their income. The project will also target:

- impoverished women who are heads of households, to improve their living and working conditions
- young women who have vocational skills and want to engage in off-farm income-generating activities
- young unemployed people who want to start a microenterprise or acquire training in agricultural and non-agricultural income-generating activities

Loan amount: SDR 11.3 million (approximately US\$16.2 million) on intermediate terms

Total project cost: estimated at US\$34.4 million, of which beneficiaries will provide US\$1.2 million and national government US\$17.0 million

Cooperating institution: UNOPS

Republic of Moldova

Rural Business Development Programme

The programme will work to produce sustainable income growth for poor people in rural areas and small towns in the Republic of Moldova and stimulate the growth of economically viable farming and rural business activities, in which the country has a comparative advantage. The target group will include unemployed rural men and women, small and medium-sized farmers, rural entrepreneurs, agroprocessors, input suppliers, traders and community groups. A series of investment products and mechanisms that can be accessed by rural people throughout the country will be established, primarily through the formal financial sector. The programme will specifically enable small enterprises to access financial services by making a wide spectrum of business support and development services available. Rural poor people will thus be able to improve their livelihoods through borrowing, and taking advantage of new employment opportunities generated through the creation and expansion of rural enterprises supported by the programme.

Loan amount: SDR 9.1 million (approximately US\$13.0 million) on highly concessional terms

Total programme cost: estimated at US\$20.3 million, of which beneficiaries will provide US\$4.2 million, domestic financial institutions US\$2.8 million and national government US\$288,000

Cooperating institution: UNOPS

Tunisia

Integrated Agricultural Development Project in the Governorate of Siliana – Phase II

This project will extend into areas that are poorer than those covered by the first phase. The project aims to improve the incomes and living conditions of the rural population in Siliana in a sustainable manner. The project will:

- engage communities in a local development process
- diversify and increase employment and investment opportunities in rural areas for both women and young people, and contribute to the development of sustainable economic linkages
- develop the institutional capacity of the Regional Commission for Agricultural Development to adopt an integrated, participatory, equitable and gender-sensitive approach to local development
- ensure that regional stakeholders and national decision-makers adopt the principles of sustainable land management

The project will cover all of the southern districts of the governorate and eight subdistricts in the north, for a total of 27,800 households, including 12,600 farms.

Loan amount: SDR 10.9 million (approximately US\$15.5 million) on ordinary terms

Total project cost: estimated at US\$38.9 million, of which beneficiaries will provide US\$2.2 million, domestic institutions US\$9.5 million, GEF US\$5.0 million and national government US\$6.8 million

Cooperating institution: UNOPS

Yemen

Pilot Community-Based Rural Infrastructure Project in Highland Areas

The overall goal of the project is to improve living standards for rural poor people in remote highland communities. The project will:

- empower communities to be proactive in resolving infrastructure constraints
- reduce the isolation of communities and improve overall mobility and access to markets and services in highland areas
- institutionalize community-led improvement of village access roads within the overall framework for the development of the rural road network
- provide improved access by poor households to sustainable drinking water supplies

The target group will comprise poor communities in areas of economic potential in the highlands, where lack of basic infrastructure and isolation limit development and are major contributors to poverty. The project will focus on upgrading rural roads, which reach the most disadvantaged villages in the highlands, and it will benefit more than 300,000 people. A further 100,000 people are expected to benefit from better access to drinking water and improved water quality.

Loan amount: SDR 5.9 million (approximately US\$9.0 million) on highly concessional terms

Total project cost: estimated at US\$10.5 million, of which IFAD will provide a grant of US\$400,000, beneficiaries will provide US\$425,000 and national government US\$623,000.

Cooperating institution: UNOPS

Grants

IFAD's 2005 programme of work for grants under the global and regional grants window emphasized participatory technology development, community-based validation of innovative institutional arrangements and the promotion of knowledge and information exchange through regional research and information and innovation networks – both CGIAR-led and otherwise. Grants under the country-specific window were applied for the second time this year. Grants given under this window were guided by key rural development and poverty-reduction issues identified by regional divisions. They addressed policy and institutional factors with a bearing on the effectiveness of lending operations, and agricultural production constraints. They also focused on providing technical assistance and strengthening the capacity of country-level or local pro-poor agencies and civil society organizations. Country-specific grants also addressed institutional weaknesses in agricultural research and development through capacity-building. This is in line with IFAD's Grant Policy, which was reconfirmed in 2005 based on a review by the Executive Board.

IFAD's grant portfolio for 2005 totalled US\$50 million, including the transfer to the Programme Development Financing Facility. Large grants (over US\$200,000) approved in 2005 are listed below. Thirty-three small grants were approved during the year, for a combined value of US\$4.6 million under both windows. Most of these grants had a focus on capacity-building, technical assistance and rural innovation.

IFAD grants awarded to programmes and projects implemented by CGIAR-supported centres

International Water Management Institute: Programme for Enhancing Mekong Region Water Governance, US\$900,000. The programme will promote secure access to water resources and more productive management of these resources. It will provide a multi-stakeholder platform to share local knowledge on water governance issues and information among communities from the local level up to the state level in the Mekong region. The grant will foster dialogue, networking, capacity-building and knowledge management through pilot research activities and regional exchanges among public, private, local, national, regional and international institutions.

World Agroforestry Centre: Programme for Strengthening Livelihood Strategies in the West African Sahel through Improved Management and Utilization of Parkland Agroforests, US\$1.45 million. The programme will improve resilience to shocks such as crop failures by increasing the use of trees and shrubs in local diets and health practices, thus diversifying sources of food and medicines. It will improve the access of rural poor communities to productive tree domestication technologies, support local networks of farmers' associations and foster their role in analysing, developing and implementing natural resource policies.

IFAD grants awarded to programmes and projects implemented by centres not supported by CGIAR

International Centre for Integrated Mountain Development: Programme for Securing Livelihoods in the Uplands and Mountains of the Hindu Kush-Himalayas – Phase II, US\$1.2 million. This programme will improve access to productive natural resources and technology, strengthen the capacity of rural poor people and their organizations and increase access to markets. More specifically, it will introduce and support innovations

that sustainably improve the livelihoods of poor and disadvantaged peoples, build the capacity and promote the development of pro-poor institutions and foster policy dialogue in order to develop an enabling environment for sustainable pro-poor development.

International Network for Bamboo and Rattan: Programme for Enhanced Bamboo and Rattan-Based Smallholder Livelihood Opportunities (INBAR II), US\$1.5 million. The programme will operate in Asia, sub-Saharan Africa and Latin America and will promote a market-oriented focus that provides rural poor people with market access locally and access to niche markets in Europe. The programme will build on the achievements of INBAR I, which developed several models of technology diffusion based on traditional knowledge systems and involvement of women in small- and medium-sized enterprises.

TechnoServe: Programme for Building a Pro-Poor, Competitive Cashew Industry in East Africa, US\$1.5 million. The programme will focus on the coastal regions of East Africa, where poverty levels are substantially higher than national averages. It will promote a coordinated approach to rebuilding the processed cashew industry by bringing together NGOs, governments and private-sector service providers to support poor rural producers and processing companies across the region. It will have a strong policy orientation at the national and regional level that is expected to provide an enabling framework for the development of the industry.

West Africa Rural Foundation: Management-Capacity-Strengthening Programme for IFAD-Funded Projects in Western and Central Africa, US\$1.5 million. The programme will support capacity-building in IFAD-funded projects as well as regional training institutions, to strengthen the implementation of IFAD projects. It is envisioned that this will benefit about 50 projects in the region.

Association for Strengthening Agricultural Research in Eastern and Central Africa: Programme for Improved Management of Agricultural Water in Eastern and Southern Africa, US\$1.5 million. The programme will foster pro-poor research within the region by linking national and regional research institutions with IFAD-supported programmes and projects to undertake targeted and demand-driven studies. It will build capacity within the Soil and Water Management Network and its member institutions for engaging in pro-poor action research, providing hands-on support for enhanced agricultural water management, and facilitating pro-poor water management policy dialogue.

Capacity Building International: Programme for Capacity-Building in Managing for Results and Impact, US\$1.9 million. The programme will build capacity for managing for impact and results in rural development programmes. Through support for effective planning, and monitoring and evaluation, the programme will promote the participation of rural poor people in impact assessment, performance monitoring and participatory planning, thereby contributing to their empowerment. It will also support the development of a network for knowledge-gathering and dissemination.

Kenya Gatsby Trust: Programme to Support Rural Finance Knowledge Management Partnership for Eastern and Southern Africa, US\$660,000. The programme will promote collaborative action-research on innovative approaches to rural financial service delivery in Eastern and Southern Africa, for subsequent scaling up in IFAD-supported programmes and projects. It will build capacity by supporting rural financial service practitioners and service providers in the region.

Southern African Natural Products Trade Association: Programme for Strengthening the Southern African Natural Products Trade Association, US\$1.5 million. The programme will promote an innovative, business-oriented institutional model: a regional, multi-stakeholder, member-owned trade association that will work to build a viable natural products market. The development of such a market will enable the poorest households in the most marginal rural areas of southern Africa to create new off-farm income-generating opportunities.

International Agricultural Centre: Regional Programme to Strengthen “Managing for Impact” in Eastern and Southern Africa, US\$1.1 million. The programme will build the capacity of pro-poor institutions to plan, implement and monitor development interventions. This will enhance impact and support the empowerment of rural poor people so that they can become effectively engaged in analysing their own circumstances and decision-making processes. The programme will support initiatives to test innovative approaches to applying the management-for-impact approach.

International Centre of Insect Physiology and Ecology: Programme for the Development of Sericulture and Apiculture Products for the Poor in Fragile Ecosystems, Using the Value Chain Approach, US\$1.4 million. The programme will improve productivity through biological research for apiculture and sericulture. It will disseminate improved methodologies and insect resource-knowledge and conservation practices, while establishing market linkages.

International Center for Soil Fertility and Agricultural Development: Programme for Combating Soil Fertility Decline to Implement Smallholder Agricultural Intensification in Sub-Saharan Africa, US\$1.4 million. The programme will provide farmers and other stakeholders with flexible technological options and institutional arrangements that can be fine-tuned to suit their conditions. It will build capacity among farmers and research and extension service providers by using participatory approaches. Through research in long-term trials, it will improve existing soil fertility management options and develop and improve decision-making support tools for soil management.

Stand-alone grants

International Land Coalition: Programme to Strengthen the Secure Access by the Rural Poor to Land and Related Support Services, US\$965,000. In September 2004, IFAD’s Executive Board approved a 2005-06 programme of work for the International Land Coalition. The Board had earlier approved a first-phase grant of US\$900,000 out of a total cost of US\$1.87 million to support both phases of the 2005-06 programme. The programme of work will enhance the capacities of the Land Coalition’s members and partners to help landless people and smallholders gain and maintain secure access to land and related production support services, and it will facilitate the opening of spaces for dialogue with decision-makers.

Through FAO: to support Pro-Poor Policy Formulation, Dialogue and Implementation at the Country Level, US\$1.5 million. This programme will assist eight countries in reducing rural poverty through enhanced institutional capacity to analyse, formulate and implement pro-poor agricultural and rural development policies. It will build the capacity of key government agencies; promote sharing of experiences and lessons learned on successful pro-poor policies among countries through a knowledge network; and foster greater participation by civil society and the private sector in pro-poor policy dialogue and advocacy.

International Farming Systems Research Methodology Network for the FIDAMERICA Network – Phase IV: Learning and Communication for Impact on Poverty Reduction in Latin America and the Caribbean, US\$1.3 million. This programme will strengthen learning and communication systems on innovative rural development strategies, methods and tools promoted by IFAD. It will capitalize on approaches and apply methods developed in previous phases of FIDAMERICA and contribute to IFAD's development as a knowledge broker by exchanging methods, knowledge and experiences with IFAD's other regional networks and within the organization itself.

Nepal: Centre for Environmental and Agricultural Policy Research, Extension and Development: to Support the Local Livelihoods Programme in Mid-Western Nepal, US\$485,000. This programme will contribute to improved, sustainable local livelihoods for 5,000 poor rural families living in the Chhinchu-Jajarkot and Surkhet-Jumla corridors. It will demonstrate that the north-south corridor development approach, as articulated in the Government's agricultural policy, can contribute to poverty reduction.

Guatemala: National Peace Fund: to support the Smallholder Agricultural Production Reactivation and Infrastructure Reconstruction Programme in Response to Hurricane Stan in the Department of Sololá, Guatemala, US\$500,000. The programme will contribute to the reconstruction of agricultural production infrastructure in the targeted area in order to reactivate sustainable economic production for the benefit of rural smallholders and indigenous producers in 13 municipalities in Sololá Department.

Financial and institutional aspects

A family works together to harvest maize in Qerret i Vogel, Albania.



Institutional risk and internal control

In 2005, risk management was integrated into IFAD's strategic planning and budget process. Divisional budget submissions were used to gather and aggregate the risks and exposures to the achievement of the institutional goals for 2006. The institutional risks identified by the divisions were considered by senior management when they defined budgetary priorities. The risks identified were linked mainly to the availability and coordination of resources and staff time for the multiple initiatives that were in progress or were being launched in 2006.

In the last part of the year, the Office of Internal Audit started to document the IFAD Internal Control Framework in coordination with the Finance and Administration Department. This ongoing exercise involves documenting the controls in place over IFAD's external financial reporting and evaluating these controls to identify potential issues to be addressed.

Managing IFAD's liquidity, cash flow and financial policies

IFAD's Office of the Treasurer manages daily cash flow, longer-term resource projection and financial policy formulation and planning. The Office also manages US\$2.5 billion worth of liquidity, all of which is fully committed. During 2005 the Office of the Treasurer carried out major tasks, as described below.

In March, the US\$400 million held-to-maturity (HTM) portfolio was fully funded and implemented. The HTM portfolio derived from the liquidation of equity holdings and a restructuring of the global government bond portfolios. The investment advisory committee, chaired by the President of IFAD, decided to liquidate the equity portfolio in order to implement the recommendations of the asset liability management (ALM) review conducted in 2003. The HTM portfolio is composed of high-grade securities and is managed internally by the Office of the Treasurer.

In September, the Office of the Treasurer appointed the International Bank for Reconstruction and Development (World Bank) as a new financial advisor to provide IFAD with technical advice on various financial matters.

Throughout the year, the Office of the Treasurer was fully involved in the Consultation on the Seventh Replenishment of IFAD's Resources (see page 52). The division used the asset liability management (ALM) framework to present financial scenarios for different replenishment levels, HIPC Initiative costs and grant policies. A special ALM seminar was held at the third session of the Consultation in July to revisit the definition of committable resources in order to mobilize IFAD's internal and external resources in a more strategic way. Subsequently, an expanded definition of committable resources was agreed by the Consultation.

During 2005, the Office of the Treasurer continued to play an important role in launching the financial modules of the integrated commercial software package used across all departments of IFAD. The new system enhanced and strengthened all cash flow management processes, particularly fund transfers, daily bank reconciliation, accounting and reporting for movements of both regular and supplementary funds.

Organization and staff

IFAD's overall regular staffing positions at 31 December 2005 stood at 149.5 Professional and higher-category positions (excluding the positions of President and Vice-President) and 167.5 General Service positions. At that date the number of filled positions totalled 295.5: 134.5 in the Professional category and above, and 161 in the General Service category. Staff in the Professional and higher categories were nationals of 51 Member States, reflecting IFAD's adherence to the principle of equitable geographic distribution. The proportion of women increased from 39 per cent in 2004 to 44 per cent in 2005. As in previous years, IFAD engaged the services of consultants, conference personnel and other temporary staff to meet its short-term operational needs, while seeking to maintain an optimal number of fixed-term staff.

Under its Associate Professional Officer/Special Programme Officer Programmes, the organization benefited from the services of professionals from ten donor countries: Belgium, Denmark, Finland, Germany, Italy, Japan, the Netherlands, Norway, the Republic of Korea and Sweden. Under the Internship Programme, IFAD hosted 33 professionals from 24 countries: Algeria, Belgium, Burkina Faso, Canada, Colombia, Côte d'Ivoire, Croatia, the Democratic People's Republic of Korea, Denmark, France, Germany, Ghana, Guinea, India, Lesotho, Morocco, Nigeria, the Philippines, South Africa, Sweden, Togo, Tunisia, the United Kingdom of Great Britain and Northern Ireland, and the United States of America.

During the year, IFAD continued to make significant progress in achieving the milestones set out in the human resources management reform agenda to modernize human resources management within the organization. A new Human Resources Procedures Manual was issued in July 2005, reflecting the Human Resources Policy approved by the Executive Board in 2004. These documents provide a common platform that enables the organization to achieve its mission while creating a corporate culture that values diversity, ensures fairness and equity, and nurtures open communication. The new manual introduces, among other things, a code of conduct with detailed provisions regarding conflict of interests; a new chapter on career development, which includes immersion in field projects; and a new facilitation process on grievance and disciplinary procedures. All staff members were given a copy of the manual.

During the year, the performance evaluation system was used to help identify staff areas for improvement so that training programmes for improved performance could be developed. The subjects of training courses offered during the year included management development, innovation, harassment, computer technology and languages.

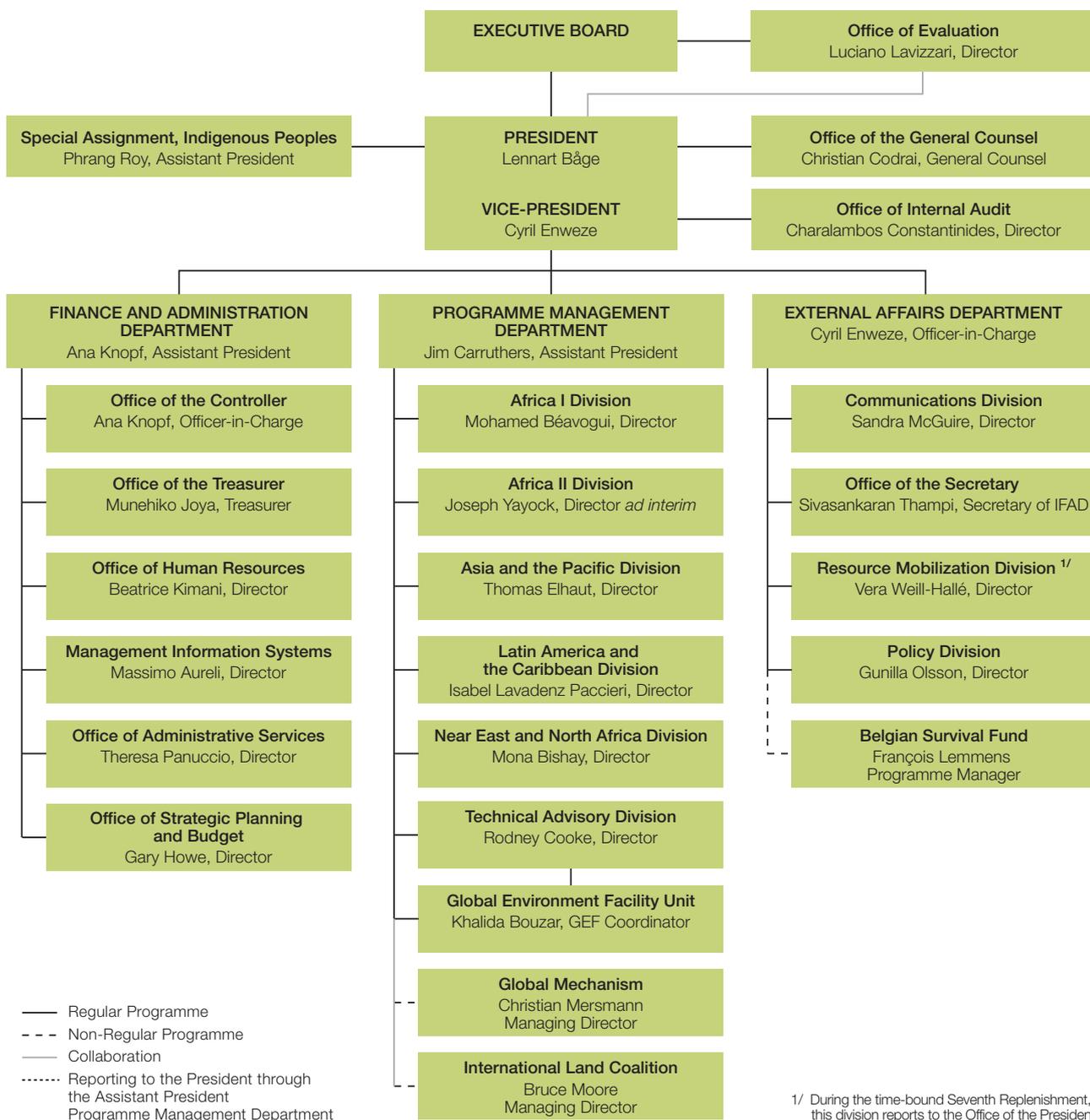
In 2005, the competency framework for IFAD management finalized at the end of the previous year was integrated into the selection process and the performance evaluation system for all staff. An IFAD-wide training programme on the management competency framework started in late 2005 and will continue through 2006.

IFAD continued to take part in the International Civil Service Commission (ICSC) pilot study on pay and benefits, which started in 2004. Human resources officers worked with managers to redefine job descriptions and implement SPECTRA, the new methodology for job classification established by the Commission. The first issue of the annual ICSC staff survey was completed in early 2005. IFAD management and a pilot focus group attended training sessions on the new pay-for-performance system.

During the year, new in-house services were offered to staff by the IFAD medical service; these included entry, periodic and separation medical examinations, and a travel clinic. To provide support for staff and their dependants, a staff counselling service was re-introduced in 2005.

Organizational chart

as of 31 December 2005



Membership and representation

As of 31 December 2005, IFAD had a total membership of 164 countries – 23 in List A, 12 in List B and 129 in List C, of which 49 in Sub-List C1, 49 in Sub-List C2 and 31 in Sub-List C3.

LIST A	LIST B	LIST C		
		<i>Sub-List C1 Africa</i>	<i>Sub-List C2 Europe, Asia and the Pacific</i>	<i>Sub-List C3 Latin America and the Caribbean</i>
Australia	Algeria	Angola	Afghanistan	Antigua and Barbuda
Austria	Gabon	Benin	Albania	Argentina
Belgium	Indonesia	Botswana	Armenia	Barbados
Canada	Iran (Islamic Republic of)	Burkina Faso	Azerbaijan	Belize
Denmark	Iraq	Burundi	Bangladesh	Bolivia
Finland	Kuwait	Cameroon	Bhutan	Brazil
France	Libyan Arab Jamahiriya	Cape Verde	Bosnia and Herzegovina	Chile
Germany	Nigeria	Central African Republic	Cambodia	Colombia
Greece	Qatar	Chad	China	Costa Rica
Iceland	Saudi Arabia	Comoros	Cook Islands	Cuba
Ireland	United Arab Emirates	Congo	Croatia	Dominica
Italy	Venezuela (Bolivarian Republic of)	Côte d'Ivoire	Cyprus	Dominican Republic
Japan		Democratic Republic of the Congo	Democratic People's Republic of Korea	Ecuador
Luxembourg		Djibouti	Fiji	El Salvador
Netherlands		Egypt	Georgia	Grenada
New Zealand		Equatorial Guinea	India	Guatemala
Norway		Eritrea	Israel	Guyana
Portugal		Ethiopia	Jordan	Haiti
Spain		Gambia	Kazakhstan	Honduras
Sweden		Ghana	Kiribati	Jamaica
Switzerland		Guinea	Kyrgyzstan	Mexico
United Kingdom of Great Britain and Northern Ireland		Guinea-Bissau	Lao People's Democratic Republic	Nicaragua
United States of America		Kenya	Lebanon	Panama
		Lesotho	Malaysia	Paraguay
		Liberia	Maldives	Peru
		Madagascar	Malta	Saint Kitts and Nevis
		Malawi	Mongolia	Saint Lucia
		Mali	Myanmar	Saint Vincent and the Grenadines
		Mauritania	Nepal	Suriname
		Mauritius	Oman	Trinidad and Tobago
		Morocco	Pakistan	Uruguay
		Mozambique	Papua New Guinea	
		Namibia	Philippines	
		Niger	Republic of Korea	
		Rwanda	Republic of Moldova	
		Sao Tome and Principe	Romania	
		Senegal	Samoa	
		Seychelles	Solomon Islands	
		Sierra Leone	Sri Lanka	
		Somalia	Syrian Arab Republic	
		South Africa	Tajikistan	
		Sudan	Thailand	
		Swaziland	The former Yugoslav Republic of Macedonia	
		Togo	Timor-Leste	
		Tunisia	Tonga	
		Uganda	Turkey	
		United Republic of Tanzania	Viet Nam	
		Zambia	Yemen	
		Zimbabwe	Yugoslavia ⁷	

7/ Membership in IFAD governing bodies suspended by the Executive Board on 4 December 1992

List of Governors and Alternate Governors of IFAD Member States

as of 31 December 2005^{8,9}

Member	Governor	Alternate
AFGHANISTAN	Mostapha Zaher (January 2005 – October 2005) Abdullah Ali (October 2005 –)	– Abdul Razak Ayazi (May 2005 –)
ALBANIA	Agron Duka (January 2005 – September 2005) Jemin Gjana (September 2005 –)	Pavli Zeri
ALGERIA	Said Barkat	Mokhtar Reguieg (January 2005 – September 2005) Nasr-Eddine Rimouche (September 2005 – November 2005) Rachid Marif (November 2005 –)
ANGOLA	Gilberto Buta Lutucuta	Mawete Joao Batista
ANTIGUA AND BARBUDA	Leon Errol Cort	–
ARGENTINA	Victorio María José Taccetti	Hilda Gabardini
ARMENIA	Davit Lokyan	Zohrab V. Malek
AUSTRALIA	Bruce Billson	–
AUSTRIA	Thomas Wieser (January 2005 – April 2005) Kurt Bayer (April 2005 –)	Herbert Jäger (January 2005 – July 2005) –
AZERBAIJAN	Ismat Abbasov (January 2005) Emil Zulfugar Oglu Karimov (January 2005 –)	–
BANGLADESH	M. Saifur Rahman	Ayub Quadri
BARBADOS	Erskine R. Griffith	–
BELGIUM	Jean De Ruyt	Philip Heuts
BELIZE	Servulo Baeza (January 2005) Michael Espat (January 2005 –)	–
BENIN	Lazare Sehoueto (January 2005 – March 2005) Fatiou Akplogan (March 2005 –)	Sossou Justin Adanmayi
BHUTAN	Sangay Ngedup	Sonam Tobden Rabgye
BOLIVIA	Maira Paz Estenssoro (January 2005 – August 2005) Ernesto Gabriel Campero Bilbao (August 2005 – November 2005) María Isabel Cadima Paz (November 2005 –)	– Freddy Abastoflor Córdova (May 2005 – August 2005) –
BOSNIA AND HERZEGOVINA	Lukša Šoljan (January 2005 – July 2005) Midhat Haračić (July 2005 –)	Branko Kesić (January 2005) Sabahka Radjo (March 2005 –)
BOTSWANA	Peter Lethogonolo Siele	Mmapula Modise (January 2005 – March 2005) Mathias Chakalisa (March 2005 –)

8/ At its twenty-seventh session on 19 February 2004, His Excellency Guido Mantega (Brazil) was elected as chairperson of the Governing Council. Her Excellency Nobuko Matsubara (Japan) and His Excellency Nuri Ibrahim Hasan (Libyan Arab Jamahiriya) were elected as vice-chairpersons.

9/ Dates in parentheses indicate when a governor is appointed and when he or she steps down. Where no date is given, this indicates that the governor was appointed before January 2005 and/or will continue to serve after December 2005.

BRAZIL	Nelson Machado (January 2005 – April 2005) Paulo Bernardo Silva (April 2005 –)	José Carlos da Rocha Miranda
BURKINA FASO	Jean-Baptiste Marie Pascal Compaoré	Mamadou Sissoko
BURUNDI	Pierre Ndikumagenge (January 2005 – September 2005) Elie Buzoya (September 2005 –)	Cyprien Ndayegamiye
CAMBODIA	Chan Sarun	–
CAMEROON	Abdoulaye Aboubakary	Michael Tabong Kima
CANADA	Bruce Montador	Roger Ehrhardt
CAPE VERDE	Jorge Maria Custódio dos Santos (January 2005 – December 2005)	Maria Goretti Santos Lima
CENTRAL AFRICAN REPUBLIC	Parfait-Anicet M'bay	Ernest Gothard-Bassebe
CHAD	Pascal Yaodimnadj (January 2005 – February 2005) Laokein Medard (February 2005 – August 2005) Albert Payimi Padacket (August 2005 –)	– Boubakari Hamadou (September 2005 –)
CHILE	Gustavo Ayares (January 2005 – February 2005) Eduardo Araya Alemparte (February 2005 –)	–
CHINA	Li Yong	Zhao Xiaoyu (January 2005 – October 2005) –
COLOMBIA	Fabio Valencia Cossio (January 2005 – March 2005) Darío Alberto Bonilla Giraldo (March 2005 – July 2005) Rosalia Esperanza Anzola Mora (July 2005 – September 2005) Luis Camilo Osorio Isaza (September 2005 –)	Darío Alberto Bonilla Giraldo (January 2005 – July 2005) Rosalia Esperanza Anzola Mora (July 2005 – September 2005) Francisco Coy Granados (September 2005 –)
COMOROS	Mohamed Abdoulhamid	Ahmed Djabir
CONGO	Jeanne Dambendzet	Mamadou Kamara Dekamo
COOK ISLANDS	Robert Woonton (January 2005 – December 2005) Tom Marsters (December 2005 –)	–
COSTA RICA	Victoria Guardia Alvarado de Hernández	Yolanda Gago Pérez
CÔTE D'IVOIRE	Richard Gbaka Zady	–
CROATIA	Drago Kraljević (January 2005 – November 2005) Vesna Terzić (November 2005 –)	Vlado Matijasić (January 2005 – October 2005) –
CUBA	Marta Lomas Morales	Alfredo Néstor Puig Pino
CYPRUS	George F. Poulides	Gabriel Odysseos
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	Kim Yong Suk	– Choe Taek San (March 2005 –)
DEMOCRATIC REPUBLIC OF THE CONGO	Valentin Senga (January 2005 – February 2005) Paul Musafiri (February 2005 –)	–
DENMARK	Ole E. Moesby	Kirsten Geelan (January 2005 – September 2005) Dan E. Frederiksen (September 2005 –)
DJIBOUTI	Dini Abdallah Bililis (January 2005 – July 2005) Abdoulkader Kamil Mohamed (July 2005 –)	– Mohamed Moussa Chehem (February 2005 –)

DOMINICA	Ambrose George (January 2005 – August 2005) Colin McIntyre (August 2005 –)	–
DOMINICAN REPUBLIC	Mario Arvelo Caamaño	Dolores Margarita Cedeño Pérez
ECUADOR	Emilio Izquierdo Miño	Sandro Celi (January 2005 – December 2005) Patricia Borja (December 2005 –)
EGYPT	Ahmed Abdelmoneim el-Liethy	– Helmy Abdel Hamid Bedeir (February 2005 –)
EL SALVADOR	Mario E. Salaverriá Nolasco (January 2005 – May 2005) José Roberto Andino Salazar (May 2005 –)	–
EQUATORIAL GUINEA	Teodoro Nguema Obiang Mangue	–
ERITREA	Arefaine Berhe	– Zemedede Tekle Woldetatos (March 2005 –)
ETHIOPIA	Adissu Legesse	Mengistu Hulluka Deyas
FIJI	Seremaia Tuinausori Cavuilati	Nemani Valucava Buresova
FINLAND	Hannu Kyröläinen	Pasi Hellman
FRANCE	Odile Renaud-Basso (January 2005 – October 2005) Ambroise Fayolle (October 2005 –)	–
GABON	Faustin Boukoubi	Yolande Bivigou
GAMBIA	Sulayman Sait Mboob (January 2005 – March 2005) – Yankuba Touray (June 2005 –)	Yusupha Alieu Kah
GEORGIA	David Shervashidze (January 2005) Mikheil Svimonishvili (January 2005 –)	Zaal Gogsadze
GERMANY	Michael Hofmann	–
GHANA	Courage Quashigah (January 2005 – March 2005) Ernest Deborah (March 2005 –)	Kofi Dsane-Selby
GREECE	Anastassis Mitsialis	Emmanuel Manoussakis
GRENADA	Ruth Elizabeth Rouse (January 2005 – December 2005) Joseph S. Charter (December 2005 –)	–
GUATEMALA	Ileana Rivera de Angotti (January 2005) Francisco Bonifaz Rodríguez (January 2005 –)	Alejandro Vela (January 2005 – July 2005) Ileana Rivera de Angotti (July 2005 –)
GUINEA	Jean Paul Sarr	Ibrahima Cherif Bah
GUINEA-BISSAU	João de Carvalho	–
GUYANA	Laleshwar K.N. Singh	–
HAITI	Philippe Mathieu	– Franck Hyppolite (May 2005 –)
HONDURAS	Mariano Jiménez Talavera	–
ICELAND	Jón Erlingur Jónasson	Hermann Örn Ingólfsson
INDIA	Palaniappan Chidambaram	Sudhir Gunvantrai Mankad (January 2005 – May 2005) Ashok Chawla (May 2005 –)

INDONESIA	Agus Mohammad (January 2005 – March 2005)	Freddy Numberi (January 2005)
	Agus Haryanto (March 2005 – May 2005)	–
	J.B. Kristiadi (May 2005 –)	Djafar Husein (March 2005 –)
IRAN (ISLAMIC REPUBLIC OF)	Bozorgmehr Ziaran (January 2005 – February 2005)	–
	–	Adel Jalili (July 2005 –)
	Seyed Mojtaba Arastoo (July 2005 –)	–
IRAQ	Hoshiyar Mahmoud Zebari	–
IRELAND	John Francis Cogan	Padraic Dempsey
ISRAEL	Ehud Gol	Denis-Paul Mordehay-Rodgold
ITALY	Gianluigi Magri (January 2005 – August 2005)	–
	Michele Vietti (August 2005 –)	
JAMAICA	Ransford A. Smith	–
JAPAN	Nobuko Matsubara (January 2005 – December 2005)	Kiyoshi Kodera
	Nozomu Takaoka (December 2005 –)	
JORDAN	Bassem Awadallah (January 2005 – March 2005)	Awni Taimeh (January 2005 – March 2005)
	Tayseer Smadi (March 2005 – May 2005)	Akef al-Zoubi (March 2005 – November 2005)
	Suhair al-Ali (May 2005 –)	–
KAZAKHSTAN	Serik Umbetov (January 2005 – October 2005)	–
	Askar Myrzakhmetov (October 2005 –)	
KENYA	Kipruto Rono Arap Kirwa	–
KIRIBATI	Anote Tong (February 2005 –)	–
KUWAIT	Mahmoud al-Nouri (January 2005 – April 2005)	Bader Mishari al-Humaidhi (January 2005 – April 2005)
	Bader Mishari al-Humaidhi (April 2005 –)	–
		Abdulwahab Ahmed al-Bader (June 2005 –)
KYRGYZSTAN	Askar Aitmatov (January 2005 – April 2005)	–
	Roza I. Otunbayeva (April 2005 – November 2005)	
	Alikbek Jekshenkulov (November 2005 –)	
LAO PEOPLE'S DEMOCRATIC REPUBLIC	Chansy Phosykhram	Phouphet Khamphounvong
LEBANON	Melhem Nasir Mistou (January 2005)	Rania Khalil Zarzour (January 2005 –)
	Louis L. Lahoud (January 2005 –)	
LESOTHO	Daniel Rakoro Phororo	Mathoriso Molumeli
LIBERIA	George Kramee	John B. Samuels
LIBYAN ARAB JAMAHIRIYA	Seraj Addin S.A. Essa (January 2005 – April 2005)	–
	Abdalla Zaied (April 2005 –)	
LUXEMBOURG	Jean-Louis Schiltz	Georges Heinen (January 2005 – November 2005)
		Arsène Jacoby (November 2005 –)
MADAGASCAR	Harison Edmond Randriarimanana	Auguste Richard Paraina

MALAWI	Thom Chakukwa Chihana (January 2005 – March 2005) Gwanda Chakwamba (March 2005 – August 2005) Uladi Mussa (August 2005 –)	Charles J. Matabwa
MALAYSIA	Samsudin bin Hitam (January 2005) Izzudin bin Dali (January 2005 –)	Lily Zachariah
MALDIVES	Abdulla Kamaludeen	Hamdun Hameed
MALI	Seydou Traoré	Ibrahim Bocar Daga
MALTA	Abraham Borg	Pierre Hili
MAURITANIA	Sidi Ould Mohamdi Ould Didi (January 2005 – August 2005) Mohamed Ould Abed (August 2005 –)	Yahya N'Gam
MAURITIUS	Nandcoomar Bodha (January 2005 – July 2005) Arvin Boolell (July 2005 –)	Moheenee Nathoo (January 2005 – February 2005) – Denis Cangy (March 2005 –)
MEXICO	Rafael Tovar y de Teresa	Víctor Hugo Morales Meléndez (January 2005 – March 2005) Vladimir Hernández Lara (March 2005 –)
MONGOLIA	Dendev Terbichdagva	– Tserendorj Gankhuyag (March 2005 –)
MOROCCO	Moha Marghi	Ali Lamrani
MOZAMBIQUE	Lúisa Dias Diogo (January 2005 – February 2005) Manuel Chang (February 2005 – March 2005) Aiuba Cuereneia (March 2005 –)	– Pedro Conceicao Couto (September 2005 –)
MYANMAR	Htay Oo	–
NAMIBIA	Paul Smit (January 2005) – Percy Wachata Misika (March 2005 – December 2005) Wilfried Inotira Emvula (December 2005 –)	Desmond R. Tshikesho
NEPAL	Hom Nath Dahal (January 2005 – February 2005) – Kirtu Nidhi Bista (March 2005 – September 2005) Badri Prasad Mandal (September 2005 –)	–
NETHERLANDS	A. M. Agnes van Ardenne-van der Hoeven	Ewald Wermuth
NEW ZEALAND	Julie Clare MacKenzie	Tiffany Babington
NICARAGUA	José Cuadra Chamorro	Amelia Silvia Cabrera
NIGER	Abary Maï Moussa (January 2005) Labo Moussa (January 2005 – March 2005) Ausseil Mireille Fatouma (March 2005 –)	–
NIGERIA	Adamu Bello	–
NORWAY	Nils Haugstveit	Ingrid Glad
OMAN	Khalfan bin Saleh Mohammed al Naebi	–

PAKISTAN	Sikandar Hayat Khan Bosan	Waqar Masood Khan (January 2005 – November 2005) –
PANAMA	Horacio J. Maltez	–
PAPUA NEW GUINEA	Bart Philemon	–
PARAGUAY	Jorge Figueredo Fratta	– Ana María Baiardi Quesnel (February 2005 –)
PERU	Harold Forsyth Mejía	Oswaldo del Águila Ramírez (January 2005 – February 2005) Pedro Alberto Mario Rubín Heraud (February 2005 –)
PHILIPPINES	Juanita D. Amatong (January 2005 – February 2005) Cesar Purisima (February 2005 – July 2005) Margarito B. Teves (July 2005 –)	–
PORTUGAL	Carlos Manuel Inácio Figueiredo	Carlos Manuel dos Santos Figueiredo
QATAR	Sultan bin Hassan al-Dhabit al-Dousari	– Ali Fahad al-Hajri (March 2005 – August 2005) –
REPUBLIC OF KOREA	Cho Young-jai	Kim Chang-hyun
REPUBLIC OF MOLDOVA	Mariana Durllesteanu (January 2005 – March 2005) Gheorghe Sandulachi (March 2005 – December 2005) Anatolie Spivacenco (December 2005 –)	Viorel Gutu (January 2005 – March 2005) Lilia Razlog (March 2005 –)
ROMANIA	Gheorghe Flutur (January 2005 – February 2005) Nicolae Flaviu Lazin (February 2005 –)	Cristian Valentin Colteanu
RWANDA	Patrick Habamenshi (January 2005 – June 2005) Anastase Murekezi (June 2005 –)	Edison Nyandwi (January 2005 – August 2005) Venetia Sedudandi (August 2005 – November 2005) Emmanuel Ndagijimana (November 2005 –)
SAINT KITTS AND NEVIS	Cedric Roy Liburt	–
SAINT LUCIA	Ignatius Jean	Julius Polius
SAINT VINCENT AND THE GRENADINES	Girlyn Miguel (January 2005 – December 2005) Montgomery Daniel (December 2005 –)	–
SAMOA	Tuisualetaua Sofara Aveau (January 2005 – November 2005) To'omata Alapati Poese To'omata (November 2005 –)	–
SAO TOME AND PRINCIPE	Helder Martinho de Barros Pinto (January 2005 – September 2005) Gaudêncio Luis da Costa (September 2005 –)	–
SAUDI ARABIA	Fahad bin Abdulrahman Balghunaim	–
SENEGAL	Habib Sy	Momar Gueye (January 2005 – July 2005) Papa Cheikh Saadibou Fall (July 2005 –)
SEYCHELLES	Ronald Jumeau	–
SIERRA LEONE	Sama Sahr Mondeh	Cristina F.S. Wright
SOLOMON ISLANDS	– Enele Kwanairara (August 2005 –)	Ezekiel Walaodo

SOMALIA	Abbas Musse Farah (January 2005 – March 2005) Hassan Mohamed Noor (March 2005 –)	–
SOUTH AFRICA	Lenin Magigwane Shope	Margaret Mohapi
SPAIN	Eduardo Ibáñez López-Doriga	Luis Cuesta Cívís (January 2005 – September 2005) – Jorge Cabrera Espinós (November 2005 –)
SRI LANKA	E. Rodney M. Perera	Niluka Kadurugamuwa
SUDAN	Magzoub Elkhalfifa Ahmed (January 2005 – October 2005) Mohammed al-Amin Issa Kabashi (October 2005 –)	–
SURINAME	Jaswant Sahtoe	Gerhard Otmar Hiwat
SWAZILAND	Mtiti Fakudze	Christopher Nkwanyana
SWEDEN	Ruth Jacoby	Stefan Emblad
SWITZERLAND	Serge Chappatte	Martin Rohner
SYRIAN ARAB REPUBLIC	Adel Safar	Hassan al-Ahmad
TAJIKISTAN	Talbak Nazarov	–
THAILAND	Banphot Hongthong	Pote Chumsri (January 2005 – April 2005) Pornprome Chairidchai (April 2005 – September 2005) Tritaporn Khomapat (September 2005 –)
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	Ivan Angelov	–
TIMOR-LESTE	José Ramos-Horta (January 2005 – February 2005) Estanislau Alexio da Silva (February 2005 –)	– Cesár José da Cruz (February 2005 –)
TOGO	Komikpime Bamnante (January 2005 – June 2005) Charles Kondi Agba (June 2005 –)	Ekoué Kandé Assiongbon
TONGA	Viela K. Tupou	–
TRINIDAD AND TOBAGO	Jarette Narine	Bernard Anthony Weston (January 2005 – March 2005) –
TUNISIA	Mohamed Nouri Jouini	–
TURKEY	Necati Ütkan (January 2005) Serap Özcoşkun (January 2005 – April 2005) Sitki Uğur Ziyal (April 2005 –)	–
UGANDA	Gerald M. Ssendaula (January 2005) Ezra Suruma (January 2005 –)	–
UNITED ARAB EMIRATES	Mohamed Khalfan bin Khirbash	
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND	Matthew Wyatt	Peter Reid (January 2005 – June 2005) Elizabeth Nasskau (June 2005 –)
UNITED REPUBLIC OF TANZANIA	Charles N. Keenja	Costa Ricky Mahalu
UNITED STATES OF AMERICA	John W. Snow	Anthony Wayne

URUGUAY	Carlos Alejandro Barros Oreiro (January 2005 – September 2005) Ramón Carlos Abin De María (October 2005 –)	Gabriel Bellón
VENEZUELA (BOLIVARIAN REPUBLIC OF)	Angela Delgado de Salazar (January 2005) Robert Jiménez Durán (January 2005 – April 2005) Nelson J. Merentes Díaz (April 2005 –)	– Rudolf Römer Pieretti (December 2005 –)
VIET NAM	Thi Bang Tam Le	Truong Thai Phuong
YEMEN	Hasan Omar Sowaid	Abdulrahman Mohammed Bamatraf
ZAMBIA	Webby D. Kamwendo	Ammon Bosco Chiteta Chibanda (January 2005 – July 2005) –
ZIMBABWE	Joseph M. Made	Mary Margaret Muchada

List of Executive Board Directors

as of 31 December 2005¹⁰

Member		Alternate Member	
LIST A			
Charles Parker (January 2005 – August 2005)	Canada	John Francis Cogan	Ireland
James Melanson (August 2005 –)			
Alain Guillouët	France	Philip Heuts	Belgium
Bernd Dunnzlauff	Germany	Lothar Caviezel	Switzerland
Augusto Zodda	Italy	Klaus Oehler	Austria
Kazumi Endo	Japan	Kristian Hojersholt	Denmark
Ann Uustalu	Sweden	Margaret Slettevold	Norway
Matthew Wyatt	United Kingdom of Great Britain and Northern Ireland	Jeroen T.M.G. Steeghs (January 2005 – July 2005) Ewald Wermuth (July 2005 –)	Netherlands
Mark M. Jaskowiak	United States of America	Kristina Gill (acting) (January 2005 –)	Australia
LIST B			
Hesham Ibrahim al-Waqayan	Kuwait	Majed Ali Ahmed Omran al Shamsi	United Arab Emirates
Ganyir Lombin	Nigeria	Mohamed bin Fahad al-Fihani (October 2005 –)	Qatar ¹¹
Ahmed ben Souleiman al-Aquil	Saudi Arabia	Memed Gunawan (January 2005 – June 2005) Hasanuddin Ibrahim (June 2005 –)	Indonesia
Rudolf Römer Pieretti (acting) (January 2005 – April 2005) Heidi González (acting) (April 2005 –)	Venezuela (Bolivarian Republic of)	Larbi Boumaza	Algeria
LIST C			
SUB-LIST C1 Africa			
Médi MOUNGUI	Cameroon	Mohamed Hassan Jubara Mohamed	Sudan
Maryam Moussa (January 2005 – November 2005)	Egypt	Abel Gonçalves Lopes (January 2005 – November 2005)	Mozambique
Mahmoud el Sayed el Naggar (November 2005 –)		Salim Crompton Ismael Valá (November 2005 –)	
SUB-LIST C2 Europe, Asia and the Pacific			
Sudhir Gunvantrai Mankad (January 2005 – May 2005)	India	So Man-ho (January 2005 – August 2005)	Republic of Korea
Ashok Chawla (May 2005 –)		Youn Jang-Bae (August 2005 –)	
Mirza Qamar Beg (April 2005 –)	Pakistan	Zhao Xiaoyu (January 2005 – October 2005) Ju Kuilin (October 2005 –)	China
SUB-LIST C3 Latin America and the Caribbean			
Benvindo Belluco	Brazil	Ileana Rivera de Angotti (January 2005 – February 2005) Francisco Bonifaz Rodriguez (February 2005 –)	Guatemala
Rafael Tovar y de Teresa	Mexico	Ariel Fernández (January 2005) – Hilda Gabardini (May 2005 –)	Argentina

^{10/} Dates in parentheses indicate when a director is appointed and when he or she steps down. Where no date is given, this indicates that the director was appointed before January 2005 and/or will continue to serve after December 2005.

^{11/} Admission endorsed by List B Members on 23 September 2005.

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended 31 December 2005 and 31 December 2004*

Appendix A	Consolidated and IFAD-Only Statement of Revenues and Expenses
Appendix A1	IFAD-Only Statement of Operating Expenses
Appendix A2	Consolidated and IFAD-Only Statement of Total Recognized Gains and Losses
Appendix B	Consolidated and IFAD-Only Balance Sheet
Appendix B1	IFAD-Only Balance Sheet at Nominal Value in USD and Retranslated in SDR
Appendix C	Consolidated Cash-Flow Statement
Appendix D	Statement of IFAD-Only Resources Available for Commitment
Appendix E	Statement of Member States' Contributions and Special Contributions
Appendix E1	Statement of Complementary and Supplementary Contributions
Appendix F	Statement of Loans
Appendix F1	Statement of Grants
Appendix G	Summary of the Debt Initiative for Heavily Indebted Poor Countries
Appendix H	Notes to the Consolidated Financial Statements
Report of the External Auditor	

These financial statements have been prepared using the symbols of the International Organization for Standardization (ISO), Geneva, International Standard 4217 and SDR. The Notes to the Consolidated Financial Statements (Appendix H) form an integral part of the financial statements.

* As submitted for endorsement to the Eighty-Seventh Session of the Executive Board in April 2006 for further submission to the Thirtieth Session of the Governing Council for approval in accordance with Regulation XII/6 of the Financial Regulations of IFAD.

APPENDIX A

Consolidated and IFAD-Only Statement of Revenues and Expenses

For the years ended 31 December 2005 and 2004 (expressed in thousands of United States dollars)

	Consolidated ¹		IFAD-Only	
	2005	2004	2005	2004
Revenues				
Income from loans (Note 3)	45 321	48 027	45 321	48 027
Income from cash and investments (Note 4)	74 653	115 934	71 693	115 239
Income from other sources (Note 5)	9 792	8 583	13 539	9 632
Contributions income (Note 6)	20 708	49 636	2 931	31 177
Total Revenues	150 474	222 180	133 484	204 075
Operating Expenses				
Staff salaries and benefits (Note 7)	(54 323)	(48 592)	(49 961)	(45 149)
Office and general expenses	(23 091)	(20 616)	(21 819)	(20 097)
Consultants and other non-staff costs	(24 724)	(29 219)	(21 939)	(24 236)
Cooperating institutions	(10 339)	(9 197)	(10 064)	(8 672)
Direct bank and investment costs (Note 8)	(3 107)	(5 984)	(3 060)	(5 928)
Subtotal	(115 584)	(113 608)	(106 843)	(104 082)
Adjustment for changes in fair value (Note 2(f))	71 521	–	74 040	–
Allowance for loan impairment losses (Note 3(b))	(35 872)	(48 991)	(35 872)	(48 991)
Debt Initiative for HIPC's expenses (Note 11)	(72 592)	(1 590)	(72 592)	(1 590)
Grant expenses (Note 10)	(42 367)	(27 179)	(34 721)	(18 480)
Provision for after-service medical benefits (Note 7(c))	(11 157)	12 300	(11 157)	12 300
Total Operating Expenses	(206 051)	(179 068)	(187 145)	(160 843)
Total Revenues Less Operating Expenses	(55 577)	43 112	(53 661)	43 232
Total Foreign Exchange Rate Movements (Appendix A2)	(404 015)	246 729	(397 675)	242 876
Transfer to Retained Earnings	(459 592)	289 841	(451 336)	286 108

APPENDIX A1

IFAD-Only Statement of Operating Expenses

For the years ended 31 December 2005 and 2004 (expressed in thousands of United States dollars)

An analysis of IFAD operating expenses by principal sources of funding:

	Administrative Budgets ²	Programme Development Financing Facility (PDFF)	Strategic Change Programme (SCP)	Direct Charges ³	Other Sources ⁴	Total
Staff salaries and benefits	(44 722)	(2 758)	–	(62)	(2 419)	(49 961)
Office and general expenses	(9 889)	(2 832)	–	(220)	(8 878)	(21 819)
Consultants and other non-staff costs	(7 095)	(13 424)	(611)	(121)	(688)	(21 939)
Cooperating institutions	–	(9 990)	–	–	(74)	(10 064)
Direct bank and investment costs	–	–	–	(3 060)	–	(3 060)
Total 2005	(61 706)	(29 004)	(611)	(3 463)	(12 059)	(106 843)
Total 2004	(57 002)	(27 254)	(4 434)	(6 576)	(8 816)	(104 082)

¹ This includes transactions for the following entities:

- IFAD
- Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification (SPA)
- Other supplementary funds, including cofinancing, associate professional officers (APOs) and programmatic supplementary funds; the Belgian Survival Fund Joint Programme (BSF.JP); the Global Environment Facility
- IFAD's Debt Initiative for Heavily Indebted Poor Countries (HIPC's) Trust Fund
- IFAD's After-Service Medical Coverage Scheme (ASMCS) Trust Fund

See Note 2(a) for further information.

² These refer to IFAD and its Office of Evaluation and include one-time costs and external evaluation (2004 only).

³ Direct charges against investment income.

⁴ Includes positions funded from service charges from other funds, Italian Government reimbursable expenditures and field presence (2005 only).

APPENDIX A2

Consolidated Statement of Total Recognized Gains and Losses

For the years ended 31 December 2005 and 2004 (expressed in thousands of United States dollars)

	Retained Earnings from Operations	Foreign Exchange Effects ¹	Total Retained Earnings ²
Opening Balance as at 1 January 2004	1 171 255	690 797	1 862 052
Total Revenues less Operating Expenses before the effect of Foreign Exchange Rate Movements	43 112	–	43 112
Net Operating Exchange Losses	(1 944)	–	(1 944)
Net Foreign Exchange Rate Movements (Note 2(c))	–	248 673	248 673
Total Foreign Exchange Movements	(1 944)	248 673	246 729
Retained Earnings as at 31 December 2004	1 212 423	939 470	2 151 893
Fair value adjustment (Note 2(f))	(1 142 808)	–	(1 142 808)
Retained Earnings as at 1 January 2005	69 615	939 470	1 009 085
Total Revenues less Operating Expenses before the effect of Foreign Exchange Rate Movements	(55 577)	–	(55 577)
Net Operating Exchange Gains	1 205	–	1 205
Net Foreign Exchange Rate Movements (Note 2(c))	–	(405 220)	(405 220)
Total Foreign Exchange Movements	1 205	(405 220)	(404 015)
Retained Earnings as at 31 December 2005	15 243	534 250	549 493

IFAD-Only Statement of Total Recognized Gains and Losses

For the years ended 31 December 2005 and 2004 (expressed in thousands of United States dollars)

	Retained Earnings from Operations	Foreign Exchange Effects ¹	Total Retained Earnings ²
Opening Balance as at 1 January 2004	1 168 938	684 978	1 853 916
Total Revenues less Operating Expenses before the effect of Foreign Exchange Rate Movements	43 232	–	43 232
Net Operating Exchange Losses	(360)	–	(360)
Net Foreign Exchange Rate Movements	–	243 236	243 236
Total Foreign Exchange Movements	(360)	243 236	242 876
Retained Earnings as at 31 December 2004	1 211 810	928 214	2 140 024
Fair value adjustment (Note 2(f))	(1 147 743)	–	(1 147 743)
Retained Earnings as at 1 January 2005	64 067	928 214	992 281
Total Revenues less Operating Expenses before the effect of Foreign Exchange Rate Movements	(53 661)	–	(53 661)
Net Operating Exchange Gains	171	–	171
Net Foreign Exchange Rate Movements	–	(397 846)	(397 846)
Total Foreign Exchange Movements	171	(397 846)	(397 675)
Retained Earnings as at 31 December 2005	10 577	530 368	540 945

¹ See Note 2(c).

² Fully committed.

APPENDIX B

Consolidated and IFAD-Only Balance Sheet¹

As at 31 December 2005 and 2004 (expressed in thousands of United States dollars)

Assets

	Consolidated		IFAD-Only	
	2005	2004	2005	2004
Cash on hand and in banks (Note 12)	249 831	172 678	235 211	151 160
Investments (Note 12)	2 384 770	2 689 060	2 269 975	2 571 013
Contributors' promissory notes (Note 13)	307 596	384 326	286 204	352 804
Contributions receivable (Note 13)	230 430	359 426	204 656	351 569
Less: provisions (Note 14)	(169 359)	(176 292)	(169 359)	(176 292)
	368 667	567 460	321 501	528 081
Other receivables (Note 15)	107 464	57 507	189 920	154 201
Loans outstanding (Note 3 and Appendix F)	2 830 282	4 153 208	2 830 282	4 153 208
Less: accumulated allowance for loan impairment losses (Note 3(b))	(51 280)	(114 060)	(51 280)	(114 060)
Less: accumulated allowance for the Debt Initiative for HIPCs (Note 11(c))	(170 233)	(240 112)	(170 233)	(240 112)
Net loans outstanding	2 608 769	3 799 036	2 608 769	3 799 036
Total Assets	5 719 501	7 285 741	5 625 376	7 203 491

Liabilities, Contributions, Retained Earnings

	Consolidated		IFAD-Only	
	2005	2004	2005	2004
Payables and liabilities (Note 16)	319 838	251 649	325 957	261 183
Undisbursed grants	71 065	78 299	42 210	36 048
Deferred revenues (Note 17)	65 981	40 424	3 140	2 760
	456 884	370 372	371 307	299 991
Contributions (Note 18)				
Regular	4 767 135	4 824 420	4 767 135	4 824 420
Provisions	(169 359)	(176 292)	(169 359)	(176 292)
Special	20 348	20 348	20 348	20 348
Total Contributions	4 618 124	4 668 476	4 618 124	4 668 476
Fully committed retained earnings (Note 2(a))	549 493	2 151 893	540 945	2 140 024
General Reserve (Note 19)	95 000	95 000	95 000	95 000
Net assets	5 262 617	6 915 369	5 254 069	6 903 502
Total Liabilities, Contributions, Retained Earnings	5 719 501	7 285 741	5 625 376	7 203 491

¹ This balance sheet includes transactions for the following entities:

- IFAD
- SPA
- Other supplementary funds, including cofinancing, associate professional officers and programmatic supplementary funds; BSF.JP; the Global Environment Facility
- IFAD's Debt Initiative for HIPCs Trust Fund
- IFAD's ASMCS Trust Fund

See Note 2(a) for further information.

Certain balances in 2005 such as loans outstanding, contributors' promissory notes, contributions receivable, undisbursed grants and deferred revenues are stated at fair value and amortised cost, whilst those in 2004 are stated at nominal value, see Note 2(f) for further details.

APPENDIX B1

IFAD-Only Balance Sheet at nominal value in United States Dollars and Retranslated in SDR¹

As at 31 December 2005 and 2004 (expressed in thousands of United States Dollars and special drawing rights)

Assets

	USD		SDR	
	2005	2004	2005	2004
Cash on hand and in banks	235 211	151 160	164 906	97 536
Investments	2 269 975	2 571 013	1 591 479	1 658 946
Contributors' promissory notes	298 614	352 804	209 358	227 647
Contributions receivable	213 520	351 569	149 699	226 849
Less: provisions	<u>(169 359)</u>	<u>(176 292)</u>	<u>(118 738)</u>	<u>(113 752)</u>
	342 775	528 081	240 319	340 744
Other receivables	189 920	154 201	133 153	99 498
Loans outstanding	4 003 639	4 153 208	2 806 952	2 679 857
Less: accumulated allowance for loan impairment losses	(140 634)	(114 060)	(98 598)	(73 597)
Less: accumulated allowance for the Debt Initiative for HIPCs	<u>(264 527)</u>	<u>(240 112)</u>	<u>(185 460)</u>	<u>(154 932)</u>
Net loans outstanding	3 598 478	3 799 036	2 522 894	2 451 328
Total Assets	6 636 359	7 203 491	4 652 751	4 648 052

Liabilities, Contributions, Retained Earnings

	USD		SDR	
	2005	2004	2005	2004
Payables and liabilities	325 957	261 183	228 528	168 527
Undisbursed grants	48 386	36 048	33 923	23 212
Deferred revenues	<u>3 140</u>	<u>2 760</u>	<u>2 202</u>	<u>1 781</u>
	377 483	299 991	264 653	193 520
Contributions				
Regular	4 788 408	4 824 420	4 081 010	3 615 383
Provisions	(169 359)	(176 292)	(118 738)	(113 752)
Special	<u>20 348</u>	<u>20 348</u>	<u>15 219</u>	<u>15 219</u>
Total Contributions	4 639 397	4 668 476	3 977 491	3 516 850
Fully committed retained earnings	1 524 479	2 140 024	344 002	876 383
General Reserve	95 000	95 000	66 605	61 299
Net assets	6 258 876	6 903 502	4 388 098	4 454 532
Total Liabilities, Contributions, Retained Earnings	6 636 359	7 203 491	4 652 751	4 648 052

¹ Presented for information purposes only, as stated in Notes 2(a) and 2(c).

APPENDIX C

Consolidated Cash-Flow Statement¹

For the years ended 31 December 2005 and 2004 (expressed in thousands of United States dollars)

	2005	2004
Cash flows from investing activities		
Loan disbursements	(343 469)	(313 660)
Loan principal repayments	137 766	149 829
Net sale of equities	281 671	1 367
Net purchase of held to maturity (HTM) investments	(370 175)	–
Net cash flows invested in development activities	(294 207)	(162 464)
Cash flows from financing activities		
Payments for replenishment contributions	156 226	209 317
Net cash flows provided by financing activities	156 226	209 317
Cash flows from operating activities		
Interest received from loans	37 785	44 291
Income received from HTM investments	10 158	–
Dividend income from equities	1 074	6 191
Income from non equities	54 955	55 588
Receipts for non-replenishment contributions	71 530	71 068
Miscellaneous payments	6 439	10 677
Payments for operating expenses	(106 601)	(120 848)
Debt relief paid	(27 283)	(27 460)
Grant disbursements	(42 659)	(28 997)
Net cash flows provided/(used) by operating activities	5 398	(10 510)
Effects of exchange-rate movements on cash and investments, excluding equities and HTM investments	(206 964)	84 112
Net (decrease)/increase in unrestricted cash and cash equivalents	(339 964)	141 475
Unrestricted cash and cash equivalents at beginning of year	2 582 544	2 441 069
Unrestricted cash and cash equivalents at end of year	2 242 997	2 582 544
COMPOSED OF:		
Unrestricted cash	249 762	172 346
Unrestricted investments excluding equities and HTM investments	1 993 235	2 410 198
Cash and cash equivalents at end of period	2 242 997	2 582 544
Reconciliation of net income to net cash used by operating activities:		
Excess of revenue over operating expenses before net foreign exchange rate movements	(55 577)	43 112
Adjustments to reconcile net income to net cash provided by operations:		
– Fair value adjustment	(71 521)	–
– (increase)/decrease in accrued income on loans and investments	(47 715)	(8 520)
– (increase)/decrease in other receivables	28 960	(4 020)
– increase/(decrease) in other payables	35 223	(35 437)
– gain on equities	(4 506)	(18 781)
– interest on restricted cash	–	57
– grants approved but not yet disbursed	(292)	(3 917)
– exchange loss on operations	1 205	(265)
– non-cash expenses relating to the Debt Initiative for HIPCs	72 592	1 590
– after-service medical provision	11 157	(12 300)
– loan impairment provision movement	35 872	48 991
Net cash flows provided/(used) by operating activities	5 398	(10 510)

¹ See Appendix H Note 2(d).

APPENDIX D

Statement of IFAD-Only Resources Available for Commitment¹

For the years ended 31 December 2005 and 2004 (expressed in thousands of United States dollars)

		2005	2004
Assets in freely-convertible currencies	Cash	235 141	150 828
	Investments	2 269 319	2 570 627
	Promissory notes	297 215	351 405
	Other receivables	189 920	154 201
		2 991 595	3 227 061
Less	Payables and liabilities	325 957	261 183
	Programme Development Financing Facility (PDFF) carry forward	5 676	7 332
	General reserve	95 000	95 000
	Undisbursed effective loans	1 939 333	2 121 557
	Approved loans signed but not yet effective	308 958	326 851
	Undisbursed grants	48 386	36 048
		2 296 677	2 484 456
	Provision for promissory notes	80 898	83 152
		2 804 208	2 931 123
Resources Available for Commitment		187 387	295 938
Less	Loans not yet signed	449 722	399 690
	Grants not yet signed	33 687	33 101
Net Resources pre-ACA (Note 1(h) and (v))		(296 022)	(136 853)
ACA carried forward at 1 January		136 853	331 131
ACA approved at Executive Board sessions during the year		186 600	–
		323 453	331 131
Less	ACA covered in year	(27 431)	(194 278)
ACA carried forward		296 022	136 853
Net Resources Available for Commitment		–	–

¹ Presented for informational purposes only, as stated in Notes 2(a), 2(e), 13 and 14(a).

APPENDIX E

Statement of Member States' Contributions and Special Contributions

As at 31 December 2005 and 2004

	Initial, First, Second, Third, Fourth and Fifth Replenishments			Sixth Replenishment			
	Instruments Deposited			Payments – USD Equivalent			
	USD Equivalent	Currency	Amount	USD Equivalent	Cash	Promissory Notes	Total
Afghanistan	93						
Albania	20 000	USD	10 000	10 000	10 000		10 000
Algeria	50 330 000	USD	1 000 000	1 000 000	650 000	350 000	1 000 000
Angola	160 000	USD	100 000	100 000	100 000		100 000
Argentina ¹	7 900 016						
Armenia		USD	7 466	7 466	7 466		7 466
Australia ¹	37 108 099						
Austria	33 140 744	EUR	7 831 044	9 418 694	6 462 819	2 955 875	9 418 694
Azerbaijan	5 000	USD	95 000	95 000	95 000		95 000
Bangladesh	3 156 030	USD	600 000	600 000	390 000	210 000	600 000
Barbados	10 000						
Belgium	61 347 508	EUR	9 810 000	11 874 986	7 970 675	47 182	8 017 857
Belize	205 333						
Benin	100 000	USD	96 850	96 850	96 850		96 850
Bhutan	78 000	USD	27 000	27 000	27 000		27 000
Bolivia	900 000	USD	300 000	300 000	300 000		300 000
Botswana	235 000	USD	100 000	100 000	100 000		100 000
Brazil ¹	36 103 497	USD	7 916 263	7 916 263		7 916 263	7 916 263
Burkina Faso	98 723	USD	60 000	60 000	58 449		58 449
Burundi	69 861						
Cambodia	210 000	USD	210 000	210 000	210 000		210 000
Cameroon	554 886	USD	300 000	300 000	300 000		300 000
Canada	134 796 273	CAD	43 601 600	34 927 148	22 485 368	12 441 781	34 927 148
Cape Verde	26 000						
Central African Republic	10 725						
Chile	605 000	USD	95 000	95 000	95 000		95 000
China	30 338 534	USD	10 500 000	10 500 000	3 150 000	7 350 000	10 500 000
Colombia	370 000	USD	100 000	100 000	100 000		100 000
Comoros ²	31 573						
Congo	151 092						
Cook Islands	5 000						
Côte d'Ivoire	1 558 822						
Cuba	8 520						
Cyprus	137 000						
Democratic People's Republic of Korea ²	796 734						
Democratic Republic of the Congo	1 030 000	USD	150 000	150 000	150 000		150 000
Denmark	85 471 745	DKK	170 000 000	27 489 600	18 080 179	6 246 590	24 326 769
Djibouti	6 000						
Dominica	54 987						
Dominican Republic	83 551						
Ecuador	790 994						
Egypt	11 408 882	USD	3 000 000	3 000 000	1 950 000	1 050 000	3 000 000
El Salvador	100 000						
Eritrea	10 000	USD	10 000	10 000	10 000		10 000
Ethiopia	160 869	USD	30 000	30 000	30 000		30 000
Fiji	194 228						
Finland	25 700 942	EUR	4 600 000	5 777 200	4 007 875		4 007 875
France ¹	171 496 161	EUR	24 000 000	28 309 201		18 872 801	18 872 801
Gabon ²	2 801 000	USD	200 000	200 000			0
Gambia	30 086	USD	9 810	9 810	9 810		9 810
Germany ¹	254 435 106	USD	40 000 000	40 000 000		26 000 000	26 000 000
Ghana	966 487						
Greece	2 350 000	USD	600 000	600 000	600 000		600 000
Grenada	50 000	USD	25 000	25 000	25 000		25 000
Guatemala	693 021	USD	77 332	77 332	77 332		77 332

Cont'd

APPENDIX E

Statement of Member States' Contributions and Special Contributions

As at 31 December 2005 and 2004

	Initial, First, Second, Third, Fourth and Fifth Replenishments			Sixth Replenishment			
	Instruments Deposited			Payments – USD Equivalent			
	USD Equivalent	Currency	Amount	USD Equivalent	Cash	Promissory Notes	Total
Guinea	189 725						
Guinea-Bissau	30 000						
Guyana	479 921	USD	155 458	155 458	155 458		155 458
Haiti	107 118						
Honduras	749 460	USD	51 896	51 896	51 896		51 896
Iceland	5 000						
India	47 812 382	USD	15 000 000	15 000 000	10 000 000		10 000 000
Indonesia	36 959 000	USD	5 000 000	5 000 000	3 000 000		3 000 000
Iran (Islamic Republic of) ²	128 750 000						
Iraq ²	53 099 000						
Ireland	5 007 473	EUR	1 173 618	1 403 743	1 403 743		1 403 743
Israel	300 000						
Italy	168 360 604						
Jamaica	325 814						
Japan	292 531 353	JPY	3 656 010 000	31 806 374	16 318 743	15 487 630	31 806 374
Jordan	655 000	USD	85 000	85 000	85 000		85 000
Kenya ²	4 407 784						
Kuwait	148 041 000	USD	5 000 000	5 000 000	3 250 000	1 750 000	5 000 000
Lao People's Democratic Republic	103 213						
Lebanon	114 999						
Lesotho	239 397	USD	50 000	50 000	50 000		50 000
Liberia	39 000						
Libyan Arab Jamahiriya ²	52 000 000						
Luxembourg	1 875 856	EUR	510 000	615 698	405 148	210 550	615 698
Madagascar	188 357	USD	91 355	91 355	91 355		91 355
Malawi	73 346						
Malaysia	750 000	USD	250 000	250 000	250 000		250 000
Maldives	51 000						
Mali	51 519	USD	11 020	11 020	11 020		11 020
Malta	54 985						
Mauritania ²	50 000						
Mauritius	250 000	USD	20 000	20 000	20 000		20 000
Mexico	27 130 985	USD	3 000 000	3 000 000	2 000 000		2 000 000
Morocco	5 944 407	USD	300 000	300 000	150 000	150 000	300 000
Mozambique	240 390	USD	80 000	80 000	80 000		80 000
Myanmar	250 000						
Namibia	320 000	USD	20 000	20 000	20 000		20 000
Nepal	110 000	USD	50 000	50 000	50 000		50 000
Netherlands	171 747 838	EUR	40 000 000	47 646 578	16 348 397	31 298 181	47 646 578
New Zealand	7 991 330						
Nicaragua	88 571	USD	10 000	10 000	10 000		10 000
Niger	174 807						
Nigeria ¹	95 184 000						
Norway	114 256 266	NOK	194 691 467	29 343 028	9 216 164	10 542 643	19 758 807
Oman	150 000						
Pakistan ¹	8 933 776	USD	2 000 000	2 000 000	1 333 333		1 333 333
Panama	133 165	USD	33 200	33 200	33 200		33 200
Papua New Guinea	170 000						
Paraguay	604 842						
Peru	560 000	USD	200 000	200 000	200 000		200 000
Philippines	1 777 907						
Portugal	2 167 088	EUR	778 950	916 954	610 684		610 684
Qatar ²	28 980 000	USD	1 000 037	1 000 037	1 000 037		1 000 037
Republic of Korea	7 739 031	USD	2 500 000	2 500 000	1 750 000		1 750 000
Republic of Moldova		USD	6 100	6 100	6 100		6 100

Cont'd

APPENDIX E

Statement of Member States' Contributions and Special Contributions

As at 31 December 2005 and 2004

	Initial, First, Second, Third, Fourth and Fifth Replenishments			Sixth Replenishment			
	Instruments Deposited			Payments – USD Equivalent			
	USD Equivalent	Currency	Amount	USD Equivalent	Cash	Promissory Notes	Total
Romania	50 453	USD	100 000	100 000	100 000		100 000
Rwanda	159 499	USD	4 352	4 352	4 352		4 352
Saint Kitts and Nevis	20 000						
Saint Lucia	22 000						
Samoa	50 000						
Sao Tome and Principe ²	10 000						
Saudi Arabia	369 778 000	USD	10 000 000	10 000 000	6 500 000	3 500 000	10 000 000
Senegal	203 387	EUR	59 455	67 707	67 707		67 707
Seychelles	19 667						
Sierra Leone	36 726						
Solomon Islands	10 000						
Somalia	10 000						
South Africa	500 000						
Spain	9 642 940	EUR	2 596 500	3 056 989	3 056 989		3 056 989
Sri Lanka	5 883 000	USD	334 000	334 000	334 000		334 000
Sudan	688 266	EUR	162 863	200 588	200 588		200 588
Swaziland	178 329	USD	40 000	40 000	40 000		40 000
Sweden	125 100 114	SEK	296 706 440	39 443 648	39 443 648		39 443 648
Switzerland ¹	77 292 475	CHF	21 323 400	16 179 218		10 774 309	10 774 309
Syrian Arab Republic	666 656	USD	300 000	300 000	300 000		300 000
Tajikistan	200						
Thailand	600 000	USD	150 000	150 000	150 000		150 000
Togo	35 443						
Tonga	55 000						
Tunisia	1 978 201	USD	600 000	600 000	400 000		400 000
Turkey ²	15 036 366	USD	300 000	300 000	300 000		300 000
Uganda	200 000	USD	45 000	45 000	45 000		45 000
United Arab Emirates	50 180 000	USD	1 000 000	1 000 000	300 000	700 000	1 000 000
United Kingdom of Great Britain and Northern Ireland ¹	137 614 881	GBP	19 707 000	33 831 992			
United Republic of Tanzania	214 385	USD	50 000	50 000	50 000		50 000
United States of America	602 674 400	USD	45 000 000	45 000 000	20 250 000	9 440 661	29 690 661
Uruguay	225 000						
Venezuela (Bolivarian Republic of)	169 089 000	USD	5 600 000	5 600 000	2 223 342	3 376 658	5 600 000
Viet Nam	603 012	USD	500 000	500 000	300 000		300 000
Yemen	1 400 000	USD	384 316	384 316	384 316		384 316
Yugoslavia	108 170						
Zambia	307 262						
Zimbabwe	2 103 074						
Total Contributions							
31 December 2005	3 949 454 738			487 250 799	209 899 043	170 671 123	380 570 166
31 December 2004	3 958 605 088			514 583 226	110 442 155	171 603 188	282 045 343

Advance Contributions to the Seventh Replenishment

	Instruments Deposited			Payments – USD Equivalent			
	Instruments Deposited			Payments – USD Equivalent			
	USD Equivalent	Currency	Amount	USD Equivalent	Cash	Promissory Notes	Total
Cameroon	300 000	EUR	235 219	300 000	300 000		300 000
Colombia	170 381	USD	170 381	170 381	170 381		170 381
Total Contributions							
31 December 2005	470 381			470 381	470 381	–	470 381
31 December 2004	–			–	–	–	–

¹ See Appendix H, Note 13

² See Appendix H, Note 14

APPENDIX E

Statement of Member States' Contributions and Special Contributions

As at 31 December 2005 and 2004

Special Programme for Africa

	First Phase			Second Phase		
	Instruments Deposited			Instruments Deposited		
	Currency	Amount	USD Equivalent	Amount	USD Equivalent	Total
Australia	AUD	500 000	388 870			388 870
Belgium	EUR	31 234 584	34 974 559	11 155 209	12 262 561	47 237 120
Denmark	DKK	120 000 000	18 672 804			18 672 804
Djibouti	USD	1 000	1 000			1 000
European Union	EUR	15 000 000	17 618 920			17 618 920
Finland	EUR	9 960 089	12 205 384			12 205 384
France	EUR	32 014 294	37 690 272	3 811 225	4 008 189	41 698 461
Germany	EUR	14 827 465	17 360 511			17 360 511
Greece	USD	37 030	37 030	40 000	40 000	77 030
Guinea	USD	25 000	25 000			25 000
Ireland	EUR	380 921	418 410	253 948	288 600	707 010
Italy	EUR	15 493 707	23 254 457	5 132 368	6 785 447	30 039 904
	USD	10 000 000	10 000 000			10 000 000
Japan	JPY	2 553 450 000	21 473 957			21 473 957
Kuwait	USD			15 000 000	15 000 000	15 000 000
Luxembourg	EUR	247 894	266 099			266 099
Mauritania ¹	USD	25 000	25 000			25 000
Netherlands	EUR	15 882 308	16 174 040	8 848 714	9 533 084	25 707 124
New Zealand	NZD	500 000	251 500			251 500
Niger	EUR	15 245	17 730			17 730
Nigeria	USD			250 000	250 000	250 000
Norway	NOK	138 000 000	19 759 121			19 759 121
Spain	USD	1 000 000	1 000 000			1 000 000
Sweden	SEK	131 700 000	19 054 920	25 000 000	4 196 391	23 251 311
Switzerland	CHF	25 000 000	17 048 554			17 048 554
United Kingdom of Great Britain and Northern Ireland	GBP	7 000 000	11 149 647			11 149 647
United States of America	USD	10 000 000	10 000 000	10 000 000	10 000 000	20 000 000
31 December 2005			288 867 785		62 364 272	351 232 057
31 December 2004			288 867 785		62 364 272	351 232 057

Summary of Member States' Contributions

	Value in USD '000	
	31 December 2005	31 December 2004
Initial Contributions	1 017 310	1 017 310
First Replenishment	1 016 372	1 016 372
Second Replenishment	566 560	566 560
Third Replenishment	553 495	552 495
Fourth Replenishment	361 396	361 918
Fifth Replenishment	434 322	443 950
Sixth Replenishment	487 251	514 583
Advance Contributions to the Seventh Replenishment	470	-
Total IFAD	4 437 176	4 473 188
SPA First Phase	288 868	288 868
SPA Second Phase	62 364	62 364
Total SPA	351 232	351 232
Total IFAD and SPA at nominal value	4 788 408	4 824 420
Fair value adjustment	(21 273)	
Total IFAD and SPA at fair value	4 767 135	

¹ See Appendix H, Note 14

APPENDIX E

Statement of Member States' Contributions and Special Contributions

As at 31 December 2005 and 2004

Special Contributions

	Initial, First, Second, Third and Fourth Replenishments USD Equivalent	First Phase USD Equivalent	Total USD Equivalent
IFAD			
OPEC Fund	20 000 000	–	20 000 000
Iceland	10 000	–	10 000
Other	129 050	–	129 050
31 December 2005	20 139 050	–	20 139 050
31 December 2004	20 139 050	–	20 139 050
SPA			
First Phase	–	209 345	209 345
31 December 2005	–	209 345	209 345
31 December 2004	–	209 345	209 345
Total IFAD and SPA	20 139 050	209 345	20 348 395
31 December 2005	20 139 050	209 345	20 348 395
31 December 2004	20 139 050	209 345	20 348 395

APPENDIX E1

Statement of Complementary and Supplementary Contributions

As at 31 December 2005 and 2004

1. Statement of Complementary Contributions Received Directly from Member States

	Instruments Deposited ¹			Payments – USD Equivalent		
	Currency	Amount	USD Equivalent	Cash	Promissory Notes	Total
Fourth Replenishment						
Belgium (BSF.JP)	EUR	19 831 482	25 903 082	16 838 595	9 064 487	25 903 082
Netherlands (Debt Initiative for HIPCs) ³	EUR	12 081 227	12 428 584	12 428 584	–	12 428 584
31 December 2005			38 331 666	29 267 179	9 064 487	38 331 666
31 December 2004			36 467 775	27 609 569	8 858 206	36 467 775
Fifth Replenishment						
Belgium (BSF.JP)	EUR	14 873 611	14 029 758	3 532 486	10 497 272	14 029 758
31 December 2005			14 029 758	3 532 486	10 497 272	14 029 758
31 December 2004			19 293 708	2 014 746	17 278 962	19 293 708
Sixth Replenishment						
Belgium (BSF.JP)	EUR	11 104 256	13 246 919	8 573 542	4 673 377	13 246 919
Canada	CAD	2 000 000	1 511 373	1 511 373	–	1 511 373
Italy (Debt Initiative for HIPCs) ³	EUR	3 720 000	4 602 198	4 602 198	–	4 602 198
Luxembourg (Debt Initiative for HIPCs) ³	EUR	850 000	1 053 052	1 053 052	–	1 053 052
United Kingdom of Great Britain and Northern Ireland ²	USD	6 229 738	6 229 738	6 229 738	–	6 229 738
31 December 2005			26 643 280	21 969 803	4 673 377	26 643 280
31 December 2004			17 556 987	12 171 638	5 385 349	17 556 987
Total Complementary Contributions						
31 December 2005			79 004 704	54 769 568	24 235 136	79 004 704
31 December 2004			82 459 511	41 795 953	31 522 517	73 318 470

¹ In those cases where no instrument has been received, the amounts shown are the equivalent of the actual payments.

² The United Kingdom of Great Britain and Northern Ireland has pledged USD 10 million as a complementary contribution to the Sixth Replenishment.

³ Comprises contributions from Italy, Luxembourg and The Netherlands included in complementary contributions received directly from Member States.

APPENDIX E1

Statement of Complementary and Supplementary Contributions

As at 31 December 2005 and 2004

2. Statement of Contributions from Member States and Donors to the Debt Initiative for HIPCs received through the World Bank Trust Fund

	Instruments Deposited ¹			Payments – USD Equivalent		
	Currency	Amount	USD Equivalent	Cash	Promissory Notes	Total
Belgium	EUR	2 974 722	2 713 086	2 713 086	–	2 713 086
European Commission	EUR	7 500 000	9 502 794	9 502 794	–	9 502 794
European Commission	USD	1 009 704	1 009 704	1 009 704	–	1 009 704
Finland	EUR	2 000 000	2 536 640	2 536 640	–	2 536 640
Finland	USD	2 656 200	2 656 200	2 656 200	–	2 656 200
Germany	EUR	7 669 378	6 988 921	6 988 921	–	6 988 921
Iceland	USD	250 000	250 000	250 000	–	250 000
Norway	USD	5 911 693	5 911 693	5 911 693	–	5 911 693
Sweden	USD	10 000 000	10 000 000	10 000 000	–	10 000 000
Switzerland	USD	3 275 500	3 275 500	3 275 500	–	3 275 500
31 December 2005			44 844 538	44 844 538	–	44 844 538
31 December 2004			42 188 338	42 188 338	–	42 188 338
Total Contributions to Debt Initiative from Member States ³			18 083 834	18 083 834	–	18 083 834
31 December 2005			62 928 372	62 928 372	–	62 928 372
31 December 2004			59 997 359	59 997 359	–	59 997 359

3. Statement of Contributions Received from Belgium for the Belgian Survival Fund Joint Programme

	Current Value of Contributions		
	Currency	Amount	USD Equivalent
Contributions not made in the context of replenishment resources	EUR	68 603 293	63 835 635
Fourth Replenishment	EUR	19 831 482	25 903 082
Fifth Replenishment	EUR	14 873 611	14 029 758
Sixth Replenishment	EUR	11 104 256	13 246 919
31 December 2005	EUR	114 412 642	117 015 394
31 December 2004	EUR	110 954 642	116 974 752

4. Statement of Supplementary Contributions

Cumulative Value of Contributions	USD '000 Equivalent	
	As at 31 December 2005	As at 31 December 2004
Cofinancing Funds	165 803	151 596
Programmatic Supplementary Funds	70 975	62 956
Associate Professional Officer (APO) funds	25 973	24 396
Global Environment Facility (GEF)	2 779	993
Other Supplementary Funds/Complementary Contributions	16 789	11 420
Total Supplementary Contributions	282 319	251 361

5. Statement of Movement in Contributions

For the year ended 31 December 2005

	USD '000 Equivalent					
	Cofinancing Funds	Programmatic Supplementary Funds	APO Funds	GEF	Other Supplementary Funds	Total
Unspent funds at 1 January 2005	10 419	22 301	1 618	568	2 420	37 326
Contributions received from donors	6 687	8 745	1 728	1 740	5 371	24 271
Returned to donors		(72)	(156)		(2)	(230)
Interest added to funds		709		47		756
Expenditures	(7 962)	(7 596)	(1 787)	(303)	(1 392)	(18 775)
Unspent funds at 31 December 2005	9 144	24 087	1 403	2 052	6 397	43 083

APPENDIX E1

Statement of Complementary and Supplementary Contributions

As at 31 December 2005 and 2004

6. Cofinancing Funds

Donor	USD '000 Equivalent			
	Contribution Value		Unspent as at 31 December	
	2005	2004	2005	2004
Member States				
Austria	755	755	–	–
Australia	2 721	2 721	–	–
Belgium	5 059	5 059	–	57
Denmark	2 467	2 467	–	–
Finland	2 397	2 397	–	–
France	1 032	1 032	–	–
Germany	46	46	–	–
Ireland	6 307	6 307	2 609	2 854
Italy	15 652	14 556	2 921	2 916
Japan	1 876	1 876	380	574
Luxembourg	750	750	–	–
Netherlands	62 089	63 033	1	–
Norway	19 120	19 045	469	1 337
Portugal	142	142	–	–
Suriname	2 019	2 019	2	2
Sweden	9 379	9 379	343	483
Switzerland	8 388	8 023	832	906
United Kingdom of Great Britain and Northern Ireland	13 786	171	619	–
Non-Member States and Other Sources				
African Development Bank	2 800	2 800	–	–
Arab Bank	899	899	899	899
Arab Fund for Economic and Social Development	2 998	2 998	1	310
Arab Gulf Programme for United Nations Development Organizations	299	299	–	–
European Union	814	814	–	–
Food and Agriculture Organization of the United Nations	14	14	–	–
National Agricultural Cooperative Federation	35	35	–	–
Organization of the Petroleum Exporting Countries Fund for International Development	50	50	–	–
Service charges surplus	50	50	–	–
Office of the United Nations High Commissioner for Refugees	1 976	1 976	–	–
United Nations Office for the Coordination of Humanitarian Affairs	1 000	1 000	–	–
UNFIP	81	81	28	77
World Bank	802	802	40	–
Total	165 803	151 596	9 144	10 419

7. Programmatic Supplementary Funds

Donor	USD '000 Equivalent			
	Contribution Value		Unspent as at 31 December	
	2005	2004	2005	2004
Canada	333	333	30	167
Congress Hunger Centre	201	201	18	61
Denmark	3 301	3 276	94	75
Finland	2 395	1 969	697	520
France	3 722	3 237	619	329
Germany	5 325	5 495	2 144	2 369
Ireland	805	1 662	293	1 299
Italy	24 485	16 675	13 870	8 821
Japan	3 967	3 770	524	531
Luxembourg	113	74	71	74
Malaysia	13	13	13	13
Netherlands	9 691	9 828	314	855
Norway	3 644	3 659	1 166	1 556
Portugal	738	662	271	340
Sweden	1 642	1 642	893	1 013
Switzerland	7 169	7 352	2 728	3 670
United Kingdom of Great Britain and Northern Ireland	3 082	2 799	323	557
World Bank	340	282	19	33
Others	9	27	–	18
Total	70 975	62 956	24 087	22 301

APPENDIX E1

Statement of Complementary and Supplementary Contributions

As at 31 December 2005 and 2004

8. Associate Professional Officer Funds

Donor	USD '000 Equivalent					
	Cumulative Number of APOs		Total Contributions Received		Unspent as at 31 December	
	2005	2004	2005	2004	2005	2004
Belgium	4	3	503	321	105	–
Denmark	19	19	3 033	3 086	115	366
Finland	10	8	1 526	1 264	293	204
France	3	3	559	568	–	9
Germany	26	25	3 668	3 484	160	288
Italy	19	17	3 838	3 532	373	302
Japan	11	11	1 894	1 894	(29)	191
Korea	8	7	2 237	2 038	(40)	(68)
Netherlands	29	29	4 637	4 320	100	24
Norway	8	8	1 387	1 244	206	129
Sweden	12	12	2 026	1 934	120	124
Switzerland	3	3	343	388	–	48
United States of America	3	3	322	323	–	1
Total	155	148	25 973	24 396	1 403	1 618

A total of 24 APOs worked at IFAD during 2005 (2004 - 22). These were financed by Belgium (1), Denmark (3), Finland (2), Germany (4), Italy (4), Japan (2), Republic of Korea (2), Netherlands (4), Norway (1) and Sweden (1).

9. Global Environment Facility

Recipient Country	USD '000 Equivalent				
	Contributions Received	Unspent at 1 January 2005	Received/ (Returned to donors)	(Expenditures) Release of accruals	Unspent at 31 December 2005
Asian Regional	340	–	340	(204)	136
Brazil	300	191	–	54	245
Ethiopia	350	350	–	–	350
Jordan	350	–	350	–	350
Mali	326	11	–	–	11
Morocco	350	–	350	–	350
Sri Lanka	350	–	350	(153)	197
Tunisia	350	–	350	–	350
Total	2 716	552	1 740	(303)	1 989
Interest added to funds	63	16	47	–	63
Total	2 779	568	1 787	(303)	2 052

APPENDIX E1

Statement of Complementary and Supplementary Contributions

As at 31 December 2005 and 2004

10. Other Supplementary Funds/Complementary Contributions¹

Donor	USD '000 Equivalent			
	Contribution Value		Undisbursed as at 31 December	
	2005	2004	2005	2004
Member States				
Angola	7	7	–	–
Australia	84	84	–	–
Belgium ²	1 480	1 480	20	19
Canada ³	2 649	2 648	985	1 740
China	30	30	–	–
Colombia	25	25	–	–
Denmark	546	546	129	202
Finland	613	613	–	–
France	90	90	–	–
Germany	20	20	–	–
Indonesia	50	50	–	–
Ireland	14	14	–	–
Italy	1 712	1 712	–	–
Jordan	15	15	–	–
Liechtenstein	5	5	–	–
Luxembourg	50	50	–	–
Malaysia	15	15	–	–
Morocco	50	50	–	–
Netherlands	231	231	–	–
Nigeria	50	50	–	–
Norway	1 178	1 178	50	50
Pakistan	25	25	–	–
Paraguay	15	15	–	–
Senegal	15	15	–	–
South Africa	10	10	–	–
Spain	8	8	–	–
Sweden	417	417	100	100
Switzerland	270	272	–	2
Turkey	47	47	–	–
United Kingdom of Great Britain and Northern Ireland ⁴	6 280	910	5 087	281
United States of America	85	85	–	–
Total	16 086	10 717	6 371	2 394
Non Member States	703	703	26	26
Grand Total	16 789	11 420	6 397	2 420

¹ The complementary contributions shown above exclude those relating specifically to BSF and HIPC DI; all such contributions are shown in Appendix E1 Table 1.

² The total contribution of Belgium includes USD 942 000 provided by the BSF.JP.

³ The total contribution of Canada includes USD 1 511 000 equivalent relating to other complementary contributions, as disclosed in Appendix E1 Table 1.

⁴ The total contribution of the United Kingdom of Great Britain and Northern Ireland includes 6 230 000 equivalent relating to the Innovation Programme, which is a complementary contribution to IFAD's resources as disclosed in Appendix E1 Table 1 (2004 USD 859 000).

APPENDIX F

Statement of Loans¹

As at 31 December 2005 and 2004

Borrower or Guarantor	Approved Loans Less Cancellations	Loans Not Yet Effective	Effective Loans			Outstanding Loans
			Undisbursed Portion	Disbursed Portion	Repayments	
USD Loans ¹	USD	USD	USD	USD	USD	USD
Bangladesh	30 000 000	–	–	30 000 000	12 750 000	17 250 000
Cape Verde	2 003 243	–	–	2 003 243	851 360	1 151 883
Haiti	3 500 000	–	–	3 500 000	1 531 250	1 968 750
Nepal	11 538 262	–	–	11 538 262	4 914 500	6 623 762
Sri Lanka	12 000 000	–	–	12 000 000	5 400 000	6 600 000
United Republic of Tanzania	9 488 456	–	–	9 488 456	4 159 623	5 328 834
Subtotal¹	68 529 961	–	–	68 529 961	29 606 733	38 923 229
Exchange adjustment on United States dollar loans	3 185 612	–	–	3 185 612	3 153 061	32 551
Subtotal USD Loans¹	71 715 573	–	–	71 715 573	32 759 794	38 955 779
SDR Loans ¹	SDR	SDR	SDR	SDR	SDR	SDR
Albania	29 227 333	5 500 000	422 042	23 305 291	604 700	22 700 591
Algeria	41 200 530	7 900 000	20 451 688	12 848 842	10 360 984	2 487 858
Angola	12 000 000	–	2 210 931	9 789 069	–	9 789 069
Argentina	45 700 000	13 350 000	15 912 059	16 437 941	13 146 732	3 291 208
Armenia	37 748 833	–	9 133 222	28 615 611	90 000	28 525 611
Azerbaijan	21 809 390	8 600 000	2 376 367	10 833 023	–	10 833 023
Bangladesh ²	244 571 969	17 550 000	41 080 459	185 941 510	32 501 097	153 440 413
Belize	1 750 000	–	732 635	1 017 365	336 550	680 815
Benin	72 753 289	6 950 000	11 420 211	54 383 078	8 839 070	45 544 008
Bhutan	27 284 372	9 250 000	1 018 324	17 016 049	2 681 288	14 334 761
Bolivia	48 996 121	–	10 073 291	38 922 830	10 408 025	28 514 805
Bosnia and Herzegovina	23 957 479	–	5 584 345	18 373 135	–	18 373 135
Brazil	59 649 999	15 450 000	12 637 107	31 562 893	16 785 000	14 777 893
Burkina Faso	60 233 552	–	26 483 195	33 750 357	4 439 787	29 310 570
Burundi ²	41 689 386	–	16 058 693	25 630 693	6 481 057	19 149 636
Cambodia	28 350 000	–	11 412 534	16 937 466	–	16 937 466
Cameroon	38 878 543	–	22 363 183	16 515 360	3 252 795	13 262 565
Cape Verde	10 889 724	–	4 139 572	6 750 152	787 936	5 962 216
Central African Republic	23 044 455	–	–	23 044 455	1 758 492	21 285 963
Chad	26 150 000	8 400 000	15 306 404	2 443 596	–	2 443 596
China	334 532 321	20 150 000	62 914 539	251 467 782	37 239 849	214 227 933
Colombia	11 000 000	–	3 902 350	7 097 650	4 399 992	2 697 658
Comoros	4 181 951	–	–	4 181 951	641 020	3 540 931
Congo	10 003 279	–	7 277 994	2 725 285	1 911 700	813 585
Costa Rica	5 722 172	–	1	5 722 171	3 919 765	1 802 406
Côte d'Ivoire	25 276 323	–	16 110 951	9 165 372	1 127 050	8 038 322
Cuba	10 581 121	–	–	10 581 121	2 272 855	8 308 266
Democratic People's Republic of Korea	50 496 448	–	4 573 001	45 923 447	3 134 997	42 788 450
Democratic Republic of the Congo	39 692 557	10 950 000	10 000 000	18 742 557	1 634 702	17 107 855
Djibouti	4 461 831	–	2 750 000	1 711 831	538 388	1 173 443
Dominica	4 246 460	–	44 394	4 202 067	2 247 272	1 954 795
Dominican Republic	29 058 437	10 600 000	2 240 541	16 217 895	7 340 096	8 877 799
Ecuador	32 225 544	9 900 000	–	22 325 544	9 681 271	12 644 273
Egypt	124 639 392	–	31 551 471	93 087 920	25 229 737	67 858 183
El Salvador	63 764 293	9 950 000	14 916 389	38 897 903	12 831 730	26 066 173
Equatorial Guinea	5 793 838	–	–	5 793 838	723 281	5 070 557
Eritrea	16 650 000	–	6 527 896	10 122 104	285 000	9 837 104
Ethiopia	131 661 415	18 200 000	31 554 115	81 907 300	13 349 109	68 558 191
Gabon	4 792 609	–	–	4 792 609	4 265 952	526 657
Gambia	25 226 955	4 850 000	882 413	19 494 542	2 868 363	16 626 179
Georgia	16 850 000	6 050 000	4 184 322	6 615 678	–	6 615 678
Ghana	91 029 281	13 050 000	20 905 308	57 073 973	6 453 950	50 620 023
Grenada	3 250 000	–	2 702 488	547 512	–	547 512
Guatemala	64 925 905	32 900 000	12 155 872	19 870 032	9 595 025	10 275 007
Guinea-Bissau	5 117 134	–	–	5 117 134	731 796	4 385 338
Guinea	74 783 729	–	29 467 327	45 316 402	4 740 861	40 575 541
Guyana	12 144 316	–	3 283 699	8 860 617	4 529 810	4 330 807
Haiti	52 051 777	–	24 616 754	27 435 022	6 828 375	20 606 647
Honduras	66 391 105	–	14 395 919	51 995 186	6 393 792	45 601 394
India	376 238 176	37 700 000	87 040 794	251 497 382	62 602 257	188 895 125
Indonesia ²	136 169 858	22 650 000	29 207 476	84 312 382	34 288 247	50 024 135
Jamaica	2 253 312	–	–	2 253 312	2 134 981	118 332
Jordan	32 270 647	–	12 122 508	20 148 139	6 824 045	13 324 094
Kenya	62 161 042	12 100 000	26 655 343	23 405 699	4 322 402	19 083 297
Kyrgyzstan	7 469 449	–	1 092 179	6 377 270	26 158	6 351 112
Lao People's Democratic Republic	47 686 516	11 300 000	5 229 515	31 157 000	3 350 111	27 806 889

Cont'd

APPENDIX F

Statement of Loans¹

As at 31 December 2005 and 2004

Borrower or Guarantor	Approved Loans Less Cancellations	Loans Not Yet Effective	Effective Loans			
			Undisbursed Portion	Disbursed Portion	Repayments	Outstanding Loans
SDR Loans ¹	SDR	SDR	SDR	SDR	SDR	SDR
Lebanon	14 984 829	–	451 487	14 533 342	7 797 426	6 735 916
Lesotho	21 340 053	–	6 799 633	14 540 420	2 563 713	11 976 707
Liberia	10 179 774	–	–	10 179 774	–	10 179 774
Madagascar ²	67 916 578	–	13 971 359	53 945 220	7 565 943	46 379 277
Malawi ²	64 890 887	5 500 000	10 090 183	49 300 704	10 166 941	39 133 763
Maldives	7 093 535	1 400 000	–	5 693 535	947 742	4 745 793
Mali	70 774 159	9 550 000	8 645 053	52 579 106	7 607 654	44 971 452
Mauritania	41 467 143	–	21 051 669	20 415 475	4 105 884	16 309 591
Mauritius	8 200 000	–	4 405 311	3 794 689	546 668	3 248 021
Mexico	53 300 000	17 250 000	21 560 653	14 489 347	6 244 579	8 244 768
Mongolia	13 704 886	–	7 419 341	6 285 545	–	6 285 545
Morocco	71 408 659	11 250 000	20 511 664	39 646 995	22 783 130	16 863 865
Mozambique ²	81 299 776	–	26 757 370	54 542 407	7 024 635	47 517 772
Namibia	4 199 967	–	–	4 199 967	1 680 000	2 519 967
Nepal	72 725 324	–	22 277 495	50 447 829	12 169 770	38 278 059
Nicaragua	36 282 122	–	18 247 935	18 034 188	425 536	17 608 652
Niger	36 951 372	–	14 252 531	22 698 841	3 058 995	19 639 846
Nigeria	84 317 941	–	41 698 836	42 619 105	18 306 436	24 312 669
Pakistan ²	219 992 020	18 300 000	47 207 376	154 484 644	64 771 987	89 712 657
Panama	38 819 165	–	24 403 372	14 415 793	9 316 635	5 099 158
Papua New Guinea	5 687 678	–	–	5 687 678	3 835 550	1 852 128
Paraguay	19 835 602	7 850 000	–	11 985 602	8 769 998	3 215 604
Peru	51 993 220	–	17 568 442	34 424 778	17 915 486	16 509 292
Philippines	61 535 875	12 350 000	13 779 153	35 406 723	8 409 344	26 997 379
Republic of Moldova	25 200 000	19 400 000	–	5 800 000	–	5 800 000
Romania	12 400 000	–	3 941 176	8 458 824	1 653 336	6 805 488
Rwanda ²	84 815 566	5 650 000	31 212 119	47 953 446	6 883 811	41 069 635
Saint Lucia	1 242 088	–	–	1 242 088	464 940	777 148
Saint Vincent and the Grenadines	1 484 045	–	–	1 484 045	876 914	607 131
Samoa	1 907 723	–	–	1 907 723	392 027	1 515 695
Sao Tome and Principe	13 760 513	–	6 727 199	7 033 314	1 016 093	6 017 221
Senegal	58 802 838	8 700 000	12 992 804	37 110 034	2 840 804	34 269 230
Seychelles	824 334	–	–	824 334	471 885	352 449
Sierra Leone	26 500 215	5 900 000	–	20 600 215	4 631 835	15 968 380
Solomon Islands	2 519 083	–	–	2 519 083	300 769	2 218 314
Somalia	17 709 558	–	–	17 709 558	410 968	17 298 590
Sri Lanka	84 654 846	10 960 000	18 165 860	55 528 986	11 238 769	44 290 217
Sudan ²	112 699 504	–	37 916 148	74 783 356	16 741 081	58 042 275
Swaziland	16 352 735	–	10 148 371	6 204 364	2 550 000	3 654 364
Syrian Arab Republic	56 544 816	–	30 605 275	25 939 541	16 406 499	9 533 042
Thailand	–	–	–	–	–	–
The former Yugoslav Republic of Macedonia	11 850 000	–	2 792 287	9 057 713	–	9 057 713
Togo	17 565 212	–	–	17 565 212	1 520 745	16 044 467
Tonga	4 837 121	–	–	4 837 121	766 335	4 070 786
Tunisia	43 950 000	10 900 000	16 544 997	16 505 003	6 321 138	10 183 865
Turkey	31 692 911	–	14 110 329	17 582 582	13 155 712	4 426 870
Uganda ²	104 320 096	–	40 002 305	64 317 790	12 013 686	52 304 105
United Republic of Tanzania	113 457 673	31 300 000	15 666 269	66 491 405	3 335 232	63 156 173
Uruguay	18 879 950	–	7 665 221	11 214 730	6 689 100	4 525 630
Venezuela	38 580 212	10 400 000	14 006 656	14 173 556	14 173 556	–
Viet Nam	76 500 000	–	26 517 771	49 982 229	834 375	49 147 854
Yemen ²	127 186 097	15 700 000	17 338 498	94 147 599	21 135 843	73 011 756
Zambia	79 003 670	16 250 000	8 817 314	53 936 356	7 110 016	46 826 340
Zimbabwe	32 176 055	–	–	32 176 055	15 605 185	16 570 870
Total	5 257 001 595	531 910 000	1 353 391 279	3 371 700 316	796 492 157	2 575 208 159
Fund for Gaza and the West Bank ³	5 800 000	–	4 059 571	1 740 429	–	1 740 429
USD equivalent	7 506 492 062	758 679 217	1 936 172 938	4 811 639 907	1 101 883 332	3 709 756 575
Exchange adjustment on SDR loan repayments	(34 177 367)			(34 177 367)		(34 177 367)
Subtotal SDR Loans						
31 December 2005 USD	7 472 314 695	758 679 217	1 936 172 938	4 777 462 540	1 101 883 332	3 675 579 208
Total Loans 31 December 2005						
USD at nominal value	7 544 030 268	758 679 217	1 936 172 938	4 849 178 113	1 134 643 126	3 714 534 987
Fair value adjustment						(1 061 862 891)
31 December 2005						
USD at fair value						2 652 672 096
31 December 2004 USD	7 742 200 298	726 540 099	2 111 713 160	4 903 947 039	1 074 193 887	3 829 753 152

APPENDIX F

Statement of Loans at nominal value¹

As at 31 December 2005

Summary

	Approved Loans in SDR'000					Value in USD'000				
	As at 1 January 2005	Loans Cancelled	Loans Fully Repaid	As at 31 December 2005	As at 1 January 2005	Loans Cancelled	Loans Fully Repaid	Movement in Exchange Rate SDR/USD	As at 31 December 2005	
1978	USD	68 530	-	-	68 530	68 530	-	-	0	68 530
1979	SDR	201 486	-	-	201 486	312 260	-	-	(24 875)	287 386
1980	SDR	187 228	-	-	187 228	290 164	-	-	(23 115)	267 049
1981	SDR	188 716	-	-	188 716	292 470	-	-	(23 298)	269 171
1982	SDR	103 110	-	-	103 110	159 799	-	-	(12 730)	147 069
1983	SDR	143 589	-	-	143 589	222 532	-	-	(17 727)	204 805
1984	SDR	151 708	-	(19 801)	131 907	235 115	-	(28 243)	(18 729)	188 143
1985	SDR	83 154	-	(11 115)	72 039	128 871	-	(15 854)	(10 266)	102 751
1986	SDR	63 331	-	(4 072)	59 259	98 150	-	(5 808)	(7 819)	84 523
1987	SDR	89 350	-	(1 459)	87 891	138 473	-	(2 081)	(11 031)	125 362
1988	SDR	89 149	-	(8 843)	80 306	138 162	-	(12 613)	(11 006)	114 543
1989	SDR	108 252	(115)	-	108 137	167 768	(164)	-	(13 364)	154 239
1990	SDR	106 578	-	-	106 578	165 173	-	-	(13 158)	152 015
1991	SDR	147 202	(1 173)	(8 045)	137 984	228 132	(1 673)	(11 475)	(18 173)	196 811
1992	SDR	151 345	(338)	-	151 007	234 552	(482)	-	(18 685)	215 386
1993	SDR	182 998	(4 988)	(9 000)	169 010	283 608	(7 115)	(12 837)	(22 592)	241 064
1994	SDR	184 906	(1 594)	-	183 312	286 565	(2 274)	-	(22 828)	261 463
1995	SDR	236 770	(4 291)	-	232 479	366 943	(6 120)	-	(29 231)	331 592
1996	SDR	252 681	(6 794)	-	245 887	391 602	(9 690)	-	(31 195)	350 716
1997	SDR	285 151	(5 942)	-	279 209	441 923	(8 475)	-	(35 204)	398 244
1998	SDR	294 884	(10 226)	-	284 658	457 007	(14 586)	-	(36 405)	406 016
1999	SDR	316 050	(350)	-	315 700	489 810	(499)	-	(39 019)	450 292
2000	SDR	312 250	-	-	312 250	483 921	-	-	(38 549)	445 372
2001	SDR	306 600	-	-	306 600	475 165	-	-	(37 852)	437 313
2002	SDR	271 800	-	-	271 800	421 232	-	-	(33 556)	387 677
2003	SDR	285 850	-	-	285 850	443 007	-	-	(35 290)	407 716
2004	SDR	292 000	-	-	292 000	452 538	-	-	(36 049)	416 488
2005	SDR	0	-	-	324 810	-	-	-	-	463 286
Total	SDR	5 036 138	(35 811)	(62 335)	5 262 802	7 873 471	(51 078)	(88 910)	(621 746)	7 575 022
	USD	68 530								
Total						(131 270)				(30 992)
Exchange adjustment on loans disbursed					USD	7 742 200				7 544 030

Maturity Structure of Outstanding Loans at nominal value

As at 31 December 2005 and 2004 (USD'000)

Period due	2005	2004
Less than 1 year	200 641	199 115
1-2 years	147 093	153 973
2-3 years	150 780	159 046
3-4 years	153 793	157 628
4-5 years	155 705	155 196
5-10 years	790 416	826 127
10-15 years	656 244	663 519
16-20 years	561 984	549 596
21-25 years	483 106	490 863
More than 25 years	414 773	474 690
Total	3 714 535	3 829 753

¹ Loans approved in 1978 were denominated in United States dollars and are repayable in the currencies in which withdrawals are made. From 1979, loans have been denominated in SDRs and, for purposes of presentation in the balance sheet, the accumulated amount of loans denominated in SDRs has been valued at the USD/SDR rate of 1.42633/1 at 31 December 2005. Since the loans were valued at 31 December 2004 at the then prevailing rate of 1.54979/1, there is a decrease in value in terms of United States dollars of USD 621 746 000, attributable to the movement in exchange rates from 31 December 2004 to 31 December 2005 (from 2003 to 2004, there was an increase in value in terms of United States dollars of USD 307 579 000).

² Repayment amounts include participation by The Netherlands and Norway in specific loans to these countries, resulting in partial early repayment and a corresponding increase in committable resources. For further information regarding contributions made resulting in early repayment of loans see Appendix E1.

³ See Appendix H, Note 3(e).

APPENDIX F

Statement of Loans at nominal value – Special Programme for Africa

As at 31 December 2005 and 2004

Borrower or Guarantor	Approved Loans Less Cancellations	Loans Not Yet Effective	Undisbursed Portion	Disbursed Portion	Repayments	Outstanding Loans
SDR Loans ¹	SDR	SDR	SDR	SDR	SDR	SDR
Angola	2 767 309	–	315 082	2 452 227	70 092	2 382 134
Burkina Faso	10 546 114	–	–	10 546 114	1 317 548	9 228 566
Burundi	4 494 358	–	–	4 494 358	301 201	4 193 157
Cape Verde	2 182 547	–	–	2 182 547	316 030	1 866 517
Chad	9 617 099	–	–	9 617 099	785 725	8 831 374
Comoros	2 289 071	–	–	2 289 071	–	2 289 071
Djibouti	113 718	–	–	113 718	11 335	102 384
Ethiopia	6 816 469	–	–	6 816 469	1 284 710	5 531 759
Gambia	2 638 448	–	–	2 638 448	395 760	2 242 688
Ghana	22 321 239	–	–	22 321 239	2 928 109	19 393 130
Guinea-Bissau	2 126 406	–	–	2 126 406	79 740	2 046 666
Guinea	10 761 866	–	–	10 761 866	1 883 322	8 878 544
Kenya	12 387 096	–	1 955 237	10 431 859	1 325 892	9 105 967
Lesotho	7 481 439	–	–	7 481 439	1 033 580	6 447 859
Madagascar	1 098 064	–	–	1 098 064	18 301	1 079 763
Malawi	5 776 933	–	–	5 776 933	289 725	5 487 208
Mali	10 193 236	–	–	10 193 236	2 042 240	8 150 996
Mauritania	19 020 121	–	–	19 020 121	2 663 786	16 356 335
Mozambique	8 291 210	–	–	8 291 210	1 761 880	6 529 330
Niger	11 118 834	–	–	11 118 834	2 115 640	9 003 194
Senegal	23 233 906	–	–	23 233 906	2 920 906	20 313 000
Sierra Leone	1 505 254	–	–	1 505 254	37 632	1 467 622
Sudan	26 012 406	–	(54 839)	26 067 245	3 707 797	22 359 448
Uganda	8 123 651	–	–	8 123 651	1 624 720	6 498 931
United Republic of Tanzania	6 789 416	–	–	6 789 416	1 018 440	5 770 976
Zambia	8 606 704	–	–	8 606 704	1 719 069	6 887 635
Total	226 312 914	–	2 215 480	224 097 434	31 653 180	192 444 254
USD Equivalent¹	322 796 911		3 160 007	319 636 904	43 855 340	275 781 564
Exchange adjustment on SDR Loan Repayments	(1 292 541)			(1 292 541)		(1 292 541)
31 December 2005 USD at nominal value	321 504 370		3 160 007	318 344 363	43 855 340	274 489 023
Fair value adjustment						(111 494 768)
31 December 2005 USD at fair value						162 994 255
31 December 2004 USD	349 502 956		9 844 450	339 658 506	35 534 700	304 123 806

Summary

	Approved Loans in SDR'000				Value in USD'000			
	At 1 January 2005	Loans Cancelled	At 31 December 2005	At 1 January 2005	Loans Cancelled	Movement in Exchange Rate SDR/USD	At 31 December 2005	
1986	SDR	24 902	–	24 902	38 593	–	(3 075)	35 518
1987	SDR	41 292	–	41 292	63 994	–	(5 098)	58 896
1988	SDR	34 770	–	34 770	53 886	–	(14 293)	49 593
1989	SDR	25 756	–	25 756	39 916	–	(3 179)	36 737
1990	SDR	17 370	–	17 370	26 920	–	(2 145)	24 775
1991	SDR	18 246	–	18 246	28 277	–	(2 252)	26 025
1992	SDR	6 952	–	6 952	10 774	–	(858)	9 916
1993	SDR	36 076	(1 506)	34 570	55 910	(2 148)	(4 454)	49 308
1994	SDR	16 481	(161)	16 320	25 542	(229)	(2 035)	23 278
1995	SDR	6 798	(663)	6 135	10 536	(946)	(840)	8 751
Total	SDR	228 643	(2 330)	226 313	354 348	(3 323)	(38 228)	322 797

¹ Loans have been denominated in SDR and, for purposes of presentation in the balance sheet, the accumulated amount has been valued at the USD/SDR rate of 1.42633/1 as at 31 December 2005. Since the loans were valued at 31 December 2004, at the then prevailing rate of 1.54979/1, there has been a decrease in value in terms of United States dollars of USD 38 228 000, attributable to the movement in exchange rates from 31 December 2004 to 31 December 2005 (from 2003 to 2004 there was an increase in value in terms of United States dollars of USD 14 649 000)

APPENDIX F

Maturity Structure of Outstanding Loans at nominal value

As at 31 December 2005 and 2004 (USD'000)

Period due	2005	2004
Less than 1 year	9 476	9 854
1-2 years	8 404	9 291
2-3 years	8 404	9 291
3-4 years	8 404	9 291
4-5 years	8 404	9 291
5-10 years	42 022	46 299
10-15 years	42 022	45 883
16-20 years	41 546	44 186
21-25 years	41 121	43 244
More than 25 years	64 686	77 494
Total	274 489	304 124

APPENDIX F1

Statement of Grants at nominal value – IFAD-Only

For the years ended 31 December (USD'000)

	Undisbursed as at 1 January 2005	Effective	Disbursements	Cancellations	Reclassification/ Revaluation	Undisbursed as at 31 December 2005
Non-Governmental Organization/Extended Cooperation Programme grants	1 823	230	(1 031)	(240)	–	782
Component grants	1 588	2 690	(200)	–	(257)	3 821
Research grants	32 637	32 648	(20 955)	(547)	–	43 783
Total 2005	36 048	35 568	(22 186)	(787)	(257)	48 386
Fair value adjustment						(6 176)
Total 2005 at fair value						42 210
Total 2004	35 407	21 013	(17 877)	(2 412)	(83)	36 048

APPENDIX G

Summary of the Debt Initiative for Heavily Indebted Poor Countries

(expressed in thousands of special drawing rights)

At 31 December 2005, the cumulative position of the debt relief provided and estimated to be provided, under both the original and enhanced Debt Initiative for HIPC, is as follows:

	Debt Relief Provided to Date		Debt Relief to Be Provided		Total		Total
	Principal	Interest	Principal ¹	Interest	Principal	Interest	
Benin	2 005	817	2 552	839	4 558	1 656	6 214
Bolivia	5 900	1 890	–	–	5 900	1 890	7 790
Burkina Faso	2 526	1 270	4 551	1 345	7 077	2 615	9 692
Cameroon	–	–	3 023	699	3 023	699	3 722
Chad	–	–	1 367	425	1 367	425	1 791
Democratic Republic of the Congo	1 504	245	8 154	1 235	9 658	1 480	11 138
Ethiopia	1 697	699	19 507	5 150	21 204	5 849	27 053
Gambia	–	–	2 260	649	2 260	649	2 910
Ghana	1 565	886	14 087	4 045	15 652	4 931	20 583
Guinea	–	–	6 162	1 765	6 162	1 765	7 927
Guinea-Bissau	–	–	4 407	875	4 407	875	5 283
Guyana	1 184	238	355	49	1 539	287	1 826
Honduras	229	166	859	591	1 088	757	1 845
Madagascar	502	214	7 367	1 828	7 869	2 042	9 911
Malawi	–	–	12 313	3 035	12 313	3 035	15 348
Mali	3 872	1 695	2 363	719	6 235	2 414	8 649
Mauritania	2 408	952	6 086	1 634	8 494	2 586	11 080
Mozambique	4 669	1 952	7 236	1 818	11 905	3 770	15 675
Nicaragua	6 427	249	1 134	351	7 561	600	8 161
Niger	659	374	10 366	2 401	11 025	2 775	13 800
Rwanda	276	97	18 579	4 576	18 855	4 673	23 528
Sao Tome and Principe	–	–	4 703	784	4 703	784	5 487
Senegal	1 093	474	1 170	392	2 263	866	3 129
Sierra Leone	–	–	12 971	2 370	12 971	2 370	15 341
Uganda	3 175	1 707	9 531	2 543	12 706	4 250	16 956
United Republic of Tanzania	7 207	3 191	5 198	1 553	12 405	4 744	17 149
Zambia	698	236	19 159	4 717	19 857	4 953	24 810
31 December 2005 SDR	47 596	17 352	185 460	46 388	233 057	63 740	296 797
							Less future interest on debt relief not accrued (46 388)
							Total cumulative cost of debt relief as at 31 December 2005 (SDR'000) 250 409
31 December 2005 USD	67 547	24 457	264 527	66 162	332 075	90 619	422 693
							Less future interest on debt relief not accrued (66 162)
							Total cumulative cost of debt relief as at 31 December 2005 (USD'000) 356 531
Fair value adjustment			(94 294)				
31 December 2005 at fair value			170 233				
31 December 2004 SDR	34 274	11 998	154 932	41 161	189 206	53 159	242 365
							Less future interest on debt relief not accrued (41 161)
							Total cumulative cost of debt relief as at 31 December 2004 (SDR'000) 201 204
31 December 2004 USD	48 088	16 633	240 112	63 791	288 200	80 424	368 624
							Less future interest on debt relief not accrued (63 791)
							Total cumulative cost of debt relief as at 31 December 2004 (USD'000) 304 833

¹ See Appendix H, Note 11 (c).

APPENDIX H

Notes to the consolidated Financial Statements

NOTE 1

BRIEF DESCRIPTION OF THE FUND AND THE NATURE OF OPERATIONS

The International Fund for Agricultural Development (IFAD or the Fund) is a specialized agency of the United Nations. IFAD formally came into existence on 30 November 1977, on which date the agreement for its establishment entered into force, and has its headquarters in Rome, Italy. The Fund and its operations are governed by the Agreement Establishing the International Fund for Agricultural Development.

Membership in the Fund is open to any state member of the United Nations or any of its specialized agencies, or of the International Atomic Energy Agency (IAEA). The Fund's resources come from Member contributions, special contributions from non-Member States and other sources, and funds derived or to be derived from operations.

The objective of the Fund is to mobilize additional resources to be made available on concessional terms primarily for financing projects specifically designed to improve food production systems, the nutritional level of the poorest populations in developing countries and the conditions of their lives. IFAD mobilizes resources and knowledge through a dynamic coalition of the rural poor, governments, financial and development institutions, non-governmental organizations and the private sector, including cofinancing. Financing from non-replenishment sources in the form of supplementary funds and human resources forms an integral part of IFAD's operational activities.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

(a) Basis of Accounting

The Consolidated Financial Statements of the Fund are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention with the exception of loans and certain receivables and liabilities which are measured at fair value and amortised cost using the effective interest method. Certain data have been aggregated in the balance sheet on the grounds of immateriality. Information is provided separately in the accounts for entities where this is deemed of interest to the readers of the accounts. Some of the prior year's information has been reclassified to conform to the current year's presentation.

Preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant judgements have been used in the calculation of the fair value and amortised cost of loans, undisbursed grants and deferred revenues in accordance with IAS 39 (revised 2003), as well as the computation of estimated losses for the Debt Initiative for HIPC's and overdue loan repayments.

Financing in the form of supplementary funds and human resources forms an integral part of IFAD's operational activities. As such the Fund prepares consolidated accounts, which include the transactions and balances for the following entities:

- Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification
- Other supplementary funds, including cofinancing, associate professional officers and programmatic supplementary funds; the Belgian Survival Fund Joint Programme (BSF.JP); and the Global Environment Facility
- IFAD's Debt Initiative for HIPC's Trust Fund
- IFAD's After-Service Medical Coverage Scheme Trust Fund

These entities have a direct link to IFAD's core activities and are substantially controlled by IFAD. Accordingly, they are consolidated in IFAD's financial statements for reasons of completeness and clarity. All transactions and balances between these entities have been eliminated. Additional financial data for funds is drawn up as and when requested to meet specific donor requirements.

Loans are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The initial fair value and subsequent amortised cost are calculated by applying discount rates to the estimated future cash flows on a loan by loan basis in the currency in which the loans are denominated. The discount rates are calculated with reference to the estimated forward interest curve for the year based on the underlying currency of each loan. The discount factor applied is not adjusted for country credit risk as lending is provided directly to country governments and considered to be 'sovereign debt'. However, the outstanding loans are reviewed for impairment on a loan by loan basis and a provision established where there is objective evidence that the loans are impaired, in accordance with IAS 39 (revised 2003).

In addition, in instances where IFAD participates in debt relief under the Debt Initiative for HIPC's framework, a fair value allowance is established for the estimated impairment loss.

Although fair value accounting is required in order for IFAD to comply with International Financial Reporting Standards, these standards are not designed to apply specifically to not-for-profit activities such as those undertaken by IFAD. IFAD's management believes that there is no comparable secondary market for the type of loans provided by the Fund nor does IFAD intend to sell its loans. In addition, management believes that the presentation of financial data based on nominal values rather than fair values provides data that are more reliable, relevant and understandable. It also meets many common information needs of the users of its accounts, forms the basis for operational decisions and serves planning purposes. Therefore, a balance sheet including loans, receivables, undisbursed grants and deferred revenues on a nominal value basis has been included as Appendix B1 as deemed relevant for the users of the accounts. Reconciliations between measurement at fair value and amortised cost using the effective interest method and nominal values have been provided with respect to loans, receivables, undisbursed grants and deferred revenues (see Note 2(f)). In addition, all the values included within Appendix D Statement of Resources, Appendix E Statement of Member States' Contributions, Appendix F Statement of Loans, and Appendix G Statement of HIPC DI will all continue to be shown including data on a nominal value basis.

The Fund's investment portfolio contains investments that are held for trading, and certain selected securities that the Fund intends to hold until maturity. The Fund carries those investments that are held for trading at fair value, and those investments that are held to maturity on the basis of amortised cost. Fair value is represented by the quoted market value at the balance sheet date. Both realized and unrealized security gains and losses are included in income from investments as they arise. Both realized and unrealized exchange gains and losses are included in the account for movements in foreign exchange rates as they arise. All purchases and sales of investments are recognized on the trade date, which is the date that the Fund commits to purchase or sell the assets.

Service charge income and income from other sources is recognized as revenue in the period in which the related expenditures are incurred.

A contribution to IFAD replenishment resources is recorded in full as receivable when the Member deposits its instrument of contribution. Amounts receivable from Member States as contributions, and other receivables including promissory notes have been recorded within the Balance Sheet at their fair value and amortised cost in accordance with IAS 39 (revised).

The policy on provisions against overdue Member States' contributions is as follows:

- (i) Whenever a payment of an instalment against an instrument of contribution or a payment of a drawdown against a promissory note becomes overdue by 24 months, a provision will be made equal to the value of all overdue contribution payments or the value of all unpaid drawdowns on the promissory note(s) outstanding.
- (ii) Whenever a payment of an instalment against an instrument of contribution or a payment of a drawdown against a promissory note becomes overdue by 48 months or more, a provision will be made against the total value of the unpaid contributions of the Member or the total value of the promissory note(s) of that Member related to the particular funding period (i.e. a replenishment period).
- (iii) The end of the financial year is currently used for determining the 24- and 48-month periods.

Contributions to non-replenishment resources are recorded as revenues in the period in which the related expenditures occur. For cofinancing activities, contributions received are recorded as revenues in the period in which the related grant is approved. Grants approved are therefore included as expenditures in the Statement of Revenues and Expenses. Contributions relating to programmatic grants, APOs and other supplementary funds are recorded in the balance sheet as deferred income and are reduced by the amount of project-related expenses in the Statement of Revenues and Expenses. Where specified in the donor agreements, contributions received and interest earned thereon, for which no direct expenditures have yet been incurred, are deferred until future periods to be matched against the related costs.

Individual donors provided human resources (APOs) to assist in IFAD's activities. The contributions received from donors are recorded as revenues and the related costs included in staff costs.

Contributions received for the Debt Initiative for HIPC's Trust Fund and BSF.JP are recognized as income in the Statement of Revenues and Expenses and matched against related expenditures.

This is consistent with the accounting principle adopted with regard to IFAD's combined supplementary funds and serves to present the underlying nature of these balances more clearly. A list of such contributions can be found in Appendix E1.

Grants, with the exception of cofinancing activities mentioned above, are recorded as expenditures on effectiveness of the approved amount and as a liability for undisbursed amounts at fair value in accordance with IAS 39 (revised 2003).

Provisions are established when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Employee entitlements to annual leave and long-service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service separation entitlements as a result of services rendered by employees up to the balance-sheet date.

The cost of office furniture and equipment is charged directly to expenses when purchased. The expenditures involved are not material in the context of the total assets of IFAD's consolidated accounts and therefore its presented financial position. In addition, the annual expenditures do not have a significant effect on the reported results of operations. Furthermore, most office furniture and some equipment is reimbursed to IFAD and therefore actually owned by the Host Government. IFAD maintains an inventory system and performs controls to monitor the related assets.

Retained earnings represent the excess of revenue over expenses net of the effects of changes in foreign exchange rates. The resulting balance is considered a reserve for accounting purposes only and is in fact currently fully committed for loans and grants. For operational purposes, reference should be made to the Statement of IFAD-Only Resources Available for Commitment (Appendix D).

(b) Area of Consolidation

Financing for IFAD's supplementary funds is given for the following principal purposes: technical assistance grants, cofinancing, APOs and programmatic or thematic funds.

Supplementary funds administered by IFAD also include the Belgium Survival Fund Joint Programme (BSF.JP), whose main activities relate to improvement of household food security and nutritional status in specific developing-country areas, capacity-building and empowerment. The BSF.JP is housed by IFAD, although the programme of work is agreed with the Belgian Government in the context of annual steering committee meetings. Since 2002, IFAD is the executing agency for supervision of the Global Environment Facility.

IFAD has established two trust funds for the HIPC Debt Initiative and ASMCS, whose transactions and balances are included in these Consolidated Financial Statements. Please refer to Notes 7(c) and 11 for further information.

Entities Housed at IFAD

Other entities are housed at IFAD, although they do not form part of the core activities of the Fund and, as such, are not included in IFAD's accounts. These are the International Land Coalition (ILC) (formally called the Popular Coalition to Eradicate Hunger and Poverty) and the Global Mechanism of the United Nations Convention to Combat Desertification (GM). The ILC and GM are separate entities, and further financial data can be found in their respective financial statements.

(c) Translation and Conversion of Currencies

The Fund, as an international organization, conducts its operations in several currencies, and at the present time maintains its accounting records in United States dollars. The financial statements are expressed in United States dollars solely for reporting purposes.

The Fund has translated all items in its balance sheet, except its Member States' contributions in currencies other than the United States dollar, at market rates of exchange at year end. Member States' contributions have been translated at market rates of exchange as at date of receipt in respect of cash, including drawdown payments, and at market rates of exchange as at date of disbursement in the case of non-convertible currencies.

A statement of IFAD's balance sheet is prepared in SDR (Appendix B1), given that a majority of its assets are denominated in SDR and/or currencies included in the SDR basket. This statement has been included solely for the purpose of providing additional information for the readers of the accounts and is based on nominal values as stated in Note 2(a).

Revenue and expense items in currencies other than the United States dollar have been recorded at appropriate rates of exchange during the period.

The exchange adjustments arising from the translation of assets and liabilities in currencies other than the United States dollar are credited or charged to an exchange adjustment account and included in the Statement of Revenues and Expenses.

The following rates of 1 unit of SDR in terms of USD as at 31 December were used:

Year	USD
2003	1.48644
2004	1.54979
2005	1.42633

The movement in the account for foreign exchange rates is explained as follows:

USD '000	2005	2004
Opening balance at 1 January	939 470	690 797
Exchange movements for the year on:		
Cash and investments	(165 559)	84 093
Equities	(1 074)	7 586
Held to maturity Investments	(20 705)	–
Net receivables/payables	818	674
Loans and grants outstanding	(216 684)	155 937
Promissory notes and Members' receivables	(40 641)	23 166
Member States' contributions	38 625	(22 783)
Total movements in the year	(405 220)	248 673
Closing balance at 31 December	534 250	939 470

The movement on this account excludes the gain/loss related directly to operations, which instead is included in Total Foreign Exchange Rate Movements.

(d) Consolidated Cash-Flow Statement

For the purpose of the cash-flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks. They also include investments that are readily convertible at the balance-sheet date. Equities, net investment payables and investments held to maturity are excluded from readily convertible investments for cash-flow purposes in accordance with the related accounting standard.

(e) IFAD Resources Available for Commitment

Resources available for commitment are those resources in freely convertible currencies defined in Article 4, Section 1, of the Agreement Establishing IFAD, which have been contributed by Member States and others or have been derived, or are to be derived, from operations or loan repayments by borrowers, to the extent that these resources have not already been committed for loans and grants or appropriated to the General Reserve.

The policy for determining resources available for commitment is as follows:

- Only actual payments in the form of cash or promissory notes will be included in committable resources. The value of instruments of contribution against which payment in the form of cash or promissory notes has not yet been made will be excluded from committable resources.
- Provisions have been established for overdue promissory notes as per section (a) above.
- As described in Note 2(a), promissory notes and commitments for loans (undisbursed effective loans, approved loans signed but not yet effective and loans not yet signed) and undisbursed grants are recorded at nominal value within the Statement of Resources Available for Commitment as this is an operational report for management purposes only and therefore is not subject to financial reporting requirements of IAS 39 (revised).

- The Executive Board has authority to employ advance commitment authority (ACA) prudently and cautiously to compensate, year by year, for fluctuations in the resources available for commitment and to act as a reserve resource. ACA was used in 2005, as regular resources were not sufficient to meet loan and grant commitments.

A loan or grant is considered to be committed when a formal agreement is signed by the Fund and the respective borrower or grantee. PDFF costs are considered to be committed when the associated milestone for each type of activity has been reached. The Fund's Executive Board reviews a statement of resources available for commitment at every Executive Board meeting to ensure that resources are available to meet loans and grants presented for approval.

(f) Accounting Changes

In 2005, IFAD has revised its accounting policy in relation to the basis of valuation of its loan portfolio, contributions receivables, promissory notes, undisbursed grants and deferred revenues in order to comply with certain changes to IAS 39 (revised 2003) which are applicable from 1 January 2005. Prior to 2005, IFAD valued the afore-mentioned assets and liabilities at nominal value. From 1 January 2005, IFAD will value them initially at estimated fair value and subsequently at amortised cost. The impact of this change is shown below on the balance sheet values as at 31 December 2005.

USD '000	Prior to Change	Impact of Change	Restated Balance
Contributors' promissory notes	322 850	(15 254)	307 596
Contributions receivables	241 855	(11 425)	230 430
Loans outstanding	4 003 639	(1 173 357)	2 830 282
Less: accumulated allowance for loan impairment losses	(140 634)	89 354	(51 280)
Less: accumulated allowance for HIPC DI	(264 527)	94 294	(170 233)
Net loans outstanding	3 598 478	(989 709)	2 608 769
Undisbursed grants	(79 657)	8 592	(71 065)
Deferred revenues	(71 384)	5 403	(65 981)
Total contributions	(4 639 397)	21 273	(4 618 124)
Total Retained Earnings	(1 530 613)	981 120	(549 493)

The impact of this change may be also analysed as follows:

USD '000	2005 Total Revenue less expenses	Foreign Exchange Movement	2004 Retained Earnings	Total Impact of Change
	71 521	90 167	(1 142 808)	(981 120)

NOTE 3 LOANS

(a) Background to Loans

IFAD loans are made only to developing states that are Members of the Fund or to intergovernmental organizations in which such Members participate. In the latter case, the Fund may require governmental or other guarantees. A loan becomes effective when IFAD has received a satisfactory legal opinion from the borrower and any other conditions precedent to effectiveness have been fulfilled. Upon effectiveness, disbursement may commence.

In respect of all Fund loans approved after 1 January 1979, loan repayments and interest are payable in the currency specified in the loan agreement in amounts equivalent to the SDR due, based on International Monetary Fund rates on the due dates. Loans approved are disbursed to borrowers in accordance with the provisions of the loan agreement. Loan repayments and related interest payments for loans approved during 1978 are required to be made in the currency in which the respective portion of the loan was advanced or as specified in the loan agreement.

Currently the lending terms of the Fund are as follows:

"(a) Special loans on highly concessional terms shall be free of interest but bear a service charge of three fourths of one per cent (0.75%) per annum and have a maturity period of forty (40) years, including a grace period of ten (10) years; (b) loans on intermediate terms shall have a rate of interest per annum equivalent to fifty per cent (50%) of the variable reference interest rate, as determined annually by the Executive Board, and a maturity period of twenty (20) years, including a grace period of five (5) years; (c) loans on ordinary terms shall have a rate of interest per annum equivalent to one hundred per cent (100%) of the variable reference interest rate, as determined annually by the Executive Board, and a maturity period of fifteen (15) to eighteen (18) years, including a grace period of three (3) years; (d) no commitment charge shall be levied on any loan."

(b) Accumulated Allowance for Impairment Losses

The allowance is based on the difference between the assets' carrying value and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate (i.e. the effective interest rate calculated at initial recognition). In cases where it is not possible to estimate with any reasonable certainty the expected cash flows of a loan (as in all cases for which an allowance has been established to date), an alternative approach is allowed that adopts a method similar to the benchmark used for the provisioning of Members States' contributions. This means that an allowance shall be made on loan instalments overdue by more than 24 months for all cases where a settlement plan is not being actively followed. An allowance is also made for loan instalments on the same loan overdue by less than 24 months. Once this trigger period has been reached, all amounts overdue at that time are considered to be in provision status, even in the event that part of the total outstanding debt is subsequently repaid. In cases where more than 48 months have elapsed, an allowance is made for all outstanding principal amounts of the loan concerned. The point in time from which it is necessary to determine whether or not the given period has elapsed is the balance-sheet date.

An analysis of the accumulated allowance for loan impairment losses is shown below:

USD '000	2005	2004
Balance at beginning of year	114 060	60 525
Net increase in allowance	35 872	48 991
Revaluation	(9 298)	4 544
Balance at end of year at nominal value	140 634	114 060
Fair value adjustment	(89 354)	
Balance at fair value	51 280	

(c) Non-Accrual Status

For loans with overdue amounts in excess of 180 days interest and service charges are recognized as income only when actually received. Follow-up action is being taken with the respective governments to obtain settlement of these obligations.

Had these amounts been recognized as income, income from loans as reported in the Statement of Revenues and Expenses for the year 2005 would have been greater by USD 2 935 000 (2004 – USD 2 893 000). The corresponding figures relating to SPA were USD 58 000 (2004 – USD 52 000). The Member States concerned are shown below:

(i) Borrowers in Non-Accrual Status – IFAD

USD '000	31 December 2005			In Arrears Since
	Principal Outstanding	Principal Overdue	Income Not Accrued in 2005	
Central African Republic	30 361	3 756	309	May 2001
Cuba	11 850	11 850	489	Sep 1989
Democratic Republic of the Congo	24 401	6 570	253	Feb 1993
Equatorial Guinea	2 067	70	6	Apr 2005
Guinea-Bissau	6 255	1 360	65	Nov 1995
Liberia	14 520	10 816	436	Nov 1995
Seychelles	503	309	41	Jan 2002
Sierra Leone	22 776	2 338	249	Mar 1998
Solomon Islands	3 164	456	33	Apr 2001
Somalia	24 673	11 019	255	Jan 1991
Togo	22 885	2 896	225	Sep 2000
Zimbabwe	23 636	7 445	574	Oct 2001
Total	187 091	58 885	2 935	

(ii) Borrowers in Non-Accrual Status – SPA

USD '000	31 December 2005			In Arrears Since
	Principal Outstanding	Principal Overdue	Income Not Accrued in 2005	
Guinea-Bissau	2 919	569	30	Dec 1995
Sierra Leone	2 093	80	22	Mar 1998
Comoros	2 289	79	6	Mar 2005
Total	7 301	728	58	

The income from loans reported in the Statement of Revenues and Expenses for 2005 includes USD 31 000 (2004 – USD 712 000) in respect of income received relating to prior years.

Details of loans approved and disbursed and of loan repayments appear in Appendix F.

(d) Further Analysis of Loan Balances

The following balances are all shown at nominal value.

USD '000	2005	2004
IFAD approved loans less cancellations and adjustment for movement in value of total SDR loans in terms of USD (Appendix F)		
USD '000		
2005 – USD 7 544 030		
2004 – USD 7 742 200		
Effective loans	6 785 351	7 015 660
Undisbursed balance of effective loans	(1 936 172)	(2 111 713)
Repayments	(1 134 643)	(1 074 194)
Interest/principle receivable	13 827	18 425
Loans outstanding at nominal value	3 728 363	3 848 178
Fair value adjustment	(1 061 863)	
Loans outstanding at fair value	2 666 500	

SPA approved loans less cancellations and adjustment for movement in value of total SDR loans in terms of USD (Appendix F)

USD '000

2005 – USD 321 504

2004 – USD 349 503

Effective loans	321 504	349 503
Undisbursed balance of effective loans	(3 160)	(9 844)
Repayments	(43 855)	(35 535)
Interest/principle receivable	787	906
Loans outstanding at nominal value	275 276	305 030
Fair value adjustment	(111 494)	
Loans outstanding at fair value	163 782	

Total approved loans less cancellations and adjustment for movement in value of total SDR loans in terms of USD

USD '000

2005 – USD 7 865 534

2004 – USD 8 091 703

Effective loans	7 106 855	7 365 163
Undisbursed balance of effective loans	(1 939 332)	(2 121 557)
Repayments	(1 178 498)	(1 109 729)
Interest/principle receivable	14 614	19 331
Loans outstanding at nominal value	4 003 639	4 153 208
Fair value adjustment	(1 173 357)	
Loans outstanding at fair value	2 830 282	

(e) Loans to Non-Member States

Fund for Gaza and the West Bank (FGWB)

At its Twenty-First Session in February 1998, the Governing Council adopted Resolution 107/XXI approving the establishment of a fund for the specific purpose of lending to the Gaza Strip and the West Bank. The application of Article 7, Section 1(b), of the Agreement Establishing IFAD was waived for this purpose. Financial assistance, including loans, is transferred to the FGWB by decision of the Executive Board and the repayment thereof, if applicable, is made directly to IFAD's regular resources.

NOTE 4

INCOME FROM CASH AND INVESTMENTS

(a) Basic Principles

The President may place or invest cash funds not needed immediately for the Fund's operations or administrative expenditures.

In investing the resources of the Fund, the President shall be guided by the paramount consideration of security and liquidity. Within these constraints, the President shall seek the highest possible return in a non-speculative manner.

Income earned from investments may, inter alia, be used by the Fund to meet its administrative and other expenditures in accordance with the approved budget.

(b) Investment Management

During the first quarter of 2005, IFAD liquidated the remaining equities portion of the Investment Portfolio and funded the Held-to-Maturity portfolio invested in high-quality bond instruments for an amount of approximately USD 400 million. Following the funding of the Held-to-Maturity portfolio, the former policy allocation was proportionally redistributed

across asset classes resulting in 5.5% in cash, 49% in government bonds, 25.5% in diversified fixed-interest instruments and 20% in inflation-indexed bonds.

Since 1994, management of the major part of IFAD's investment portfolio has been entrusted to external investment managers under investment guidelines provided by the Fund. At 31 December 2005, funds under external management amounted to USD 2 042.1 million (2004 – USD 2 395.4 million), representing some 82.9% (2004 – 88.7%) of total cash and investments.

(c) Risk Management

The Fund has addressed investment risks through the provision of the investment guidelines and custodial arrangements:

- (i) **Credit Risk:** The investment guidelines permit investments in time deposits with selected commercial banks, government and government-guaranteed bonds, corporate bonds, bonds issued by multilateral development banks and exchange-traded derivatives (except for covered forwards) of such securities. The eligibility of banks and bond issues is determined on the basis of ratings made by major credit-rating agencies.
- (ii) **Market Risk:** Exposure to market risk is adjusted by modifying the duration of the portfolio, depending on the outlook for changes in securities market prices. The upper limit for the duration of the fixed-income portion of the portfolio is set at 0-2 years above the benchmarks of respective fixed-income asset classes. Options and futures are held for managing market risk rather than for trading purposes.
- (iii) **Currency Risk:** The majority of the Fund's commitments are expressed in SDR. Consequently the overall assets of the Fund, including the investment portfolio and promissory notes, are maintained in such way as to ensure that, to the extent possible, commitments for undisbursed loans and grants denominated in SDR are matched by assets denominated in the currencies and in the ratios of the SDR valuation basket. Similarly, the General Reserve and commitments for grants denominated in United States dollars are matched by assets denominated in USD. To seek higher returns, the Fund may invest in securities denominated in currencies other than those included in the SDR valuation basket, and enter into covered forward foreign-exchange agreements in order to maintain the matching in currency terms of commitments denominated in SDR and United States dollars.
- (iv) **Custodial Risk:** IFAD has entrusted the safekeeping of its investment assets to a major custodian bank. The custodian safeguards the funds, maintains separate accounts for each externally managed investment sub portfolio, and settles the investment transactions initiated by external investment managers.

(d) Derivative Instruments

The Fund's investment guidelines authorize the use of the following types of derivative instruments:

- (i) **Futures:** Future contracts open at year-end were as follows:

	31 December	
	2005	2004
Number of contracts open:		
Buy	547	967
Sell	438	950
Net unrealized (losses)/gains of open contracts (USD '000)	(544)	15
Maturity range of open contracts	67 to 352 days	31 to 437 days

The underlying instruments of future contracts open at 31 December 2005 were government bonds and currencies.

- (ii) **Options:** IFAD only permits the use of investment in exchange-traded options. It does not write option contracts. Relevant data for options at year-end were as follows:

	31 December	
	2005	2004
Number of contracts open:		
Buy		
Sell	323	225
Market value of open contracts gain/(loss) (USD '000)	14	(59)
Net unrealized (losses)/gains of open contracts (USD '000)	(141)	37
Maturity range of open contracts	170 to 261 days	49 to 77 days

The underlying instruments of option contracts open at 31 December 2005 were government bonds.

- (iii) **Covered Forwards:** The unrealized market-value gain on forward contracts at 31 December 2005 amounted to USD 2 303 000 (2004 – loss of USD 898 000). The maturity of forward contracts at 31 December 2005 ranged from 4 to 79 days (31 December 2004 – 6 to 76 days).

The underlying instruments of forward contracts open at 31 December 2005 were currencies.

(e) Income from Cash and Investments

The gross income from cash and investments for the year ended 31 December 2005 amounted to USD 74 653 000 (2004 – gross income of USD 115 934 000). This figure is gross of direct charges against investment income of USD 3 513 000 (2004 – USD 6 633 000), which are included in expenses.

USD '000	2005	2004
Interest from fixed-income Investments	82 028	74 854
Dividend income from equities	755	6 204
Net income from futures and options	2 218	4 257
Realized capital (loss)/income from fixed-income securities	(9 645)	6 755
Realized capital gain/loss from equities	4 496	18 782
Unrealized (loss)/gain from fixed-income securities	(11 543)	1 666
Income from securities lending and commission recapture	802	738
Interest income from banks and non-convertible currencies	5 542	2 678
Total	74 653	115 934

The above figures include income from the HTM portfolio of USD 10.2 million.

The above figures include income for the consolidated entities, as follows:

USD '000	2005	2004
IFAD	71 693	115 239
ASMCS Trust Fund	545	360
Debt Initiative for HIPCs Trust Fund	1 430	810
BSF.JP	305	343
Other supplementary funds	1 755	628
Less: income deferred /reclassified	(1 075)	(920)
Less: ASMCS accounting gain	–	(526)
Total	74 653	115 934

The annual rate of return on consolidated cash and investments in 2005 was positive 3.1% gross of expenses and positive 2.9% net of expenses (2004 – positive 4.6% gross of expenses, positive 4.4% net of expenses). The annual rate of return on IFAD cash and investments in 2005 was 3.1% positive gross of expenses and 2.95% positive net of expenses (2004 – 4.7% positive gross of expenses, 4.5% positive net of expenses).

NOTE 5

INCOME FROM OTHER SOURCES

This income relates principally to reimbursement from the Host Government for specific operating expenditures. It also includes service charges received from entities housed at IFAD as compensation for providing administrative services. An analysis is given below:

USD '000	2005	2004
Service charges	332	120
Host Government income	8 613	7 876
Income from other sources	847	587
Total	9 792	8 583

NOTE 6

CONTRIBUTIONS INCOME

USD '000	2005	2004
Supplementary Funds	13 541	15 496
BSF.JP	4 236	2 963
HIPC DI	2 931	31 177
Total	20 708	49 636

NOTE 7

STAFF NUMBERS AND RETIREMENT AND MEDICAL BENEFITS

(a) Staff Numbers

Employees that are on IFAD's payroll are part of the benefits system offered by IFAD. These benefits include participation in the United Nations Joint Staff Pension Fund and in the After-Service Medical Coverage Scheme administered by FAO.

The number of approved posts of the Fund, excluding the President and Vice President, at 31 December was as follows:

IFAD Posts	2005	2004
Professional	149.5	144.0
General Service	167.5	172.5
Total	317.0	316.5

The number of staff on the payroll of the Fund and other consolidated entities by principal budget source as at 31 December 2005 was as follows:

	Professional	General Service	Total
IFAD admin. budget	168	265	433
IFAD PDFF	14	30	44
IFAD other sources	14	35	49
BSF.JP	1	4	5
APO	14	–	14
Programmatic funds	18	6	24
Total 2005	229	340	569
Total 2004	216	287	503

The difference between approved posts and number of staff engaged on the payroll consists in staff engaged on temporary contracts. The above figures include 56 staff on temporary contracts at daily rates as at 31 December 2005; in 2004 staff with similar contracts were paid outside of the payroll.

As in previous years, IFAD engaged the services of consultants, conference personnel and other temporary staff to enable it to meet its operational needs.

(b) Retirement Plan

IFAD is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, defined benefit plan. The financial obligation of the organization to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly, together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. At the time of this report, the United Nations General Assembly has not invoked this provision.

The actuarial method adopted is the Open Group Aggregate method. The cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees, in accordance with the advice of the actuaries, who carry out a full valuation of the period plan every two years. The latest actuarial valuation was prepared as of 31 December 2003. This valuation revealed an actuarial surplus, amounting to 1.14% of pensionable remuneration. The results for the actuarial valuation as of 31 December 2005 were not available at the time of preparation of the accounts. IFAD makes contributions on behalf of its staff (currently payable by the participant and IFAD at 7.9% and 15.8%, respectively, of the staff member's pensionable remuneration) and would be liable for its share of the unfunded liability, if any. Total retirement plan contributions made for staff in 2005 amounted to USD 6 798 000 (2004 – USD 6 250 000). The plan exposes participating enterprises to actuarial risks associated with the current and former employees of other enterprises, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual enterprises participating in the plan. IFAD is not able to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has not recorded any assets in its accounts in this regard, nor included related information such as the return on plan assets.

(c) After-Service Medical Coverage Scheme

IFAD participates in a multi-employer After-Service Medical Coverage Scheme administered by FAO for staff receiving a United Nations pension and eligible former staff on a shared-cost basis. The ASMCS operates on a pay-as-you-go basis, meeting annual costs out of annual budgets and staff contributions. Since 1995, FAO has engaged an actuary to determine the unfunded accrued liability pertaining to the scheme, of which IFAD is allocated its share, currently based principally on headcount.

The latest available actuarial valuation was carried out as at 31 December 2005 as contained in a report issued in March 2006. The methodology used was the projected unit-credit-cost method with service prorata. The principal actuarial assumptions used were as follows: discount rate, 4.5%; expected salary increases, 2.5%; medical cost increases, 6.5% in 2006, declining linearly to 4.5% over 10 years; and inflation, 2.0%; exchange rate Euro:USD 1.13. The results determined IFAD's share of the unfunded liability as at

31 December 2005 to be some USD 27.9 million. The 2005 and 2004 financial statements include a provision and related assets constituted as follows as at 31 December:

USD million	2005	2004
Past service costs		
Total provision brought forward	15.0	23.3
Total 2005 charge	11.1	–
Reclassification of current service charge	1.8	–
Recording of accounting gain	–	(8.3)
Provision carried forward	27.9	15.0
Current service costs		
Provision brought forward	1.0	4.0
Charge in year	0.8	1.0
Recording of accounting gain	–	(3.5)
Reclassification of accrual	–	(0.5)
Reclassification of current service costs	(1.8)	–
Cumulative provision	–	1.0
Total costs charged/(released) in year	11.1	(12.3)
Interest earned		
Interest brought forward	0.4	0.5
Recording of accounting gain	–	(0.5)
Reclassification of interest earned	(0.9)	–
Interest earned on balances	0.5	0.4
Cumulative interest earned	–	0.4
Total assets at 31 December	27.9	16.4

IFAD provides for the full annual current service costs of this medical coverage, including its eligible retirees. In 2005, such costs included within staff salaries and benefits in the financial statements amounted to USD 800 000 (2004 – USD 993 000 including some USD 136 000 relating to the prior year).

In accordance with the relevant accounting standard, IFAD has set up a trust fund into which it transfers the accrued assets. This is necessary in order for these assets to qualify as ASMCS assets and as such to be used to offset IFAD's deemed liability for its former staff under this scheme.

NOTE 8

DIRECT BANK AND INVESTMENT COSTS

USD '000	2005	2004
Investment management fees	(3 890)	(5 717)
Net other charges	(765)	(267)
Tax Recoverable Received	1 548	–
Total	(3 107)	(5 984)

In 2005, IFAD received reimbursement of taxes withheld on investment income in prior years. For more details see note 21(b).

NOTE 9

OPERATING EXPENSES

An analysis of IFAD operating expenses by principal funding source is shown in Appendix A1.

The Programme Development Financing Facility finances the multi-year expenditures required for the design, implementation and supervision of projects and programmes financed by loans and grants from IFAD. When an obligation is incurred for PDFF costs, the related costs are recorded as a separate line item within expenditures in the Statement of Revenues and Expenses and as a liability in the balance sheet for undisbursed accrued amounts. PDFF commitments are recorded as a deduction from resources available for commitment upon effectiveness of the underlying activities, based on specific milestones for each type of activity.

The costs incurred relating to PDFF, and SCP as well, are classified in the accounts in accordance with the underlying nature of the expense.

**NOTE 10
GRANTS**

The Agreement Establishing IFAD empowers the Fund to make grants to its Member States, or to intergovernmental organizations in which its Members participate, on such terms as the Fund deems appropriate.

Grants are recorded at effectiveness as a separate line item of expenditures in the Statement of Revenues and Expenses and as a liability in the balance sheet for undisbursed amounts. Cancellations of undisbursed balances are recognized as an offset to the expense in the period in which they occur. These grants are deducted from resources available on approval by the appropriate authority, consistent with prior years.

Grants include annual funding for entities housed at IFAD, i.e. the International Land Coalition and Global Mechanism:

USD '000	2005	2004
ILC	638	1 400
GM	–	1 250
Total	638	2 650

**NOTE 11
DEBT INITIATIVE FOR HEAVILY INDEBTED POOR COUNTRIES**

(a) Background to the Debt Initiative for HIPCs

IFAD participates in the International Monetary Fund/World Bank original and enhanced Debt Initiative for Heavily Indebted Poor Countries as an element of IFAD's broader policy framework for managing operational partnerships with countries that have arrears with IFAD, or that face the risk of having arrears in the future because of their debt-service burden. Accordingly, IFAD provides debt relief by forgiving a portion of an eligible country's debt-service obligations as they become due.

In 1998, IFAD established a trust fund for the Debt Initiative. This fund receives resources from within IFAD (when approved by the Executive Board) and from other sources, specifically dedicated as compensation to the loan-fund account(s) for agreed reductions in loan repayments under the Initiative. (Refer to Appendix G for details). Amounts of debt service forgiven are expected to be reimbursed by the trust fund on a pay-as-you-go basis to the extent that resources are available in the fund.

IFAD has funded the Debt Initiative in the amount of USD 59.7 million during the period 1998-2005. Details of funding from external donors on a cumulative basis are found in Appendix E1.

(b) Impact of the Debt Initiative for HIPCs

Upon approval of individual debt relief by the Executive Board, the nominal value of the principal component of estimated debt relief costs is recorded as a reduction of disbursed and outstanding loans under accumulated allowance for the Debt Initiative for HIPCs, and as a charge to income. This estimate is subject to periodic revision. Significant judgements have been used in the computation of the estimated nominal value of allowances for the Debt Initiative.

The accumulated allowance for the Debt Initiative is reduced when debt relief is provided by the trust fund (see subparagraph (c) below).

For a summary of debt relief reimbursed since the start of the Debt Initiative and of that expected in the future, please refer to Appendix G. Debt relief approved by the Executive Board to date excludes all amounts relating to the enhanced Debt Initiative for Burundi, the Central African Republic, the

Comoros, the Congo, Côte d'Ivoire, the Lao People's Democratic Republic, Liberia, Somalia, the Sudan and Togo. Debt relief for these countries at the end of 2003 was announced by the World Bank/International Monetary Fund. Authorization for IFAD's share of this debt relief is expected to be given by the Executive Board in 2006-2008. At the time of preparation of the 2005 financial statements, the estimate of IFAD's share of the overall debt relief for these countries, principal and interest, was USD 179 029 000 (2004 – USD 156 355 000).

Gross investment income amounted to USD 1 430 000 (2004 – USD 810 000) from Debt Initiative trust fund balances.

The total cumulative cost of debt relief derives from the following sources:

USD '000	2005	Movement	2004
IFAD contributions 1998-2005	59 670	–	59 670
Shortfall between debt relief approved and funds available	210 269	68 232	142 037
Cumulative net exchange-rate movements	19 656	(20 894)	40 550
Total IFAD cumulative cost	289 595	47 338	242 257
Total contributions from external sources (Appendix E1)	62 928	2 931	59 997
Cumulative net investment income	4 008	1 429	2 579
Total (Appendix G)	356 531	51 698	304 833

(c) Accumulated Allowance for the Debt Initiative for HIPCs

On approval of the Executive Board, the estimated nominal value of the principal component of the debt relief to be provided under the Debt Initiative for HIPCs framework is included as a cost to the accumulated allowance for the Debt Initiative. This cost is offset by income receivable from the Debt Initiative for HIPCs trust fund to the extent that resources are available. These amounts are net of any debt relief delivered to date. The balances for the years ended 31 December are summarized below:

USD '000	2005	2004
Balance at beginning of year	240 112	255 972
Repayments of principal	(19 459)	(21 853)
Change in provision	64 768	(4 019)
Less exchange-rate movements	(20 894)	10 012
Balance at end of year	264 527	240 112
Fair value adjustment	(94 294)	
Fair value equivalent	170 233	

**NOTE 12
CASH AND INVESTMENT BALANCES**

(a) Analysis of Balances

USD '000	2005	2004
Unrestricted cash	249 762	172 346
Cash subject to restriction (Note 12(b))	69	332
Total	249 831	172 678
Unrestricted investments	2 384 115	2 688 674
Investments subject to restriction (Note 12(b))	655	386
Total	2 384 770	2 689 060

(b) Cash and Investments Subject to Restriction

Currencies Not Freely Convertible: Cash and investments held by the Fund at 31 December 2005 in currencies not freely convertible amounted to USD 69 000 (2004 – USD 332 000) and USD 655 000 (2004 – USD 386 000), respectively.

In accordance with the Agreement Establishing IFAD, the amounts paid into the Fund by the then Category III Member States in their respective currencies on account of their initial or additional contributions are subject to restriction in usage.

(c) Composition of the Investment Portfolio by Instrument

At 31 December 2005, cash and investments at market value amounted to USD 2 477 006 000, excluding restricted and non-convertible currencies (2004 – USD 2 698 821 000), and comprised the following instruments:

USD '000	2005	2004
Cash	249 762	172 346
Fixed-income instruments	2 173 120	2 102 698
Unrealized market-value gain/(loss) on forward contracts	2 303	(898)
Time deposits and other obligations of banks	208 372	309 681
Equities	–	278 475
Futures	306	(1 224)
Options	14	(59)
Total cash and investments	2 633 877	2 861 020
Receivables for investments sold	87 983	40 176
Payables for investments purchased	(244 854)	(202 374)
Total	2 477 006	2 698 821

Fixed income investments include USD 390.9 million in held to maturity investments as at 31 December 2005 (2004: nil). See Note 12 (f) for further details.

(d) Composition of the Investment Portfolio by Currency

The currency composition of cash and investments at 31 December was as follows:

USD '000	2005	2004
Euro	732 032	752 169
Japanese yen	327 251	387 379
Pound sterling	219 315	320 708
United States dollar	1 162 038	1 175 746
Others	36 370	62 819
Total	2 477 006	2 698 821

(e) Composition of the Investment Portfolio by Maturity

The composition of cash and investments by maturity at 31 December was as follows:

USD '000	2005	2004
Due in one year or less	672 958	580 880
Due after one year through five years	1 182 698	1 204 964
Due from five to ten years	169 883	230 875
Due after ten years	451 467	403 947
No fixed maturity (equities)	–	278 155
Total	2 477 006	2 698 821

The average life to maturity of the fixed-income investments included in the consolidated investment portfolio at 31 December 2005 was 81 months (2004 – 80 months).

(f) Held to Maturity Investments (in USD'000)

	USD	Euro	All Currencies
Cash	10 915	1	10 916
Corporate Bonds	29 875	71 596	101 471
Government Agencies	80 115	37 188	117 303
Government Bonds	20 190	70 500	90 690
Supranationals	60 367	10 133	70 500
Total	201 462	189 418	390 880

The maturity structure of held to maturity investments as at 31 December 2005 is as follows:

Period Due	USD'000
Less than one year	88 304
1-2 years	77 104
2-3 years	76 181
3-4 years	76 730
4-5 years	72 561
Total	390 880

All investments above have a maturity of more than 3 months from the date of purchase.

**NOTE 13
CONTRIBUTORS' PROMISSORY NOTES
AND RECEIVABLES**

USD '000	2005	2004
Promissory notes to be encashed		
Replenishment contributions	298 614	352 804
BSF contributions	24 236	31 522
Total	322 850	384 326
Fair value adjustment	(15 254)	
Promissory notes to be encashed at fair value	307 596	
Contributions receivable		
Replenishment contributions	213 520	351 569
BSF contributions	12 958	–
Supplementary contributions	15 377	7 857
Total	241 855	359 426
Fair value adjustment	(11 425)	
Contributions receivable at fair value	230 430	

(a) Initial, First, Second, Third, Fourth and Fifth Replenishment Contributions

These contributions have been fully paid except as detailed in the matrix below:

Contributions Not Paid/encashed at 31 December 2005

USD '000	Donor	Replenishment	Amount
	Argentina	Fifth	1 500
	Australia ¹	Fifth	2 724
	Brazil ¹	Fifth	2 639
	France ¹	Fifth	11 496
	Germany ¹	Fifth	18 390
	Nigeria	Fifth	3 500
	Pakistan	Fifth	667
	Switzerland ¹	Fifth	1 768
	United Kingdom of Great Britain and Northern Ireland ^{1,2}	Fifth	21 341

¹ Cases for which Members and IFAD have agreed to special encashment schedules.

² Part of this balance relates to a Promissory Note not deposited as at 31 December 2005.

(b) Sixth Replenishment

Details of payments made for the Sixth Replenishment are shown in Appendix E. The Sixth Replenishment came into effect on 17 December 2003.

(c) Seventh Replenishment

Details of advance payments to the Seventh Replenishment are shown in Appendix E.

(d) Special Programme for Africa (SPA)

Details of contributions to the SPA under the First and Second Phases are shown in Appendix E.

NOTE 14**PROVISIONS**

The fair value of the provisions is equivalent to the nominal value given that the underlying receivables/promissory notes are already due at the balance sheet date.

In accordance with the policy referred to in Note 2(a), the Fund has established provisions as follows:

USD '000	2005	2004
Balance at beginning of the year	176 292	180 671
Total movements	(6 933)	(4 379)
Balance at end of year	169 359	176 292
Analysed as:		
Promissory notes of contributors (a)	80 898	83 152
Amounts receivable from contributors (b)	88 461	93 140
Total	169 359	176 292

(a) Provisions against Promissory Notes

As at 31 December 2005, all IFAD replenishment contributions up to and including the Fifth Replenishment, deposited in the form of promissory notes, have been drawn down to the extent of 100% and the Sixth Replenishment has been drawn down to the extent of 65% (31 December 2004 – 100% up to the Fifth Replenishment and 30% of Sixth Replenishment).

As at 31 December 2005 and 2004, all First and Second Phase SPA contributions have been fully drawn down.

In accordance with the policy referred to in Note 2 (a), the Fund has established provisions against promissory notes as indicated hereunder.

USD '000	2005	2004
(i) Initial Contributions		
Iran (Islamic Republic of)	29 358	29 358
Iraq	13 717	13 717
	43 075	43 075
(ii) First Replenishment		
Iraq	31 099	31 099
	31 099	31 099
(iii) Second Replenishment		
Mauritania	2	2
Qatar	–	2 254
	2	2 256
(iv) Third Replenishment		
Democratic People's Republic of Korea	600	600
Libyan Arab Jamahiriya	6 087	6 087
Mauritania	25	25
	6 712	6 712
Total IFAD	80 888	83 142

SPA

First Phase		
Mauritania	10	10
Total SPA	10	10
Grand total	80 898	83 152

(b) Provisions against Amounts Receivable from Contributors

In accordance with the policy referred to in Note 2 (a), the Fund has established provisions against certain of these amounts as indicated hereunder.

USD '000	2005	2004
(i) Initial Contributions		
Comoros	9	10
Iran (Islamic Republic of)	83 167	83 167
	83 176	83 177
(ii) Second Replenishment		
Gabon	371	371
Iraq	2 000	2 000
	2 371	2 371
(iii) Third Replenishment		
Iran (Islamic Republic of)	2 400	2 400
Qatar	–	1 000
Sao Tome and Principe	10	10
	2 410	3 410
(iv) Fourth Replenishment		
Kenya	504	821
	504	821
(v) Fifth Replenishment		
Turkey	–	3 361
Total IFAD	88 461	93 140

NOTE 15**OTHER RECEIVABLES**

USD '000	2005	2004
Receivables for investments sold	87 983	40 176
Miscellaneous	19 481	17 330
Total	107 464	57 507

The amounts above are expected to be received within one year of the balance-sheet date.

NOTE 16**PAYABLES AND LIABILITIES**

USD '000	2005	2004
Payables for investments purchased	(244 854)	(202 375)
ASMCS liability	(27 919)	(15 900)
Other payables and accrued liabilities	(47 065)	(33 374)
Total	(319 838)	(251 649)

Of the total above, some USD 58.0 million (2004 – USD 42.9 million) is estimated to be payable in more than one year from the balance-sheet date.

NOTE 17
DEFERRED REVENUES

USD '000	2005	2004
Deferred contributions	(62 493)	(35 750)
Deferred income	(3 488)	(4 674)
Total	(65 981)	(40 424)

Deferred contributions balances represent contributions received for which the revenue recognition has been deferred to future periods to match the related costs in accordance with the accounting policy stated in Note 2(a).

Deferred income includes amounts relating to service charges received for which the related costs have not yet been incurred.

NOTE 18
CONTRIBUTIONS

The contributions to the Fund by each Member when due are payable in freely convertible currencies, except that Category III Members up to the end of the Third Replenishment period could pay contributions in their own currency whether or not it was freely convertible. Each contribution is to be made in cash or, to the extent that any part of the contribution is not needed immediately by the Fund in its operations, it may be paid in the form of non-negotiable, irrevocable, non-interest-bearing promissory notes or obligations payable on demand.

NOTE 19
GENERAL RESERVE

The General Reserve was established in recognition of the need to cover the Fund's potential over-commitment risk as a result of exchange-rate fluctuations and possible delinquencies in receipt of loan-service payments or in the recovery of amounts due to the Fund from the investment of its liquid assets. It is also intended to cover the risk of over-commitment as a result of a diminution in the value of assets caused by fluctuations in the market value of investments.

NOTE 20
TAXATION

IFAD is a specialized agency of the United Nations and as such enjoys privileged tax-exemption status under the Convention on Privileges and Immunities of Specialized United Nations Agencies of 1947 and the Agreement between the Italian Republic and IFAD on IFAD's Permanent Headquarters. Taxation levied where this exemption has not yet been obtained is deducted directly from the related investment income.

NOTE 21
CONTINGENCIES

(a) Contingent Liabilities

IFAD has contingent liabilities in respect of debt relief announced by the World Bank/International Monetary Fund for ten countries. See Note 11(b) for further details of the potential cost of loan principal and interest relating to these countries, as well as the future interest not accrued on debt relief already approved as shown in Appendix G.

(b) Contingent Assets

In 2005, the Italian Government reimbursed Euro 1.2 million (USD 1.5 million equivalent) of taxation deducted on investment income in prior years. These costs were fully provided for in previous years and recorded as a contingent asset as the exact amount of and the year in which the reimbursement was to be made was not certain. This amount has now been reimbursed in full and recorded in direct bank and investment costs (see Note 8).

NOTE 22
DATE OF AUTHORIZATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements are authorized for issue following the recommendation of the Audit Committee in April 2006 and endorsement by the Executive Board in April 2006. The 2005 financial statements will be submitted to the Governing Council for formal approval at its next session in February 2007. The 2004 financial statements were approved by the Governing Council at its Twenty-Ninth Session in February 2006.

The International Fund for Agricultural Development
Rome

We have audited the accompanying consolidated Financial Statements (Appendices A through H) of the International Fund for Agricultural Development (the Fund) as at and for the year ended 31 December 2005. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the consolidated financial position of the International Fund for Agricultural Development at 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Rome, 3 March 2006

PricewaterhouseCoopers SpA



Oliver Galea
(Partner)

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Farmers threshing rice in Tashigang, Bhutan.

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