



Annual report 2006

Enabling the rural poor to overcome poverty



About IFAD

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

IFAD works with poor rural people and their organizations, and other partners to develop solutions that enable poor rural people to overcome poverty themselves. We work with developing country governments, following their lead to design programmes and projects that fit within national systems and respond to the needs, priorities and constraints identified by poor rural people. We provide a mix of low-interest loans to governments and grants to support these development initiatives, and we ensure that lessons and experiences are scaled up to strengthen the agricultural and rural development policies and investments of our partner governments and the international development community.

Since starting operations in 1978, IFAD has invested US\$9.5 billion in 731 programmes and projects that have helped more than 300 million poor rural men and women achieve better lives for themselves and their families. But, this represents only part of the total investment. In the past 28 years, a further US\$16.1 billion in cofinancing has been contributed by partners. Governments and other financing sources in recipient countries, including project participants, have invested US\$9.0 billion while another US\$7.1 billion has been contributed by external cofinanciers including bilateral and multilateral donors.

At the end of 2006, IFAD was financing 186 ongoing programmes and projects worth a total investment cost of US\$6.2 billion. Of this investment, IFAD provided about US\$2.9 billion and its partners about US\$3.3 billion.

Building economic opportunity in rural areas

IFAD focuses on the poorest and most marginalized rural people: small farmers, landless people, nomadic pastoralists, artisanal fishers, women and indigenous peoples. We work to develop new economic opportunities in rural areas. We recognize the centrality of agriculture in the livelihoods of poor rural people, helping them increase their food production, raise their incomes and improve their quality of life, sustainably, without diminishing their natural resources.

We tackle poverty not only as a lender but also as an advocate for poor rural people. Our multilateral orientation provides a global platform for discussing important policy issues and increasing awareness of the importance of agriculture and rural development to meeting the Millennium Development Goals.

Sharing knowledge about rural poverty eradication

IFAD works with governments and other partners to test ideas and ways of working. We ensure that lessons and knowledge are fed into national systems and shared widely with our partners as a global public good. We promote the development of innovative pro-poor agricultural technologies and approaches by supporting agricultural research by international institutions, NGOs and by farmers themselves. Globally, regionally and nationally, we work with our partners, sharing knowledge to develop new and innovative solutions to rural poverty that can be replicated and scaled up.

IFAD Strategic Framework 2007-2010

In December 2006, IFAD's Executive Board approved the Strategic Framework 2007-2010, which defines how the organization contributes to achieving the Millennium Development Goals, particularly Goal 1 to eradicate extreme poverty and hunger. The Strategic Framework charts IFAD's new directions and new ways of working in response to the needs of poor rural people in a rapidly changing world, to the evolving international architecture for development and to the need to increase both the size and effectiveness of investment in reducing rural poverty and hunger.

Key elements of the strategy

IFAD's goal is to empower poor rural women and men in developing countries to achieve higher incomes and improved food security.

IFAD will achieve this by ensuring that poor rural people have better access to, and the skills and organization they need to take advantage of:

- natural resources, especially land and water, and improved natural resource management and conservation practices
- improved agricultural technologies and effective production services
- a broad range of financial services
- transparent and competitive markets for agricultural inputs and produce
- opportunities for rural off-farm employment and enterprise development
- local and national policy and programming processes

Results

The following results will contribute to achievement of the strategic objectives:

- participants in IFAD-supported agriculture and rural development programmes and projects have increased productivity and incomes, and better food security
- countries have stronger capabilities to reduce rural poverty through:
 - enabling policy frameworks, including poverty reduction strategies and sector policies that respond to the needs of poor rural people
 - efficient government institutions that focus on poverty reduction
 - strong organizations of poor rural people
 - increased private-sector investment in rural economies
 - enhanced capability of governments, NGOs, the private sector and organizations of poor rural people to develop and implement rural poverty reduction programmes

Principles of engagement

The following principles underpin IFAD's Strategic Framework.

Focused and selective

We focus on our strengths in agriculture and rural development, while working with partners to meet other needs of poor rural communities.

Targeted

We target the poorest and most vulnerable rural people with the capacity to benefit from IFAD-supported programmes and projects. We give special consideration to gender differences, and focus on women in particular. We recognize the special needs of indigenous peoples and ethnic minorities, especially in Asia and Latin America.

Empowering

We empower poor rural women and men to take advantage of economic opportunities and achieve higher incomes and better food security for themselves by building their individual capacities and helping them develop and strengthen their own organizations and communities.

Innovative

We encourage innovation, test new approaches and work with governments and other partners to replicate and scale up successes.

In partnership

We work systematically through partnerships to make development efforts more effective. We work with developing country governments, poor rural people and their organizations, NGOS and the private sector. We also work with other partners in the international development community, combining the best available skills and knowledge to develop new and innovative solutions to rural poverty.

Sustainable

We design and manage programmes and projects for quality, impact and sustainability, following the lead of partner governments to ensure coherence with national policies and strategies. We ensure ownership and leadership by governments and rural poor people themselves.

IFAD at a glance, 1978-2006^{a, b, c}

TABLE 1

		2002	2003	2004	2005	2006	1978-2006
Operational activities^{d, e}							
Loan approvals							
Number		21	25	24	31	31	748
Amount	US\$ million	319.2	403.6	408.7	478.4	515.0	9 416.6
Grant approvals^f							
Number		85	70	87	66	109	1 980
Amount	US\$ million	23.9	20.3	33.3	36.6	41.8	574.7
Total IFAD loan and grant operations^d	US\$ million	343.1	424.0	442.0	515.0	556.8	9 991.3
Cofinancing	US\$ million	133.4	124.9	167.2	118.7	108.3	7 054.8
Multilateral		73.6	124.5	69.8	72.1	67.3	5 534.0
Bilateral		51.2	0.0	8.6	38.0	31.8	1 210.0
NGO		0.0	0.0	0.0	1.6	0.6	25.8
Other ^g		8.5	0.3	88.8	6.9	8.6	285.1
Domestic contributions	US\$ million	263.7	184.1	296.6	414.8	282.7	9 042.9
Total programme and project cost^h	US\$ million	719.3	712.5	875.6	1 018.1	910.8	25 563.9
Programmes and projects							
Number of effective programmes and projects under implementation		199	197	193	183	186	
Number of programmes and projects completed		29	28	26	32	27	502
Number of programmes and projects in the pipeline		56	54	47	61	56	
Number of approved programmes and projects initiated by IFAD		22	24	25	29	25	592
Number of recipient borrowers		115	115	115	115	115	115
Loan disbursements	US\$ million	263.4	285.8	313.7	343.5	387.5	5 324.9
Loan repaymentsⁱ	US\$ million	126.8	140.1	171.7	157.5	148.5	
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	163	163	164	165	
Professional staff – at end of period ^l		132	132	143	149.5	203	
Operating expenses ^k	US\$ million	40.3	49.1	57.0	63.6	68.2	
- Charge for past after-service medical benefits ^m	US\$ million	7.9	4.3	(12.3) ⁿ	9.3	1.9	

Sources: Project and Portfolio Management System, IFAD financial statements for 1978-2006, 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 President's report for each loan presented to the Executive Board.

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

^c 2005 figures include four programmes in countries affected by the tsunami (with IFAD financing of US\$33.7 million approved outside the Regular Programme). 2006 figures include the additional loans (US\$35.0 million) approved to cover financing gaps for those programmes.

^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 was not confirmed at the time of 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 budgets of IFAD and its Office of Evaluation. They also include one-time costs and budget allocations carried forward from 2005.

^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
ENRAP	Knowledge Networking for Rural Development in the Asia/Pacific Region
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility
GTZ	<i>Gesellschaft für Technische Zusammenarbeit</i> (German Agency for Technical Cooperation)
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
IPGRI	International Plant Genetic Resources Institute
IsDB	Islamic Development Bank
NENA	Near East and North Africa
NEPAD	New Partnership for Africa's Development
OECD	Organisation for Economic Co-operation and Development
OFID	OPEC Fund for International Development
OPEC	Organization of the Petroleum Exporting Countries
PRS	poverty reduction strategy
RIMS	results and impact management system
SDR	special drawing right
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
WFP	World Food Programme

Foreword

At the Millennium Summit in 2000, the international community committed itself to achieving the Millennium Development Goals by 2015. The year 2007 marks the halfway point. Much progress has been made, for example in raising the incomes of millions of poor people in Asia. But overall, progress has not been fast enough. Almost 1 billion people are still suffering from desperate poverty and hunger. In some countries in Africa, poverty and hunger are actually increasing.

IFAD's mission is to enable poor rural people to overcome poverty. Seventy five per cent of the world's extremely poor people live in the rural areas of developing countries – that is over 800 million women, children and men. We must reach them if we are to halve extreme poverty and hunger by 2015.

Increasing investment in agriculture is essential. We know that investments in agriculture and rural development can drive broader economic growth and set the stage for long-term sustainable development. They are also more effective in raising people out of poverty than investments in any other sector. Yet overall investment in agriculture remains far below the level required. There are some signs that this may be changing as governments and development partners recognize the need to give higher priority to agriculture. IFAD is working hard to encourage them to translate this recognition into action.

I am also proud that IFAD is increasing its own contribution to investment in agriculture and rural development by expanding its programme of work every year, improving its development effectiveness and building stronger, more coherent partnerships.

Expanding programme of work

In 2006, our programme of work reached a record US\$557 million, surpassing the target of US\$550 million set at the end of 2005. IFAD's Executive Board approved 31 new loans worth a total of US\$515 million. The Executive Board also approved grants worth US\$42 million.

We are committed to maintaining this trend. In December 2006, the Executive Board approved IFAD's planned programme of work for 2007 at US\$605 million, an increase of 10 per cent over 2006. This will enable IFAD to fund up to 34 programmes and projects, for a total of US\$545 million, and to provide grants worth a total of US\$60 million.

During the period of the Seventh Replenishment, from 2007 through 2009, IFAD will invest US\$2 billion in about 100 new programmes and projects. With a target level set at US\$720 million, the Seventh Replenishment is IFAD's largest since the First Replenishment in 1981. It became effective in December and will enable IFAD to continue to increase its programme work by 10 per cent per year.

Improving development effectiveness

At the same time as we expand IFAD's programme of work, we are striving to improve the quality of the portfolio. In 2006, for example, the proportion of IFAD-supported programmes and projects showing high or substantial performance in the annual report on results and impact produced by IFAD's independent Office of Evaluation rose to nearly 80 per cent, in comparison with just over 70 per cent recorded in the Independent External Evaluation of 2005.

During 2006, we moved forward decisively with the implementation of IFAD's Action Plan for Improving its Development Effectiveness. In 2006, the Executive Board approved the new Strategic Framework to guide our work during the period 2007 to 2010 and help us ensure that our operations deliver the greatest possible impact for poor rural people. We are also implementing new policies on targeting and supervision to make sure that our projects really do reach the intended target groups and that they are implemented effectively. We are developing a new approach to management for development results, and improving the alignment of our financial and human resources with our corporate strategic priorities. Through these and other Action Plan reforms, we are putting IFAD on the cutting edge of development best practice.

Strengthening partnerships

Governments, civil society and international organizations are today united in their commitment to achieving the Millennium Development Goals. Countries worldwide are applying poverty reduction strategies to achieve them. The international community is responding by increasing aid, and by improving the way it is delivered. IFAD works in close partnership with governments and other development partners in line with the principles of the Paris Declaration, including alignment of our work with country-owned development processes, and harmonization with other development partners.

We are also playing an active role in the reform of the United Nations system – an essential part of the wider effort to improve development effectiveness. In 2006, I served on the Secretary-General's High-level Panel on System-wide Coherence. IFAD is fully committed to working with our partners in the United Nations system and other international financial institutions to 'deliver as one' and guarantee coherent support for eradicating poverty. We are actively participating in the eight pilots of the 'one United Nations' at country level, and will draw on the evaluation of our Field Presence Pilot Programme to ensure that we add real value to the collective United Nations effort on the ground, even where IFAD remains a non-resident agency. We are also exploring ways to expand and deepen collaboration with our sister agencies in Rome, the Food and Agriculture Organization of the United Nations and the World Food Programme.

In February 2006, we held the first Farmers' Forum, in conjunction with the IFAD Governing Council, to strengthen consultation and dialogue between small farmers' and rural producers' organizations, IFAD and governments. Also in 2006, IFAD formed a new partnership with the International Food Policy Research Institute to support the development and communication of innovative policy solutions to rural poverty.

2006 was the year in which we delivered our largest programme of work ever, realigned our strategic priorities, defined measurable goals and intensified our efforts to strengthen IFAD. I also renewed my senior management team. It was a challenging year, but I am confident that during 2006 we have built a solid platform to ensure that IFAD will continue to improve its effectiveness and efficiency as it continues to grow. By doing both, we will be able to reach more poor rural people and enable them to overcome poverty and secure better lives for themselves and their children.



LENNART BÅGE
President of IFAD





Programme of work for 2006

Family members load up the day's tomato harvest on Mohammed Al Jafreh's farm in Al Aina, Jordan. The harvests have been good since an IFAD-supported project repaired the water source that irrigates the farm.

© IFAD, L. Stezic

In 2006, IFAD achieved its largest ever programme of work. The Executive Board approved new loans and grants for a total of US\$556.8 million, surpassing the target of US\$550.0 million set at the end of 2005. Disbursements were also at a record high in 2006, reaching US\$387.5 million.

During the year, the Executive Board approved a total of 31 new loans in 28 countries. Seventy-nine per cent of the new loans were highly concessional.

At the end of the year, IFAD had a total of 186 effective programmes and projects in 81 countries and one territory. IFAD's investment in these activities was worth a total of US\$2,948.8 million.

In December, the Executive Board approved IFAD's planned programme of work for 2007 for a total of US\$605.0 million, representing a 10 per cent increase over the planned programme of work for 2006. This target comprises a lending programme of US\$544.5 million for a maximum of 34 proposed programmes and projects, and a grant programme of US\$60.5 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, Niger, Nigeria, Sao Tome and Principe, Senegal, Sierra Leone and Togo

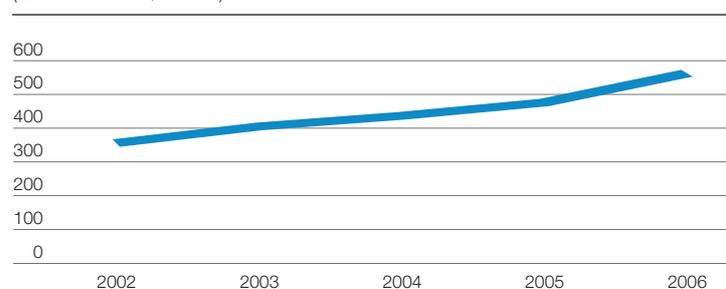
Overview

Although the Western and Central Africa region is undergoing a process of rapid urbanization, most people still live in rural areas. Agriculture remains the largest economic sector in most countries, accounting for about two thirds of total employment and for the bulk of export earnings.

There are positive trends and opportunities to capitalize on. Several countries have recorded strong economic and agricultural sector growth in recent years, making steady progress towards achieving the Millennium Development Goals. Agricultural commodity prices for crops like cotton and cocoa have been rising recently on international markets, generating increased income for some of the region's exports. Innovation in rural institutions, agriculture and technology generation and dissemination feature in many success stories.

The continuing process of regional integration should stimulate regional trade and economic development. But constraints and bottlenecks stand in the way, blocking the

CHART 1
IFAD-approved loans and grants, 2002-2006^a
(amounts in US\$ million)



Source: Project and Portfolio Management System.

^a 2005 figures include four programmes in countries affected by the tsunami (with IFAD financing of US\$33.7 million approved outside the Regular Programme). 2006 figures include the additional loans (US\$35.0 million) approved to cover financing gaps for those programmes.

efforts of the region's farmers to meet the challenge of increased regional demand, and hindering agriculture's potential to become a key motor for economic growth and development. Agricultural sector growth rates generally remain below the 6 per cent growth target set in the context of the Comprehensive Africa Agriculture Development Programme of the New Partnership for Africa's Development (NEPAD). Use of agricultural inputs and productivity levels lag behind those of Asia and Latin America, and population growth still outstrips growth in productivity.

Meanwhile, conflict and instability in Côte d'Ivoire continued to have a strong negative impact on the economies of neighbouring countries. While the governance context improved markedly in countries like Liberia and Sierra Leone, significant investment is needed for their economies to recover. IFAD contributes to this effort.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio consisted of 42 programmes and projects in 18 countries, with a total IFAD investment of US\$538.6 million. During 2006, the organization approved seven new programmes and projects in Burkina Faso, the Congo, The Gambia, Mali, Niger, Nigeria and Senegal.

Responding to ongoing changes in the political and macroeconomic settings in Western and Central Africa and to fundamental changes in the international aid architecture, IFAD has progressively revised its country strategies to bring future operations in line with country priorities and to ensure that they complement the activities of other donors. All country strategic opportunities programmes (COSOPs) are being aligned with national poverty reduction strategies, agricultural policies and other relevant national development strategies and policies. In April, the Executive Board approved new, innovative and results-oriented COSOPs for Ghana and Niger.

Strategy and activities in 2006

Operations in Western and Central Africa focus on the three objectives of IFAD's Strategic Framework for 2002-2006:

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

A fourth objective, specific to the region, is to reduce vulnerability to major threats to rural livelihoods.

Strengthen the capacity of poor rural people and their organizations

In September, IFAD approved the Agricultural Services and Producer Organizations Project – PSAOP 2 in Senegal. The project will focus on strengthening the capacities of farmers' organizations to defend their members' interests and deliver the services farmers need to stabilize, increase and diversify their production. The local consultation forums established during phase I will be expanded to cover all 320 of the country's rural councils.

Improve equitable access to productive natural resources and technologies

The ongoing Agricultural Development Project in Matam – Phase II in the Senegal River Valley (PRODAM II) focuses on empowering producers' organizations, building their capacities for rehabilitating infrastructure, and improving use of irrigation water and range resources. Drip irrigation technology is one of the project's key innovations. The project has been particularly successful in supporting women's access to new technologies and in promoting employment of young people. It uses innovative

approaches to disseminate technology and share knowledge, including rural radio and a special facility to monitor gender issues.

The Participatory Integrated-Watershed Management Project in The Gambia started work this year. The project targets poor upland rice farmers, drawing on the lessons and approaches of the successful Lowlands Agricultural Development Programme. The programme promoted sustainable improvement of traditional rice production for poor farmers, and particularly for women, in the swamp and tidal rice-growing areas of the lowlands.

IFAD also supported the launch workshop of the Regional Processing and Marketing Initiative on Cassava held in Accra, Ghana in March, which was part of NEPAD's Pan-African Cassava Initiative (see page 74). The initiative's objective is to link IFAD-funded roots and tuber projects with regional markets through development of commodity chains. Workshop participants included private-sector operators, IFAD project managers, researchers and members of farmers' organizations.

Increase access to financial services and markets

The Gambia Rural Finance and Community Initiatives Project worked to improve rural household food security and incomes by developing agricultural production activities and increasing access to microfinance services. The project supported Village Savings and Credit Associations (VISACAs) that were established across the country in the 1980s. The first phase was successful in providing poor rural people with better access to financial services and had positive effects on school enrolment and food security. But insufficient attention was given to building the capacities of VISACA committee members. Drawing lessons from this experience, the Rural Finance Project in The Gambia, approved in 2006, is fully aligned with the priorities of IFAD's Rural Finance Strategy and will be directly supervised by the organization.

This year the Executive Board approved the Rural Finance Institutions-building Programme, a new rural finance programme for Nigeria.

Reduce vulnerability to major threats to livelihoods

In December, IFAD approved the Agricultural and Rural Rehabilitation and Development Initiative Project in Niger. The project will invest more than US\$36.0 million in vulnerable rural areas over seven years, and it has established a model coordination framework with other donors and development partners active in the zone (see page 96).

In April, the Northern Regions Investment and Rural Development Programme started work in Mali. Its goal is to reduce vulnerability and food insecurity in this arid region. The Government of Mali designated IFAD as lead donor in the zone in recognition of the importance of its work to reduce vulnerability.

Policy and partnerships

During the year, IFAD continued to develop and consolidate its extensive network of partnerships in the region. It worked closely with inter-governmental and government institutions, donors and cofinanciers, research centres, the private sector, civil society and professional organizations at the regional, country and project levels.

Collaboration with the Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union focused on policy dialogue and analysis related to market access, and on implementation of the ECOWAS Agricultural Policy (ECOWAP). IFAD's work with NEPAD (see page 74) enabled key stakeholders such as farmers' organizations to contribute to the NEPAD process.

At the technical and research level, IFAD cooperated with the Consultative Group on International Agricultural Research (CGIAR) centres, specifically with the International Food Policy Research Institute (IFPRI), on poverty reduction strategy processes and monitoring and evaluation (see page 75). The most important partnerships with NGOs and farmers' and professional organizations linked IFAD with the Réseau des organisations paysannes et des producteurs agricoles de l'Afrique de l'Ouest, the Réseau Agricultures Paysannes et Modernisations en Afrique, the Association Africa Agro Export and the West African Rural Foundation. Other major partners included the International Center for Soil Fertility and Agricultural Development, the International Development Research Centre, the African Development Bank and the World Bank.

IFAD is working with the Organisation for Economic Co-operation and Development (OECD) and the French Ministry of Foreign Affairs on the Support to African Agriculture Project in Western and Central Africa, to put agriculture and rural development back on the policy agenda at global and regional levels. This three-year project began work in 2004 and is conducting field studies in Cameroon, Ghana and Mali. IFAD took part in a regional workshop and steering committee meeting for the project in Dakar in October.

The Hub: Supporting Rural Development in Western and Central Africa is an important grant-funded tool for knowledge management and capacity-building through partnership in national and regional policy development processes.

IFAD is also strengthening strategic partnerships with the Rome-based United Nations agencies in Western and Central Africa. In November, IFAD, FAO and WFP launched the joint Sahel Agricultural and Rural Development Initiative to support the Sahel region in managing and responding to risks related to food insecurity. In December, the heads of the three Rome-based agencies made a joint trip to Ghana, demonstrating their commitment to strengthening collaboration in support of the government's work to foster rural development and make the country food secure.

Extensive partnership networks have also been developed at country level, where particular attention is directed towards the private sector as well as towards government institutions, donors and other partners. During 2006, the regional Inclusive Private Sector Partnership Programme gained momentum. The programme fosters linkages among small- and large-scale private sector operators in Western Africa, Italy and France. It has addressed value chains for cassava in Cameroon and Ghana, gum arabic in Chad, mangoes in Senegal and organic cocoa in Sao Tome and Principe. It is also exploring the possibility of extending the approach to the cashew subsector in Guinea-Bissau.

Impact

In line with IFAD's growing emphasis on measuring the results, quality and impact of the operations it finances, the region continued to improve project monitoring and evaluation systems. These systems and other information sources confirm the regional portfolio's generally satisfactory performance. Projects are particularly successful in targeting poor rural people: 94 per cent of the projects in Western and Central Africa have adequate or improved targeting mechanisms in place. There has also been progress in mainstreaming results and impact management system (RIMS) reporting (see page 35). Benchmark impact surveys were carried out at early stages of implementation in the Congo, Ghana, Guinea, Mali and Mauritania.

Learning and sharing

Knowledge management and innovation increasingly became integral parts of country programmes and of all IFAD operations in the region. Thematic working groups backed by e-forums served as platforms for knowledge-sharing and pre-workshop consultations, and several knowledge-sharing workshops were held during the year. A workshop on Community-Driven Development Approaches organized in Accra, Ghana in March helped develop decision tools. The workshop was coupled with the launch workshop for the Regional Cassava Processing and Marketing Initiative.

In 2006, the grant-funded FIDAFRIQUE network built ownership of the network among projects and used the Internet and innovative methodologies to harvest and capitalize on knowledge. It also strengthened knowledge management capacities, in partnership with the West Africa Rural Foundation. FIDAFRIQUE connects all IFAD-supported programmes and projects in the region and links them with key partners in rural development. The network's current members include 30 programmes and grass-roots organizations.

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

Economic growth rates across Eastern and Southern Africa varied markedly in 2006. Although a third of the countries have projected economic growth rates of over 5 per cent, only two – Mozambique and the United Republic of Tanzania – look likely to achieve the rate of 7 per cent or more needed to realize the Millennium Development Goals. Across the region, the grim reality is that the proportion of people living on less than US\$1 a day is declining only marginally while their absolute number continues to increase. Seventy per cent of the region's population – some 230 million people – live in rural areas, and almost certainly more than half of them survive on less than US\$1 a day.

During the year, the immediate food situation in Southern Africa improved considerably, following good rains and higher than average cereal production. But in Eastern Africa drought-induced crop failures were aggravated by heavy flooding. As a result, more than 10 million mainly rural people faced serious food shortages. Supporting vulnerable rural groups as they re-establish their capacity to produce food has become a priority for IFAD.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio consisted of 37 programmes and projects in 15 countries, with a total IFAD investment of US\$564.9 million. During 2006, the Executive Board approved five new loans for activities in Eritrea, Madagascar, Mozambique, Uganda and the United Republic of Tanzania.

Strategy and activities in 2006

IFAD's goal in the region is to enable poor rural people to gain the skills, knowledge, organization and assets they need to overcome poverty. The regional strategy focuses on enhancing the access of poor rural people to:

- land and water, strengthening their management of these resources
- agricultural markets and value chains, boosting their participation

- financial services
- agricultural technologies and information systems

In 2006 there was a particular focus on accountability and decentralization as a cross-cutting principle of regional strategy. IFAD's work continues to address HIV/AIDS and conflict, the major threats to rural livelihoods in the region.

During 2006, IFAD worked in all of these areas with partner governments and other local stakeholders. In line with its commitment to the Paris Declaration on Aid Effectiveness, the organization focused on supporting national policies, processes and capacities for rural poverty reduction within the framework of established mechanisms for donor coordination and dialogue with national partners. IFAD pursued this agenda through its evolving country programme approach. The new results-based country strategic opportunities papers provide a framework for the approach. Those for Madagascar and Swaziland were among the first to be prepared.

Access to land and water

This year the Executive Board approved the Project to Support Development in the Menabe and Melaky Regions in Madagascar. This is IFAD's first loan-financed operation in the region to focus specifically on land tenure security for poor rural people. It builds on knowledge gained under IFAD's grant-funded Regional Land Tenure Programme, which continued to support the incorporation of land issues into project design and implementation processes across the region during 2006. In Uganda, IFAD is working with national partners on the Collaborative Action on Land Issues programme financed by the Belgian Survival Fund (BSF) (see page 68), which organized a regional workshop on land tenure security.

In the area of land management, IFAD approved a regional project to explore approaches to conservation agriculture for small farmers.

In the area of agricultural water management, a number of research activities were carried out under the Improved Management of Agricultural Water in Eastern and Southern Africa project, a joint operation with the Association for Strengthening Agricultural Research in Eastern and Central Africa. A regional workshop held in Mozambique brought together managers of IFAD-supported projects, policymakers, government and NGO representatives, and researchers.

Access to markets and value chains

IFAD approved a loan for the Rural Micro, Small and Medium Enterprise Support Programme (known by the Swahili acronym *MUVI*) in the United Republic of Tanzania. The programme will enable rural entrepreneurs to develop the skills and knowledge they need to better engage in agricultural value chains (see page 100).

During 2006, IFAD completed a study reviewing its experiences in the area of market linkage development and providing recommendations on the way forward. It also held a regional workshop on enhancing market access for rural poverty reduction, bringing together the managers of IFAD-supported projects and representatives of the private sector, government agencies, NGOs and donors. The organization approved a regional grant supporting activities to strengthen capacity, build partnerships and foster policy dialogue in the area of market access and value chains (see page 112).

Access to financial services

IFAD continued to support ongoing projects promoting poor people's access to financial services. These included the African Rural and Agricultural Credit Association, which has close to 90 members, and the Rural Finance Knowledge Management Partnership with MicroSave-Africa and the Centre International de Développement et de Recherche. Under the partnership, a regional workshop for managers of IFAD-supported projects and other practitioners was held in Ethiopia, and action research activities were initiated on appropriate financial service delivery mechanisms for reaching poor rural people.

Access to agricultural technologies and information systems

In support of the Government of Mozambique's second-phase agricultural sector-wide programme (PROAGRI II), IFAD approved a loan for the Agricultural Support Programme. The programme will build farmers' demand for extension services and reorient and strengthen the delivery of such services.

In Eritrea, IFAD approved the Post-crisis Rural Recovery and Development Programme, which will boost farm productivity and strengthen the capacity of producer and community organizations to plan and manage development activities.

Accountability and decentralization

Promoting the accountability of governments to poor rural people and encouraging governments to provide services that respond to people's needs is an important aspect of IFAD's work. One means of promoting accountability is by supporting governments' efforts to decentralize authority and responsibility for public functions. The new District Livelihoods Support Programme in Uganda will work to strengthen decentralization processes, building on the achievements of an earlier project in the country and on an independent evaluation in 2005 of IFAD's work in decentralizing environments in the region.

Policy and partnerships

Policy

All of IFAD's initiatives in the region are in line with and contribute to national governments' poverty reduction strategies and agricultural sector policy frameworks. Engagement in policy dialogue is a key element of IFAD's participation in agricultural sector-wide approaches (SWAp). It will be vital in the implementation of the Agricultural Support Programme approved in Mozambique, as well as in the ongoing SWAp engagements in Rwanda, Uganda and the United Republic of Tanzania. In all of these, IFAD's priority is to ensure that the real constraints and opportunities of poor rural producers are addressed. IFAD's field presence (see page 34) makes it possible for the organization to participate actively in policy dialogue. The 'non-SWAp' projects approved in 2006 in Madagascar, Uganda, the United Republic of Tanzania and, to a lesser extent, Eritrea also allow IFAD to engage in dialogue on specific policies or laws.

During 2006, IFAD also took part in policy dialogue at the regional level. It supported the African Union Commission in its work to develop guidelines for national land policies, and it funded and participated in the Africa Fertilizer Summit, held in Nigeria in June (see page 62).

Partnerships

An important element in IFAD's strategy is strengthening the capacity of rural civil society to engage in policy dialogue with governments. During 2006 the organization made good progress in developing partnerships with farmers' organizations in the region. Grants for

strengthening institutional capacity were provided to national farmers' organizations in Kenya and Madagascar and to the regional Southern African Congress of Agricultural Unions. Gradually, such organizations are becoming key players in IFAD country programmes in the region.

Effective partnerships are also a key element of the aid effectiveness agenda. The organization strengthened its country-level partnerships and its participation in agricultural sector forums in all countries in the region where IFAD is active, and particularly in those where it has a field presence (currently Ethiopia, Madagascar, Mozambique, Rwanda, Uganda and the United Republic of Tanzania).

IFAD continued to pursue many other partnerships, both strategic and operational, at the local, country and regional levels. Partners included governments, intergovernmental organizations, donors, NGOs, civil society organizations and private-sector operators. Examples were the African Union Commission, the Belgian Survival Fund, the International Fertilizer Development Center, the International Maize and Wheat Improvement Center, the Millennium Challenge Corporation, NEPAD, the Rockefeller Foundation, Wageningen International and the World Bank.

The joint assistance strategy (JAS) is also emerging as an important vehicle for promoting partnerships between governments and their development partners. In 2006 IFAD participated in JAS processes in Kenya, Uganda, Zambia and particularly in the United Republic of Tanzania, where it signed a memorandum of understanding with the government and its development partners that defines ways to develop and implement the JAS.

Impact

Strengthening the capacity of programme and project management to enhance development impact is a major priority for IFAD in Eastern and Southern Africa. The ongoing Regional Programme for Strengthening Management for Impact is working towards this end with IFAD-supported projects across the region.

Assessments in 2006 found that IFAD-supported programmes and projects in the region are having a positive impact on:

- the lives of poor rural people, as a result of improvements in human assets, food security and incomes, social capital and people's empowerment, and gender equity
- the environment, as a result of sustainable management and use of natural resources
- national capacities for rural poverty reduction in the region, as a result of enhanced policies and more efficient and accountable institutions

Learning and sharing

IFAD promotes learning and knowledge-sharing for farmers and their organizations, for rural communities and for project coordinators and staff in all its regional operations. Farmers' field schools have provided a springboard for many such activities. During 2006 the organization supported a regional implementation workshop in Malawi and other workshops on topics such as land tenure security, agricultural water management, rural finance and market linkages.

An increasing number of projects have established websites and e-mail forums, and some are now linked to IFAD's Rural Poverty Portal. IFAD has itself improved communication with the region through a quarterly electronic newsletter.

During the year, IFAD continued a series of studies to consolidate its experience in key areas and build its knowledge of the region. Studies focused on farmers'

organizations, IFAD's experience with market linkage projects, poverty and targeting, agricultural water management for poverty reduction, land tenure security, and small and microenterprise development.

Asia and the Pacific

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

Overview

The rate of economic growth in the Asia and the Pacific region rose to over 7 per cent in 2006, higher than any other region in the world. Inflation remained modest, at less than 3 per cent on average. Despite short-term risks, including high oil prices and the expected slowdown of the economy of the United States, the overall macroeconomic outlook is positive.

Countries in the region continue to make progress towards achieving the Millennium Development Goals, but performance in three target areas is cause for concern. They are the areas of infant mortality, HIV prevalence, and access to basic sanitation in urban areas. Though there has been some improvement in reporting on income poverty, the availability and quality of data are still a major problem. In absolute terms, an estimated 727 million people in the region are affected by income poverty. They represent about 70 per cent of the people affected worldwide.

Although there are opportunities for poverty reduction in the region, inequality along geographic and urban and rural lines has been growing. Risk is another area of increasing concern. Recent events have shown the extent of poor people's vulnerability to risks induced by social instability, natural disasters, epidemics such as HIV/AIDS and avian flu, market fluctuations, conflict and political upheaval. Reducing inequality and increasing poor rural people's resilience to risk were key objectives of IFAD's operations in the region in 2006.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio consisted of 45 programmes and projects in 16 countries, with a total IFAD investment of US\$886.8 million. In 2006 the Executive Board approved six loans for new programmes in China, India, the Lao People's Democratic Republic, Pakistan, Sri Lanka and Viet Nam.

In 2006, IFAD also approved an additional US\$35.0 million in loan funds for four post-tsunami programmes that were approved in 2005 for India, the Maldives and Sri Lanka. The organization agreed to the cancellation of the US\$19.9 million loan approved in 2002 for the East Kalimantan Local Communities Empowerment Programme in Indonesia, which could not be implemented because of changes in government policies.

Strategy and activities in 2005

In 2006, IFAD continued to implement the Regional Strategy for Rural Poverty Reduction in Asia and the Pacific, focusing on:

- developing less-favoured areas
- enhancing women's capabilities

- enhancing the capabilities of indigenous peoples and other marginalized minorities
- building coalitions of poor rural people

Developing less-favoured areas

Most of IFAD's ongoing and new programmes and projects are located in the region's less-favoured rural areas, where low-quality natural resources, poor communications, limited transportation networks and weak institutions combine to hinder growth and development.

IFAD's interventions address all of these constraints. In the Lao People's Democratic Republic, for example, the Xieng Khouang Agricultural Development Project – Phase II has built roads and bridges to reduce the physical isolation of poor people. The project used labour-based road construction methods, raising labourers' incomes. It institutionalized road maintenance by communities and opened them up for trade and the delivery of social services.

Conflict and crisis often affect the less-favoured areas in the region, which are least equipped to cope with them. In 2006, a number of projects continued to operate in areas of civil unrest. Despite persistent insecurity, the Western Mindanao Community Initiatives Project in the Philippines, the Western Uplands Poverty Alleviation Project in Nepal, and the Northern Areas Development Project in Pakistan all continued operations. Other projects contributed to post-conflict recovery and crisis prevention. The Dry Zone Livelihood Support and Partnership Programme in Sri Lanka is resettling people from the nearby conflict zone and it also engages in dialogue with the government about land tenure laws and how they affect poor people.

Enhancing women's capabilities

To reinforce its commitment to enhancing women's capabilities, in line with its regional strategy, IFAD has included special provisions for support to women in all of its recent country strategic opportunities papers (COSOPs) in the region and in all new loans approved in 2006. In the programmes and projects in the regional portfolio, giving women access to rural financial services is a primary means of improving their skills. Women often constitute the majority of savers and borrowers in operations in Bangladesh, India, the Philippines and Viet Nam.

Data from IFAD's results and impact management system (RIMS) show that nearly one million women farmers in the region received production-related training in 2006. Research and training to support projects, advocacy and policy dialogue continued under the Regional Programme for Gender Mainstreaming, sponsored by IFAD in collaboration with the United Nations Development Fund for Women.

Enhancing the capabilities of indigenous peoples and other marginalized minorities

The organization has specifically targeted research, policy dialogue, knowledge management, projects and investments at enhancing the capabilities of indigenous peoples and other minority groups who live largely in upland and other remote areas of South and Southeast Asia. Projects have worked to promote their access to resources, especially land, water and forests. The recently closed Cordillera Highland Agricultural Resource Management Project in the Philippines helped indigenous people defend their rights to ancestral domain titles. Programmes and projects also support indigenous peoples by strengthening existing organizations and governance systems, documenting traditional knowledge and working to prevent conflict between minority groups.

Building coalitions of poor rural people

During 2006, IFAD continued to build coalitions of poor rural people. In northern India, the North Eastern Region Community Resource Management Project for Upland Areas nurtured federations of farmers' self-help groups that brought together farmers from neighbouring villages. National and regional meetings with farmers' organizations were part of the run-up to the first global consultation of the Farmers' Forum during the IFAD Governing Council in 2006 (see page 76).

In investments at project level, there is increasing emphasis on boosting the sustainability and growth of poor people's organizations. With IFAD's support, federations and other apex organizations are helping small groups grow and speak with more authority when interacting with governments and other institutions. New projects such as the Women's Empowerment and Livelihoods Programme in the Mid-Gangetic Plains in India have made building community-level institutions their main purpose, drawing on the positive outcomes of other IFAD-financed activities in India.

Policy and partnerships

Policy

Implementation of the performance-based allocation system (PBAS) has provided a good opportunity for policy dialogue with many IFAD borrowers in the region. In-country discussions in Mongolia, for example, focused on the legal framework for rural organizations and access of poor households to natural resources.

Programmes and projects also demonstrate which policies contribute to rural poverty reduction. IFAD-funded projects have shown that the participation of poor rural people in government planning and resource allocation enables them to help themselves. This was the case in Bhutan, where successive project designs emphasized village-level planning methodologies. The methodologies were then adopted by the government and applied throughout the country to elicit popular participation in the process of formulating the country's poverty reduction strategy paper and drawing up the country's new 10th Development Plan. Support provided to village-level participatory planning processes in IFAD-funded projects in Cambodia and Viet Nam had a similar impact on government policies and programmes.

Partnerships

The organization's partnerships during 2006 focused on knowledge sharing, joint policy initiatives and country strategy and programme complementarities, all of which championed innovations and best practices. In China, India and Viet Nam, field presence officers started work under the Field Presence Pilot Programme, which facilitates partnership development and policy dialogue (see page 34). Partnerships were especially important in connection with technical assistance grants and loan implementation, on which IFAD worked with CGIAR centres, regional institutions, universities, NGOs and members of civil society.

IFAD undertook other initiatives to build relationships for cofinancing activities and other forms of collaboration with bilateral and multilateral institutions. In China, for example, IFAD and the German Agency for Technical Cooperation (GTZ) are jointly designing the Agriculture Market Access and Rural Financial Services Programme in the Inner Mongolia Autonomous Region. The appointment of a focal point based in Tokyo has strengthened IFAD's collaboration with Japan, and a trainee from the Japan International Cooperation Agency is currently involved in the IFAD-funded Leasehold Forestry and Livestock Programme in Nepal.

Impact

In 2006, the Office of Evaluation made an evaluation of the Regional Strategy for Asia and the Pacific (see page 40). The evaluation showed that 88 per cent of IFAD-funded projects in the region had a high or substantial impact on the physical and financial assets of households. This rate of impact is the result of investments like those made by the Income-Generating Project for Marginal Farmers and Landless – Phase III (P4K – Phase III) in Indonesia, which helped develop some 25,000 small business plans. A total of 23,000 microenterprises were either created or supported through financial services in six other projects this year. By improving land and water resources over more than 45,000 hectares, natural resource management has also had an impact on the physical assets of households.

RIMS indicators showed an impact on food security. Twelve projects reported that some 780,000 producers had adopted improved agricultural technologies in 2006, and 11 projects reported increased yields for almost as many people. Impact in the human assets area was reported from China, where some 15,000 school dropouts resumed their schooling with support from the West Guangxi Poverty-Alleviation Project.

Learning and sharing

In 2006, the programme for Knowledge Networking for Rural Development in the Asia/Pacific Region (ENRAP) continued to be an important means for learning and knowledge-sharing among IFAD-funded projects in the region, through electronic and face-to-face networking events. National portfolio review meetings in Bangladesh, Cambodia, India, Pakistan and Viet Nam fulfilled a similar function. They preceded the Annual Performance Review Workshop held in Bangkok in collaboration with the United Nations Office for Project Services (UNOPS), which was attended by IFAD project managers and implementation partners from locations throughout the region. In connection with the independent evaluation of the regional strategy by the Office of Evaluation, the Asia and the Pacific Division undertook an in-depth self-assessment of its performance in implementing the regional strategy.

Other knowledge-sharing activities included a seminar on experiences in designing exit strategies for IFAD projects held with the Asian NGO Coalition for Agrarian Reform and Rural Development and the Centre on Integrated Rural Development for Asia and the Pacific, and a seminar with the World Bank South Asia Department on community-driven development and strategic approaches to lending for agriculture in the region.

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 the Bolivarian Republic of Venezuela

Overview

In 2006, Latin America and the Caribbean showed a positive economic performance, with an average growth rate in GDP of 5.3 per cent. Yet despite economic recovery, approximately 60 per cent of the rural population live below the poverty line, according to an estimate of the Economic Commission for Latin America and the Caribbean of the United Nations. The region as a whole is highly vulnerable to external factors such as the performance of the global economy and natural disasters. The rate of extreme

poverty in rural areas is much higher than in urban areas. The region continues to show one of the most unequal income distributions in the world. Off-farm activities and microenterprises, as well as migration and remittances, have become important sources of income for poor rural people.

There has been significant progress in a number of social indicators such as those related to malnutrition and hunger, but a large number of countries are unlikely to meet the first Millennium Development Goal of halving extreme poverty by 2015. They include Argentina, Bolivia, Guatemala, Honduras, Nicaragua, Paraguay, Uruguay and the Bolivarian Republic of Venezuela. This is a result not only of unequal distribution of assets such as land, capital, education and technology, but also of limited access to services responding to the needs of poor rural people, and social and economic exclusion linked to ethnicity and gender.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio consisted of 31 programmes and projects in 16 countries, spread over four geographic subregions: Mexico and Central America, the Andean Region, the Southern Cone, and the Caribbean, which includes Panama. Total IFAD investment in the ongoing portfolio is US\$522.2 million. During 2006, the Executive Board approved five new programmes and projects, in Argentina, Bolivia, Brazil, Colombia and Haiti.

After eight years of absence from Jamaica, IFAD has re-established a policy dialogue with the government and is starting to design a project there. An important feature of IFAD's portfolio in the region is the large proportion of loans on ordinary and intermediate terms, which play an important role in the financial reflows of the organization.

Strategy and activities in 2006

IFAD's strategy for Latin America and the Caribbean takes into account the unique characteristics of rural poverty in the region and the organization's experience. There is a strong emphasis on learning and innovation.

The main objectives of the regional strategy are to:

- empower poor rural people and promote demand-driven participatory approaches
- enable poor rural people to take advantage of market opportunities at the local, regional and international levels
- promote policy dialogue, engaging direct stakeholders, governments and the donor community
- develop partnerships and coalitions
- learn from experience, and harness and disseminate knowledge

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

Empowering poor rural people

Strengthening social capital has been one of the most important achievements of IFAD projects in the region. Nearly two thirds of the projects reporting to the results and impact management system (RIMS) included indicators showing progress in social capital and people's empowerment (see page 35). IFAD also gives priority to supporting indigenous peoples and marginalized communities.

IFAD recently approved operations empowering poor rural people in Argentina, Brazil and Bolivia. A key objective of the Rural Communities Development Project in the Poorest Areas of the State of Bahia in Brazil is to empower poor rural people and their grass-roots organizations. It will work to strengthen their capacity to participate in local, municipal and territorial development processes, and to improve their income-generating capacities, transforming subsistence economic activities into profitable rural businesses. The overall objectives of the Rural Areas Development Programme in Argentina are to support income-generating activities, build the capacity of rural organizations and integrate the poor rural people effectively into the country's social and economic life. A large proportion of the programme's participants are members of indigenous communities.

Empowering poor people is also at the core of the Enhancement of the Peasant Camelid Economy Support Project in Bolivia, approved in December (see page 104). The Regional Programme in Support of Indigenous People of the Amazon Basin (PRAIA) organized a regional video competition called the Anaconda Award and devoted to promoting a better understanding of the livelihoods and culture of indigenous peoples. There were 37 entries from ten countries.

Enabling the rural poor to take advantage of market opportunities

IFAD works to strengthen the capacity of small-scale producers to participate in local, regional and international markets, and to foster the development of microenterprises. In 2006, IFAD started the Regional Programme in Support of a Medicinal Plants Development Network in Argentina, Brazil, Paraguay and Uruguay. The programme promotes the cultivation, processing and marketing of medicinal plants, on the basis of sustainable farming practices.

In December, IFAD approved a grant to strengthen the capacities of rural organizations to engage in policy dialogue in the context of the Dominican Republic–Central American Free Trade Agreement. Meanwhile, projects in three countries promoted linkages with export markets for fair trade and organic products. The South Western Region Small Farmers Project – Phase II (PROPESUR) focuses on coffee in the Dominican Republic, the Community-Initiated Agriculture and Resource Management Project (CARD) works with cacao in Belize, and the Sustainable Rural Development Project in the Provinces of Coclé, Colón and Panama West (TRIPLE C) works with coconuts in Panama. In March, representatives of the Development of the Puno-Cusco Corridor Project (CORREDOR) in Peru participated in the First Mile Pilot Project Assessment Workshop in Morogoro, the United Republic of Tanzania to exchange experiences about the use of information and communication technologies as a tool for opening up new market opportunities.

Gender mainstreaming

In 2006, IFAD carried out a field-based evaluation of its gender programme in the region. Results indicate that important achievements fostered by IFAD projects are enabling women to:

- participate in grass-roots organizations in the productive, community and economic areas
- access productive resources such as land and credit, and services such as clean water, health care, education and technical assistance
- organize microenterprises and improve their incomes
- develop greater self-confidence and autonomy and overcome their fear of expressing themselves

Policy and partnerships

Forging partnerships and coalitions in all regions is a strategic objective for IFAD. During 2006, the organization continued to play a role in the Inter-Agency Working Group on Rural Development in Latin America and the Caribbean, taking part in meetings held in Querétaro, Mexico in March, and in Santiago de Chile in October.

The Inter-American Development Bank and IFAD continued to implement their joint programme for the eradication of rural poverty in Latin America and the Caribbean, and two new projects were approved for Haiti and Ecuador. The Sustainable Rural Development Strategy developed for the Government of Argentina as part of this programme is being used in internal consultations with the principal farmers' associations.

The regional programme supporting the Commission on Family Farming of the MERCOSUR countries of the Southern Cone continued to foster policy dialogue between governments and key associations of small farmers. A regional meeting took place in Buenos Aires, Argentina in May 2006.

IFAD's Regional Unit for Technical Assistance (RUTA), a unique joint effort of the Central American countries, Belize, Panama and seven partner agencies, continued to support the formulation of the Central American common agricultural policy.

Impact

IFAD continues to promote rural financial services as a tool for poverty reduction. Achievements in 2006 included the successful development of innovative savings schemes for rural women in Peru and the start-up of a life insurance programme in the country. In the first year, more than 7,000 poor rural women opened savings accounts. The savings scheme is a follow-up to the success of IFAD projects in Ecuador and the Bolivarian Republic of Venezuela that supported women's access to financial services and benefited more than 40,000 rural women. IFAD is replicating and scaling up the experience of the innovative project in Peru and is promoting similar schemes in other countries, including the Rural Microenterprise Assets Programme: Capitalization, Technical Assistance and Investment Support in Colombia, approved in September.

The review of the first cycle of the Rural Development Programme for Las Verapaces (PRODEVER) in Guatemala indicated that it had exceeded targets for key poverty indicators.

- Forty per cent of the members of the supported groups – surpassing the target of 30 per cent set at the time of appraisal – were no longer living below the poverty line.
- The number of programme participants successfully involved in income-generating activities was 133 per cent of the target.

The country programme evaluation for Mexico showed that IFAD has a role to play in combating rural poverty in middle income countries. IFAD's major assets are:

- flexibility in the design and formulation of programmes and projects
- legitimacy and credibility with communities and grass-roots organizations
- capacity for innovation
- capacity for playing a catalytic role through coordination among governmental and other agencies, particularly at the decentralized level

Learning and sharing

The Internet-based network FIDAMERICA, a pioneer in the exchange and dissemination of information in the region, entered its fourth phase during 2006. The network facilitates learning, knowledge management and communication processes, focusing on innovations in strategies, approaches, methods and tools for poverty reduction and rural development. As a first step in the new phase, FIDAMERICA relaunched its website, (<http://www.fidamerica.org>), featuring a variety of learning tools, documents and key information about IFAD programmes and projects. FIDAMERICA held the first meeting of its Advisory Committee in October.

In 2006, IFAD approved a grant for the Regional Programme for Rural Development Training (PROCASUR) for the Learning Routes Training Programme. The programme uses the 'see and learn' methodology to improve the implementation and management of projects, and it responds to the growing demand in rural areas for on-the-job training.

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, the 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 2006, the NENA region continued to face major political and socio-economic challenges, including issues regarding decentralization and governance. Tackling rural unemployment, especially among young graduates, is one of the most pressing challenges, since the average unemployment rate in the region is about 13 per cent. Other challenges include improving export performance, creating marketing channels, encouraging private-sector development through a better business environment, and attracting domestic and international investments. Civil society organizations have started to emerge and gain a voice in decision-making circles, but they still require support.

All CEN countries are former communist countries that have had to cope with substantial economic and social shocks as they move away from centrally planned economies towards more pluralistic political and economic systems. In general, countries in the CEN subregion are attempting to catch up with market-oriented Western European economies. In the more advanced countries, the prospect of accession to the European Union is the prime driver of reform, and the Stabilization and Association process is a key priority for governments. Romania is slated for accession to the European Union in 2007.

Portfolio management highlights

At year-end, IFAD's ongoing regional portfolio consisted of 31 programmes and projects in 16 countries and Gaza and the West Bank, for a total IFAD investment of US\$436.4 million. During 2006, the Executive Board approved four new loans for activities in Bosnia and Herzegovina, Egypt, the Sudan and Turkey. A large grant for capacity building complemented the loan for Egypt.

Strategy and activities in 2006

IFAD's current strategies for both the NENA and the CEN regions focus on four main objectives.

For NENA, these are:

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

For the CEN region, these are:

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

During 2006, country strategic opportunities papers (COSOPs) were approved for Egypt and Turkey. Both focus on developing the private sector and enhancing employment opportunities.

Empowering poor rural people

In both regions, all operations approved in 2006 work to empower poor rural people. The Upper Egypt Rural Development Project will help target groups form community-based associations, including associations of farmers, handicraft marketing groups and water users' groups. The associations will play a vital role in the implementation of project activities. In the Sudan, the Butana Integrated Rural Development Project will work to develop the capacity of community-based organizations to engage in gender-sensitive development initiatives that are environmentally sound and socially equitable.

Promoting gender equality

The new project in Egypt has a strong agenda for the empowerment of women. It will focus on developing skills and generating employment, and on women's participation in local institutions and forums. In southern Upper Egypt, women farmers and microentrepreneurs will be encouraged to participate in extension and microcredit activities to enhance on- and off-farm income generation and employment opportunities (see page 107).

In Turkey, the Diyarbakir, Batman and Siirt Development Project will support commercial activities that women typically engage in. The project will promote production of orchard crops, viticulture and milk, cheese and meat processing (see page 108).

IFAD-supported gender mainstreaming programmes in both regions concluded their activities in 2006. IFAD conducted a self-assessment of operations in the CEN region to evaluate the programme's effectiveness and provide recommendations regarding future actions. The results were shared during a workshop held in Sarajevo, Bosnia and Herzegovina and it was concluded that the programme had substantially achieved its objectives. In the NENA region, IFAD supported the completion of ongoing gender mainstreaming grants in 14 projects. It also launched a completion assessment of achievements of the NENA gender programme.

Diversifying the incomes of poor rural people

Several projects approved in 2006 will work to increase employment and investment opportunities by supporting rural financial services and promoting microenterprise development. In Turkey, the new project in south-eastern Anatolia will encourage the diversification of income sources, increase employment by supporting new and existing profitable businesses, and optimize employment prospects by enhancing individual and organizational skills.

Ensuring the sustainable management of natural resources

IFAD continued to support sustainable natural resource management and equitable access to natural resources in the NENA region. In the Sudan, the new project will work to improve the governance of natural resources to ensure sustainable access by smallholders and conservation of land and water resources.

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

During 2006, most IFAD interventions in the CEN region shared the goal of developing rural market economies based on the private sector by supporting small and medium-scale enterprises. In Bosnia and Herzegovina, the Rural Enterprise Enhancement Project will work to sustain the growth of rural enterprises and contribute to dynamic local, regional and national economies.

Facilitating market linkages in the agricultural sector

Linking producers to markets remains an important aspect of the CEN portfolio. The project in Bosnia and Herzegovina will address the constraints faced by private small dairies and other processors by strengthening linkages among producers, processors and traders to ensure regularity of market access and development of the products that command the highest market prices.

Policy and partnerships

IFAD has engaged in policy dialogue in both subregions. In Jordan, the organization undertook discussions with the Ministry of Agriculture to shift the focus of agricultural research and extension services towards small-scale farm households. In Tunisia, IFAD worked with the government on a ministerial decree regarding a pilot decentralization process for range development. In Bosnia and Herzegovina, it supported the government's work in preparing a draft law on savings and credit associations.

Cooperation with Arab international financial institutions continued to be a major focus of IFAD's partnership agenda in the NENA region. To explore ways to strengthen partnerships, IFAD held meetings with the OPEC Fund for International Development (OFID), the Islamic Development Bank, the Arab Fund for Social and Economic Development, the Saudi Fund for Development and the Kuwait Fund for Arab Economic Development. In particular, IFAD and OFID agreed to build on previous successes and accelerate their cooperation (see page 74).

IFAD held talks with the World Bank to reach an agreement on broad guidelines for cooperation at strategic and operational levels and to discuss areas of potential collaboration in policy dialogue and cofinancing.

IFAD worked with FAO and IFPRI to produce two studies in the NENA region: an updated rural poverty profile and a study on the impact of agricultural trade liberalization on small rural producers. Their findings will sharpen IFAD's targeting approaches and pro-poor policy dialogue in the region.

In Turkey, the United Nations Development Programme (UNDP) will provide cofinancing of US\$0.8 million to facilitate quality assurance for implementation of the new project (see page 108). In Bosnia and Herzegovina, OFID agreed to cofinance the new project with a US\$6.0 million loan that will be used to finance market infrastructure – such as feeder roads, electricity connections and cold storage facilities – and revolving funds for investments (see page 107).

IFAD provided a US\$1.2 million grant to the Consultative Group to Assist the Poor (CGAP) for a regional partnership programme to support development of a pro-poor rural financial sector in NENA. The strategic partnership will build the technical capacity of regional stakeholders in rural microfinance and improve the quality and impact of IFAD's rural finance interventions in the region (see page 111).

Private-sector development is an important feature of IFAD's work. A grant awarded by the Initiative for Mainstreaming Innovation (see page 45) will support the establishment of client-financed agricultural advisory services in The former Yugoslav Republic of Macedonia. The programme will consolidate an innovative approach to respond to the challenges that poor producers face in identifying economic opportunities, translating them into sound business proposals and mobilizing resources to manage them effectively.

Impact

Significant results and impact in the two regions in 2006 include:

- enhanced empowerment through the creation of community-based associations, cooperatives, women's development groups, water users' associations and range management associations
- increased access of target households to physical assets such as drinking water supplies for people and livestock, classrooms, multi-purpose halls, and other community-level infrastructure
- successful pilot initiatives in the rural financial sector in NENA, such as those in Gaza and the West Bank, where by 2006 the number of women's savings and credit groups had reached 132, with total savings amounting to nearly US\$1.5 million, for an average of US\$260 per member
- good performance of rural finance interventions in CEN, such as those in the Republic of Moldova, where farmers and small enterprises and microenterprises received loans totalling approximately US\$2.3 million
- good impact on the environment and common resources, including achievements in community-based natural resource management in Morocco, the Sudan and Tunisia, and progress in improved participatory irrigation management in Armenia, Egypt, Morocco and Tunisia

Learning and sharing

Activities relating to KariaNet, the knowledge-generation and knowledge-sharing network in NENA, included the introduction of information technology tools. Internet telephony facilities and e-forums were the vehicles for two moderated discussions, one on monitoring and evaluation and the other on rural finance. KariaNet set up a pilot national network for rural poverty reduction in Egypt under the aegis of the Ministry of Agriculture, bringing together projects working throughout the country. An action plan for the network was developed.

In June, a workshop entitled Strategic Directions for IFAD's Support to the Rural Water Sector in the NENA Region was held in Rome. Water experts and partner research organizations from the region took part and made proposals for future IFAD interventions in the rural water sector.

Also in June, the IFAD knowledge management group for the region presented the innovative land and water governance reforms piloted under the Gash Sustainable Livelihoods Regeneration Project in the Sudan. The role of stakeholders in facilitating or constraining implementation of proposed reforms was one of the issues raised.

In partnership with the BBC World series "Villages on the Front Line", IFAD produced a segment on water scarcity in Jordan, focusing on the IFAD-supported project in the southern highland regions of Karak and Tafila. The documentary raised awareness of the critical role that agricultural investments play in increasing the resilience of rural communities and protecting the environment under conditions of desertification and severe water stress.

In November, IFAD hosted a regional workshop in Skopje, The former Yugoslav Republic of Macedonia on supply chain coordination programmes. Participants discussed current and future practices for more effective and efficient value chain interventions to boost pro-poor growth in the region.

Quality enhancement and assurance

IFAD's Technical Advisory Division is responsible for making core contributions for quality enhancement at all key stages of the project design process. The division's subject matter specialists become involved early in the process and work proactively to facilitate quality assurance.

In 2006, IFAD reviewed and revised its quality assurance process to align it with the evolving quality enhancement agenda, as articulated in the Strategic Framework 2007-2010 (see page 3). Quality assurance now takes place in a country-specific context and takes into account institutional, socio-economic and technical aspects.

The evolving quality assurance process is based less on control and more on responsible quality enhancement. Plans for 2007 include the development of new quality assurance mechanisms that endorse proactive self-assessment and a participatory approach to learning. IFAD is also considering a shift towards more technical and management backstopping during early implementation of programmes and projects.

IFAD's Global Environment Facility Unit

As a specialized executing agency of the Global Environment Facility (GEF), IFAD works with the GEF to fight rural poverty and environmental degradation. In 2006, IFAD's GEF Unit continued to develop a diversified and growing portfolio of mutually cofinancing programmes and projects. At year-end, a total of US\$27.9 million in GEF funding had been secured for IFAD operations. The GEF funds will directly cofinance IFAD loans and associated investments of US\$273.3 million.

IFAD initially had direct access to GEF project grants under the land degradation focal area. In 2005, broadened access was granted for all GEF focal areas and financial windows provided that the primary focus is on land degradation. Following GEF procedures, IFAD develops project grants through its GEF Unit and regional divisions. Under the lead of the GEF Unit, in 2006 nine new initiatives were identified, seven preparatory grants worth US\$2.4 million were under implementation, and a total of five project grants worth US\$18.6 million were under or nearing implementation. The project grants included two global initiatives related to the United Nations Convention to Combat Desertification (UNCCD) and three country programmes based in Western Africa, Eastern Africa and Latin America.

During 2006, in collaboration with the Technical Advisory Division, a streamlined internal review process for GEF project grant proposals was established and an IFAD/GEF learning note on GEF project design was prepared. An IFAD/GEF corporate brochure was also published, with six fact sheets focusing on IFAD's regional activities and its comparative advantages as an executing agency.

The GEF Unit continued to foster strong partnerships with other United Nations agencies, including the UNDP, the United Nations Environment Programme and the United Nations Industrial Development Organization, and with the World Bank, through the joint implementation of five project grants. The unit also participated in GEF consultations through membership in various task forces and on the Executive Committee, and it played an active role in the independent evaluation of the executing agencies and GEF operational reforms.

In August, an IFAD team participated in the Third GEF Assembly, held in Cape Town, South Africa. It was preceded by the Special Council Meeting and the Forum on Sustainable Land and Water Management, during which IFAD facilitated a roundtable on resource mobilization.

Country-level engagement: stepping up IFAD's presence in the countries that it serves

The Field Presence Pilot Programme deepens IFAD's engagement in programme and project implementation. The three-year pilot programme was authorized by the Executive Board in December 2003, with a budget of US\$3.0 million. The programme promotes policy dialogue, partnership building and documentation and synthesis of knowledge gained at field level. It is designed to be flexible, to allow for a variety of arrangements.

By the end of 2006, field presence pilot initiatives had been set up in all 15 of the selected countries or country groups: Bolivia, China, the Democratic Republic of the Congo/the Congo, Egypt, Ethiopia, Haiti, Honduras/Nicaragua, India, Nigeria, The Gambia/Senegal, the Sudan, the United Republic of Tanzania, Uganda, Viet Nam and Yemen.

IFAD has become more visible and responsive to partners in countries where the Field Presence Pilot Programme operates. Working more efficiently in-country has resulted in better and more consistent follow-up. Experience suggests that this will improve both the quality of country programmes and their impact. An evaluation of the pilot programme will be concluded by mid-2007.

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 (GNI). Under the PBAS, annual resource allocations are made in three-year cycles and are administered within a six-year time frame.

The first PBAS-based allocation in 2004 covered the three-year period 2005-2007. At the time, it was noted that the PBAS would continue to evolve in the light of operational experience. The initial design was a starting point for an ongoing process of refining the methodology of assessment and the weighting of the separate factors of the formula.

In 2005, some technical issues that limited the effective implementation of the system were identified. For example, the significant variations in population between

IFAD's Member States had resulted in large differences in country scores and allocations, making it necessary to introduce maximum and minimum allocations. This reduced the system's responsiveness to changes in performance indicators. In April 2006 the Executive Board agreed to reduce the influence of the population factor in the formula. The new level was a 'point of balance' at which population was still significant as a determinant of 'needs' in the formula but also allowed performance and per capita GNI to play a strong role.

Following the successful conclusion of the Seventh Replenishment discussions, it was also agreed that fixed regional allocations would no longer apply. IFAD regions would no longer receive predetermined allocations of funds for lending and grants. Yet the 'uniform' system would need to reflect priorities in the regional distribution of development assistance, and IFAD would continue to direct at least the current percentage share of resources to sub-Saharan Africa, provided that the performance of individual countries warrants it. This approach will be applied in the 2007-2009 replenishment period.

Results and impact management system

In December 2003, the Executive Board approved a framework for IFAD's 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 2006, there was again a high level of compliance in reporting to IFAD, indicating that ongoing projects had successfully internalized the RIMS in their own systems. The aggregated figures on project results were reported in the 2006 portfolio performance report.

IFAD undertook activities to mainstream the RIMS at in-house and partner country levels during the year and organized training and dissemination events to strengthen knowledge about the system. Orientation sessions were also held in combination with regional and subregional workshops. These events provided a valuable opportunity for learning and knowledge-sharing and were also an opportunity for project staff to give IFAD feedback on the RIMS.

During the year, IFAD devoted special attention to finalizing the methodology for the survey on project impact. The survey contains a limited number of questions focusing on child malnutrition, drinking water, sanitation, household asset ownership and household experience of the hungry season. A manual outlines instructions for taking the survey. A software programme for entering and analysing survey data was developed, and the manual includes detailed instructions on its use. These tools have been posted on the IFAD website.

Learning and knowledge-sharing

Communication

IFAD conducted advocacy and media outreach in 2006 to build awareness of the need to fight rural poverty and successful approaches.

Advocacy highlights included participation in the 2006 Global Microcredit Campaign Summit, the Africa Fertilizer Summit, the African Union/NEPAD Summit on Food Security, a seminar for Asian parliamentarians on poverty alleviation, the International Conference on Agrarian Reform and Rural Development (ICARRD), the Tokyo International Conference on African Development (TICAD) Conference on Consolidation of Peace, and the World Congress on Communication for Development.

IFAD's outreach to news media generated more than 500 news reports around the world that focused attention on the needs of poor rural people and the work of IFAD-supported programmes and projects. Partnerships with global broadcasters also enabled the organization to reach millions of households in more than 200 countries and territories through documentaries and short television features on rural poverty. In 2006, *In the wake of war*, a 30-minute IFAD documentary about poverty and conflict in Burundi, first broadcast on BBC World in 2004, was awarded first prize at the Cinema for Peace film festival in Genazzano, Italy.

In support of the International Year of Deserts and Desertification, IFAD and the Inter Press Service organized a training course on desertification and land degradation for journalists from Western and Central Africa. The training was part of a project, funded by an IFAD grant, to help journalists from the region better understand the issue of desertification and to report on rural people's experiences and innovative approaches to the problem.

During the year, IFAD continued to capture in real time the innovation and learning emerging from the First Mile Project in the United Republic of Tanzania. The First Mile initiative enables poor small farmers, traders, processors and others in rural areas to learn together how to build profitable marketing chains linking producers and consumers. A thematic approach was used to capture the project's pre-existing conditions, its processes, outcomes and lessons. The most innovative aspects of the First Mile experience have been shared broadly with audiences interested in using information and communication technologies to reduce poverty. IFAD is currently scaling up and adapting the lessons learned from phase one of the First Mile Project.

Rural Poverty Portal

In 2006, IFAD continued its work to connect communities of people with the information and knowledge they need to eradicate rural poverty. On 31 March, version one of the Rural Poverty Portal went online as a product, or deliverable, of IFAD's Action Plan for Improving its Development Effectiveness (see page 44).

The Rural Poverty Portal is an IFAD-powered website where poor rural people, their organizations, other United Nations and multilateral organizations, policymakers, donors, research institutes, NGOs and other development partners can discuss key issues and share information and knowledge. The Portal provides access to millions of links from a single entry point and streamlines the search for information. When fully operational, it will serve as the cornerstone of information and knowledge management at IFAD, bringing together a wealth of knowledge about rural poverty eradication, and information and resources from many sources and providers. It will also allow individuals to store, manage, create, read, exchange and use information and knowledge.

Learning notes

Learning notes cover key issues in programme and project design and implementation, and they are now a systematic part of IFAD's quality enhancement and assurance procedures. They are routinely used by all those involved in project design. First introduced in 2005, they provide concise reminders of the core issues, key tasks, sources of information and examples of good practice involved in designing, implementing and appraising pro-poor investment projects. They are based on lessons learned, accumulated knowledge and current innovations and are available on IFAD's intranet and the Internet.

Sixteen learning notes now in regular use cover gender; food security, health and nutrition; community development funds; project targeting; pro-poor institutional

transformation for community-based development; technology change for livelihood development; rural technical support services; agricultural water infrastructure and management; environment and natural resource management; livestock and rangeland; rural finance; microenterprise and small enterprise development; project rationale and relevance; designing for implementation; sustainability; and monitoring and evaluation. New learning notes will include rural education and training, land tenure, marketing, and financial and economic analysis for investment projects.

Technical advisory notes

Technical advisory notes are tools for promoting pro-poor technologies and knowledge sharing. They bridge the gap between research and practice, and they provide information to be included in the design of loan programmes and projects.

Technical advisory notes are gleaned primarily from IFAD grants, a rich source of knowledge and experience. This year, the results of 12 closed grant projects in Western and Central Africa were used to develop prototype technical advisory notes. The prototypes have been discussed among various research stakeholders, and after refinement they will be distributed through FIDAFRIQUE to obtain feedback on their value from IFAD-financed projects. A planned action-research process will design, test and implement a dissemination system for grant results in Western and Central Africa.

IFAD plans to introduce a clause into its grant agreements to ensure that all new grants deliver results that can be synthesized in technical advisory notes. This will focus research and training activities more closely on field application and impact.

Thematic groups

Human and Social Assets

During 2006, the Human and Social Assets thematic group played a leading role in developing IFAD's Targeting Policy (see page 54). The learning note on targeting was updated on the basis of the new policy and is now used systematically in project design. The thematic group also developed model terms of reference for qualitative poverty analysis that were used successfully in Madagascar, Nepal and Peru.

IFAD works to realize Millennium Development Goal 3, which is to promote gender equality and empower women, by improving women's economic status through sustainable access to productive resources, and by increasing their participation in public decision-making. Gender-based work supported by this thematic group during the year included:

- a comprehensive midterm review of progress under IFAD's Gender Plan of Action, and a survey on how IFAD-supported programmes and projects address gender
- preparation of a checklist of prerequisites for gender-sensitive design, based on IFAD's Gender Plan of Action and used in formulating and reviewing projects and in developing the learning note on gender
- publication of *Gender and desertification: expanding roles for women to restore drylands* and *Gender and desertification: making ends meet in drylands*, launched at the United Nations Conference on Women and Desertification held in Beijing in May

The thematic group also:

- carried out a stock-taking study on land access and tenure, which was the first step towards strengthening IFAD's capacity to improve poor people's access to land

- generated information on institutions, producing two publications (*A sourcebook on institutional and organizational analysis* and *A guide to institutional analysis for rural development programmes*) and a CD-ROM of all the reference documentation, and held a training workshop on institutional analysis for IFAD staff and consultants

Productive Assets and Technology

During the year the Productive Assets and Technology thematic group worked in the areas of:

- advocacy about the importance of water for poor rural people, informing stakeholders, including policymakers, about IFAD's water and rural livelihoods approach to integrated water resource management, which incorporates domestic water, agriculture and livestock, and environment in a holistic manner
- advocacy about land and water governance, continuing advocacy about the need to combine land and water governance and put farmers' needs and perceptions first
- development of an electronic platform for learning, focusing on issues related to drylands development as a contribution to the International Year of Deserts and Desertification
- a portfolio review related to non-timber forest products for rural poverty reduction, to guide IFAD's quality assurance process in this area

The thematic group targets learning as one of its key activities. New initiatives included:

- identification of innovative key elements of an operational land and water strategy that will increase the effectiveness of IFAD's water investment portfolio
- publication of *Community-based natural resource management: how knowledge is managed, disseminated and used*, which highlights the importance of local institutions
- documentation of 'live learning' processes on natural resource conflict management, acquired with and from local institutions in the Gash Sustainable Livelihoods Regeneration Project in the Sudan
- contribution to the United Nations World Water Development Report II, in which IFAD co-authored two chapters and helped shift the focus on water for agriculture from a production-only approach to a people and livelihoods approach
- contributions to various conferences and training events

Financial Services and Access to Markets

Enabling poor rural people to gain sustainable access to financial services and markets is a priority for IFAD, but the organization faces a number of challenges in the area of rural finance. The corporate level evaluation of IFAD's Rural Finance Policy commissioned by the Office of Evaluation in 2006 clearly highlighted these challenges (see page 40). The Rural Finance thematic group was consulted by the evaluation team. To address challenges related to rural finance, IFAD's action plan on the theme proposed concrete solutions to improve impact in the field. The four objectives set out by the action plan are to:

- develop partnerships with rural finance centres of excellence
- develop stand-alone thematic grants to promote innovation
- improve performance monitoring through the Microfinance Information Exchange (MIX)
- develop in-house technical training and knowledge management

New initiatives developed by the Financial Services and Access to Markets thematic group this year included:

- the Funding Facility on Remittances, established by IFAD with funds from the European Commission and the Consultative Group to Assist the Poor; through a competitive selection process, the facility supports innovative approaches to improve poor rural people's access to remittances and maximize their development impact in Africa, Asia, Eastern Europe and the Near East
- technical papers on rural finance, published in 2006, the International Year of Microcredit; they covered remittances, agriculture and rural finance, governance, social performance and commercialization of the village banking model with FINCA International, and also shaped the organization's own learning agenda
- training materials; the thematic group used the Rural Finance Learning Centre, a web-based facility hosted by FAO, to promote access to training materials on rural finance capacity-building

IFAD evaluation activities in 2006

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

In 2006, the Office of Evaluation prepared the fourth annual report on the results and impact of IFAD operations. The report synthesizes the findings of 16 project, country programme, corporate-level and thematic evaluations conducted in 2005. It also compares this year's composite ratings with findings from the 29 projects evaluated between 2002 and 2004. A new feature of the report is the introduction of proposed target scores for each evaluation criterion, which are used by the Office of Evaluation to compare against performance and results management.

The report shows results that reflect generally improved performance.

- Compared with a figure of 59 per cent for 2002-2004, 78 per cent of projects in 2005 were rated moderately successful or better. The figure was even higher for IFAD's directly supervised projects, where there is improved follow-up and there can be a sharper focus on the organization's broader objectives, such as policy dialogue, improved targeting and gender equality.
- In two impact domains – physical and financial assets and human assets – project performance exceeded the benchmarks proposed by the Office of Evaluation. Performance in ensuring food security was close to the target score. It was below the target score in the six remaining domains.
- Relative to 2002-2004, however, performance in 2005 improved against all domains.
- Many projects did not benefit the poorest people because during implementation higher priority was given to enhancing implementation progress. Lack of an appropriate monitoring system also played a role.
- Overall, sustainability after projects are closed remains a major challenge.

In terms of project performance, 79 per cent of the 2005 cohort of projects showed high or substantial performance against the Independent External Evaluation's (IEE) finding of 70.7 per cent. Performance ratings were 100 per cent for relevance, 78 per cent for effectiveness (against the IEE's finding of 67 per cent) and 59 per cent for efficiency (against the IEE's finding of 45 per cent). There has thus been significant improvement in performance.

The report concluded that there remain three underlying reasons for weak performance by projects: limited ownership by stakeholders and participants; unforeseen developments in and effects of country contexts; and weak project design and implementation.

The report recommended that IFAD should:

- make project designs more realistic, setting goals and objectives that are achievable
- develop a risk management assessment process to determine ways of handling matters such as project size and complexity, as well as a degree of supervision
- develop a management checklist to ensure that project designs address all key success factors
- hold a broad-based discussion on sustainability issues to arrive at a better understanding of how to resolve the problem

IFAD management responded to the report. They stressed that while it was not entirely representative, the findings and trends presented were valuable in highlighting portfolio management issues. The management team broadly agreed with the key findings and recommendations of the report. Many of the issues raised are being addressed by IFAD's Action Plan for Improving its Development Effectiveness (see page 44).

The new Targeting Policy (see page 54) fills the gaps identified in the report by clearly defining IFAD's target groups. This year's portfolio review process significantly strengthened the portfolio-at-risk analysis. In the future improved risk assessment at the design stage will be complemented by a more rigorous analysis of the risks present in projects in the ongoing portfolio.

The management team reserved its decision with regard to the targets proposed by the report. The targets would be set taking into account the development effectiveness targets that IFAD is committed to under its Action Plan. IFAD management will draw up a system of target scores and present them to the Executive Board.

Management agreed with the report's proposal of a broad-based discussion on sustainability issues. Management also said that the findings of the annual report on results and impact could be used more effectively to foster learning by IFAD staff, and will work with the Office of Evaluation to ensure that independent evaluations are used in this way.

Evaluation activities in 2006

In 2006, the Office of Evaluation implemented its third work programme. Among other things, it completed the corporate level evaluations of:

- IFAD's Rural Finance Policy
- IFAD's regional strategy in Asia and the Pacific

The evaluations produced far-reaching results and recommendations. The evaluation of IFAD's Rural Finance Policy concluded that its introduction in 2000 had resulted in a positive but modest improvement in the performance of IFAD-assisted rural finance operations. It also found that many such operations are not aligned with the policy, partly as a result of the inadequate internal quality assurance system. The evaluation noted that the policy itself is largely well designed, although there is room for further improvements.

The evaluation of the regional strategy in Asia and the Pacific found that regional portfolio performance and impact were good but that performance in policy dialogue, partnership building and donor coordination had been generally weak during the

evaluation period (1996-2005). While endorsing the recommendations contained in the agreement at completion point, the Executive Board noted that the usefulness of developing a new regional strategy required further consideration by management.

During the year, the Office of Evaluation also began evaluating IFAD's regional strategy for the Near East and North Africa, the IFAD Field Presence Pilot Programme (see page 34) and the Morocco country programme. These evaluations will be finalized in 2007. The Mali country programme evaluation, completed in 2006, found that IFAD's strategy had evolved by adjusting project design to take into account the ongoing decentralization process. Among other issues, it also found that IFAD will have to reinforce its engagement in policy dialogue processes, in strengthening partnerships and in knowledge management activities.

In April, the Office of Evaluation and the Programme Management Department signed an agreement to harmonize the independent evaluation and the self-evaluation systems at IFAD. The agreement was in response to requests from the Evaluation Committee and the Executive Board that the same criteria and ratings be used to ensure that the systems generate comparable information.

During the year, the Office of Evaluation continued working on a comprehensive evaluation manual. It will contain a new country programme evaluation methodology that will enable the office to assess the performance of individual projects in a given country. The methodology will also allow for the generation of lessons learned at the project level on systemic and cross-cutting issues.

The office introduced an improved internal quality assurance system with three key features.

- The Deputy Director is mandated to review all evaluation approach papers and draft final reports to ensure their compliance with the office's methods and standards.
- Internal peer reviews are conducted for all corporate level, thematic and country programme evaluations and selected project evaluations.
- For these evaluations the office increasingly seeks the advice of external senior advisors who provide their inputs at key stages of the process to ensure overall quality.

Evaluation Committee activities

Four sessions of the Evaluation Committee were held during the year. In March, the committee visited Mexico in connection with the national roundtable workshop for the country programme evaluation. Twelve Executive Board Directors took part in this visit. At its forty-fourth session, the Committee elected Mexico as Chairperson from September 2006 to August 2007.

During the year, the Evaluation Committee also discussed:

- the Office of Evaluation work programme and budget proposal for 2007
- the evaluation of IFAD's regional strategy in Asia and the Pacific
- the fourth annual report on the results and impact of IFAD Operations
- the corporate-level evaluation of the IFAD Rural Finance Policy
- IFAD's Policy on Supervision and Implementation Support, and the Office of Evaluation's comments on it





Major corporate initiatives in 2006

Children learn to read and write at Liushu elementary school in Dongxiang County, Gansu Province, China. An IFAD-supported programme is strengthening primary education in the province by repairing school buildings and finding ways to reduce the drop-out rate, particularly among girls.

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IFAD's Action Plan for Improving its Development Effectiveness

The goal of the Action Plan is to increase IFAD's development effectiveness by improving its performance in three areas: relevance, effectiveness and efficiency. IFAD will work to meet three targets by 2009:

- 100 per cent of IFAD programmes and projects will be consistent with country development strategies and priorities
- 80 per cent of IFAD programmes and projects will achieve their development objectives
- 60 per cent or more of IFAD programmes and projects will have a high or substantial level of efficiency

During 2006, IFAD staff continued to take action in four areas:

- strategic planning and guidance
- the new operating model
- knowledge management and innovation
- human resource management

Within these action areas, IFAD assigned staff to work on developing a set of products, known as deliverables. Work progressed as planned during 2006, with a number of key deliverables completed on schedule. They included:

- IFAD's Strategic Framework 2007-2010
- the results-based country strategic opportunities paper (COSOP)
- a revised project approval format
- the Policy on Supervision and Implementation Support

An analysis of staff workload was also completed and will contribute to change in the area of human resource management.

IFAD's Strategy for Knowledge Management was presented to the Executive Board in December and will be revised and resubmitted for the Board's consideration in April 2007.

IFAD was also on track for Action Plan products scheduled for delivery in 2007. During 2008, changes and reforms will be consolidated and will be mainstreamed into the line functions of the organization.

Corporate planning and performance management system

Strengthening IFAD's organizational effectiveness is vital to raising the quality of its field-level operations and to improving its development effectiveness. In 2006, the organization developed a new corporate planning and performance management system. The system serves to:

- better focus, align and manage the work IFAD performs
- ensure increased coherence between IFAD's country-level activities and the management of its budget, human resources and internal processes

The system will strengthen the focus on results at all levels and across all units, and will play an essential role in delivering a results-based budget for 2008.

A series of corporate management results have been defined and are derived from the targets of IFAD's Action Plan for Improving its Development Effectiveness (see above). Each of them has key performance indicators. A number of these indicators are drawn from the Common Performance Assessment System (COMPAS) initiative

implemented by the five main multilateral development banks (the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank and the World Bank). Alignment with COMPAS is a key feature of the new management system, as it will permit comparison and benchmarking with similar organizations, further contributing to improving IFAD's performance.

Divisional management plans are being prepared as a key part of the corporate planning and performance management system. They are expected to strengthen performance by more closely aligning work plans from individual to corporate levels with IFAD's development effectiveness targets. They are also expected to better prioritize activities that work towards achieving those targets. Beginning in 2007, reporting on work plans will be done on a quarterly basis and will utilize a new online system that makes it possible to efficiently produce reports on key performance indicators and to track performance through a 'traffic light' system. Risk management is an integral feature of the corporate planning and performance management system. It paves the way for an integrated approach to risk management at the institutional level.

Initiative for Mainstreaming Innovation

During 2006, the Initiative for Mainstreaming Innovation (IMI) moved into the second phase of its implementation plan, which covers three action areas over three years:

- learning in 2005
- institutionalization in 2006
- consolidation in 2007

The IMI contributed to preparations for the twenty-ninth session of IFAD's Governing Council by publishing two background papers for the panel discussion on innovation challenges for poor rural people, and also by cofunding, with the Government of the Italian Republic, the first global consultation of the Farmers' Forum.

The first annual review of the IMI, carried out by the United Kingdom's Department for International Development (DFID) in March 2006, noted that "good progress has been made ... the IMI has contributed to a much greater level of discussion on innovation within the organization." To foster innovation in the field, the review also recommended that IFAD scout for innovations in rural development and harvest successful experiences more systematically, to provide models for potential replication.

As part of work to meet the IMI's objective of encouraging cultural change within IFAD, the field immersion pilot programme started in April 2006. It is designed to encourage hands-on experience and learning opportunities for staff. Twelve participants from across IFAD were selected to live and work for five days with rural communities of the Development of the Puno-Cusco Corridor Project in Peru.

A progress report on the IMI's main phase was submitted to the September session of the Executive Board to inform members of achievements and future plans for the initiative.

A new IMI Implementation Strategy was designed and presented to senior management in December 2006 in response to the annual review, and to align the programme to the wider objectives of the deliverables of IFAD's Action Plan for Improving its Development Effectiveness. The strategy also lays the foundations for the IFAD innovation strategy, which is to be presented to the April 2007 Executive Board. The strategy will show how IFAD intends to meet the organizational challenges posed by its role as promoter of innovations in the field, and how it will adopt more innovative ways of working and of funding more innovative programmes.





Resource mobilization in 2006

Hinda Salha cooks a meal for her family in Dan Saga village, North Aguié, Niger. She is making *kalebash*, a paste of ground millet and water.

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

Seventh Replenishment (2007-2009)

In February, the twenty-ninth session of the Governing Council adopted the resolution on the Seventh Replenishment of IFAD's Resources. The target level for the replenishment was set at US\$720.0 million, an increase of almost 30 per cent over the previous replenishment. This will be IFAD's largest replenishment since the first in 1981. Both developed and developing countries pledged significant increases to the Seventh Replenishment, recognizing the vital importance of agricultural and rural development for rural poverty reduction.

The Seventh Replenishment became effective on 22 December, when IFAD had received instruments of contribution and payments in an amount corresponding to over 50 per cent of pledges. Funding for the replenishment, which covers the three-year period from 2007 to 2009, will allow IFAD to increase its programme of work in developing countries by 10 per cent each year.

With the adoption of the resolution, the Governing Council approved *IFAD's Contribution to Reaching the Millennium Development Goals: Report of the Consultation on the Seventh Replenishment of IFAD's Resources (2007-2009)*, which will enable the organization to take more innovative approaches to rural development. As IFAD enters the Seventh Replenishment period, its focus will be on achieving the development effectiveness targets set by IFAD's Action Plan for Improving its Development Effectiveness (see page 44).

Sixth Replenishment (2004-2006)

By year-end, Member States had pledged a total amount of US\$509.1 million,¹ representing 91 per cent of the Sixth Replenishment pledge target of US\$560.0 million. By 31 December 2006, instruments of contribution totalling US\$468.9 million (92.1 per cent of pledges) had been deposited for the Sixth Replenishment. Actual payments received amounted to US\$446.6 million (88 per cent of pledges). Details on contributions to IFAD's resources are given in the consolidated financial statements in Appendix E.²

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).

Financing the Debt Initiative for Heavily Indebted Poor Countries

September 2006 marked the tenth anniversary of the Debt Initiative for Heavily Indebted Poor Countries (HIPC). The Initiative works to reduce the external debt of the world's poorest, most heavily indebted countries. It is administered by the World Bank and its principal objective is to reduce identified countries' debt burdens to sustainable levels, so that continued heavy debt and debt-service burdens do not put poverty reduction and adjustment and reform efforts at risk.

Among 23 multilateral creditors, IFAD is the seventh largest contributor to the Initiative and the fifth largest creditor in Africa after the International Monetary Fund, the World Bank, the African Development Bank and the European Union.

As of 31 December 2006, IFAD had committed the required debt relief to all 29 countries that had reached their decision point – the point at which the agreed targets and conditions are met and trigger debt relief operations. IFAD's total commitments amount to about US\$319.1 million in net-present-value terms, or US\$474.4 million of debt service relief in nominal terms.

During the year, the Executive Board approved IFAD's contributions to debt relief for Burundi in the amount of SDR 11.7 million (US\$16.7 million) in 2004 net-present-value terms, and for the Congo in the amount of SDR 77,000 (US\$114,000) in 2004 net-present-value terms. The Board also approved a top-up to debt relief for Malawi in the amount of SDR 5.8 million (US\$8.2 million) in 2005 net-present-value terms.

At the World Bank HIPC Trust Fund meeting in November, donors agreed to give IFAD access to the Fund's core resources. This will assist the organization in making debt relief payments to participating countries.

Supplementary funds

Supplementary funds³ 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.

In December, IFAD signed a partnership agreement for €850,000 (US\$1.1 million) with the Ministry of Finance of Luxembourg to fund innovative approaches to remittance services.

During the year, a number of Member States offered to sponsor specific physical areas in IFAD's new headquarters, particularly conference and meeting rooms with country themes.

In 2006, IFAD received approximately US\$6.2 million in supplementary funds for thematic and technical assistance, and approximately US\$1.6 million for cofinancing supplementary funds (see Tables 2 and 3).⁴

3/ The supplementary funds referred to in this section finance programmatic initiatives and technical assistance activities. They do not include Associate Professional Officer resources, or other supplementary funds for single-purpose programmes or projects, or funds that IFAD administers on behalf of partner organizations that it hosts.

4/ These amounts include only resource flows through IFAD and exclude parallel cofinancing for IFAD programmes and projects.

TABLE 2
Supplementary funds for thematic and technical assistance received by IFAD in 2006

SPAIN Partnership agreement €2 000 000 (US\$2 630 500)	This was an advance contribution under the partnership agreement that is to be signed with Spain in 2007.
EUROPEAN UNION Migrant remittances €1 389 093 (US\$1 748 817)	This was a first tranche under an agreement signed in December 2005 for a contribution of €4.0 million (US\$5.3 million) over three years to promote innovative migrant remittance systems.
NORWAY Mozambique Sofala US\$1 427 213	Under the cofinancing agreement signed by the Norwegian Agency for Development Cooperation and IFAD in December 2002, the funds were received as a fifth tranche to assist the Sofala Bank Artisanal Fisheries Project in Mozambique.
FINLAND Partnership agreement €400 000 (US\$501 100)	This was a first tranche under the partnership agreement signed in June 2006 for a contribution of €1.2 million (US\$1.6 million) over three years to support activities related to IFAD's Action Plan, particularly knowledge management, development effectiveness and gender.
WORLD BANK/IBRD Indigenous Peoples US\$415 000	Under the letter signed in June 2006, a grant was received to support transfer of the World Bank's Indigenous Peoples Grants Facility to IFAD (see page 57).
SWITZERLAND Partnership CHF 450 000 (US\$375 532)	This was a second tranche under the Partnership on Development Effectiveness through Evaluation.
UNITED KINGDOM DFID Institutional Strategy £127 500 (US\$236 583)	This was a third tranche of funds under the 2005 memorandum of understanding to finance activities related to the Institutional Strategy, particularly knowledge management, development effectiveness, and improving country-level impact and partnerships.
NETHERLANDS Bangladesh Charlands US\$277 983	This was the first tranche under an arrangement signed in July 2006 for a contribution of US\$5 875 000 over seven years to support the Bangladesh Market Infrastructure Development Project in Charland Regions.
DENMARK MfDR DK 750 000 (US\$133 109)	The funds were received under the agreement signed in December 2006 to assist IFAD to mainstream the Management for Development Results system into its operations.
FRANCE AFD International workshop €25 000 (US\$32 989)	Under a cooperation agreement signed in November, IFAD is working in partnership with Agence Française de Développement to reduce rural poverty, especially in sub-Saharan Africa. The funds financed an international workshop on the costs of inaction and on investment opportunities in arid, semi-arid and dry sub-humid zones.

Source: IFAD donor statements for 2006.

TABLE 3
Supplementary funds for thematic and technical assistance and cofinancing activities received by IFAD in 2006
 (amounts in US\$ thousands)

Donor	Thematic and technical assistance	Cofinancing (excluding parallel cofinancing)
Spain	2 631	
European Union	1 749	
Norway		1 427
Finland	501	
World Bank/IBRD	415	
Switzerland	376	
United Kingdom	237	
Netherlands	125	153
Denmark	133	
France	33	
Total	6 199	1 580

Source: IFAD financial statements for 2006.

Partnerships with private donors and regional institutions

Following the approval in 2005 of IFAD's private-sector development and partnership strategy, IFAD worked during 2006 to establish partnerships with private donors of various types.

In October, IFAD hosted a delegation from the Bill and Melinda Gates Foundation at discussions on the four Rome-based United Nations agencies' programmes in Africa, Asia, and Latin America and the Caribbean. Representatives from FAO, IPGRI, WFP and IFAD participated. The Gates delegation was interested in the Rome-based institutions' field experience, and in the specific challenges and opportunities in each region. The delegation also sought feedback on their own approach and strategy.

In September, the OPEC Fund for International Development (OFID) agreed to cofinance IFAD's Marine Resources Management Programme in the Red Sea (see page 74).



Policy development and dialogue



Ana Liliana Liguria sells her own surplus produce and that of other local farmers in her general store, in Andarapa, Peru. Liguria built her business with help from an IFAD-supported project that gave her access to financial services and training.

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Policy development

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.

Two sessions of the Policy Forum were held during 2006.

- The first session was devoted to the topic of IFAD and Indigenous Peoples. It was a follow-up to the major 2005 workshop on the subject. Victoria Tauli-Corpuz, of the United Nations Permanent Forum on Indigenous Issues, and Naomi Kipuri, of the Working Group on Indigenous Peoples and Communities of the African Union, attended the forum as guests. Participants agreed on the need for targeted IFAD strategies to better address the specific problems faced by indigenous populations, and also on the need for specific principles of engagement based on inclusiveness, specificity, flexibility and demand-driven approaches, rather than a normative policy.
- The second session of the Forum discussed IFAD's proposed Policy on Supervision and Implementation Support, which would strengthen project implementation to boost the impact and sustainability of the organization's work in the field. The Executive Board approved the policy in December (see page 55).

Policy seminars

Policy seminars help build awareness of the complexity of rural poverty and stimulate discussion about effective development initiatives. They are open to everyone in IFAD and others by invitation. Three seminars were held in 2006.

- Professor Jayati Ghosh, Jawaharlal Nehru University, New Delhi gave a seminar entitled *The Political Economy of Farmers' Suicide in India*, focusing on policies pursued in rural India over the past decade that have denied farmers basic protection and exposed them to unfair competition.
- Professor Aziz Khan, University of California, Riverside gave a seminar entitled *Alternative Employment Dynamics and Rural Poverty in some Contemporary Developing Countries* highlighting the findings and conclusions of country case studies on rural employment.
- Kevin Cleaver, Assistant President, of the Programme Management Department, IFAD gave a seminar entitled *Issues of Agriculture and Rural Development in Developing Countries and Implications for IFAD*.

Targeting Policy

The Executive Board approved IFAD's Targeting Policy in September. Over the past few years, the need for greater clarity and consistency in IFAD's targeting approach had emerged in the Independent External Evaluation, the annual report on results and impact, the Seventh Replenishment consultations and Executive Board sessions. A Policy Forum in 2005 captured the views of IFAD staff, and a policy reference group was subsequently established to deliver a targeting policy. The Executive Board took part in shaping the policy during an informal seminar in July 2006.

This is probably the first targeting policy adopted by an international financial institution. To impart greater consistency and rigour to targeting in different regions and at different stages of project cycles, it clarifies definitions and approaches. While always

mindful of regional, cultural and social diversity, IFAD's approach to targeting is guided by principles of inclusiveness, participation, partnership and empowerment.

Because IFAD always works with partners, another objective of the policy is to clearly communicate the organization's targeting approach to governments, implementing partners, cooperating institutions and poor rural people's organizations. This will ensure common understanding and establish a basis for smooth collaboration.

The policy also looks beyond programmes and projects at how IFAD can contribute to better targeted poverty reduction efforts within its broader engagement under the Paris Aid Effectiveness agenda, through policy dialogue and national multi-stakeholder programmes.

IFAD Policy on Supervision and Implementation Support

The Executive Board approved the IFAD Policy on Supervision and Implementation Support in December. It is one of the products, or deliverables, of the organization's Action Plan for Improving its Development Effectiveness (see page 44).

The policy will help IFAD strengthen the relevance, focus, quality and efficiency of its country programmes and realize the objectives of the Action Plan. Programme supervision and implementation support are IFAD's principal tools for effective rural poverty reduction.

In the new policy, IFAD defines supervision and implementation support as mutually reinforcing and operationally linked functions.

- Supervision ensures compliance with loan covenants, procurement, disbursement and the end use of funds, and it is an effective tool for promoting economy, efficiency and good governance.
- Implementation support focuses on development impact. It is based on assessment of progress against agreed indicators, on joint identification of problems with recipients and implementers, and on agreement of appropriate actions to achieve development objectives. Where necessary, implementation support draws on project-specific technical assistance, policy dialogue, innovations and programme or design adjustments to improve effectiveness. Implementation support gives special attention to social and environmental dimensions such as improved targeting and mainstreaming of gender issues.

The new policy will make IFAD more responsive to country-specific needs for improved performance. As a result, the quality of country programmes, dialogue with key stakeholders, and learning and sharing of knowledge will be enhanced, both within IFAD and in the countries where it operates, to meet the Action Plan goals.

IFAD Policy on Crisis Prevention and Recovery

In April 2006, the Executive Board approved the IFAD Policy on Crisis Prevention and Recovery, which addresses crises originating from violent conflicts and natural disasters. The policy builds on the experience gained by IFAD and other national and international organizations since 1998, when IFAD approved the Framework for Bridging Post-crisis Recovery and Long-term Development. The new policy puts emphasis on assisting target groups to increase their resilience to external shocks, and on enabling them to restore their means of livelihood in both agricultural and non-agricultural sectors.

The policy has two key objectives.

- The objective of crisis prevention is to mitigate the risk of the occurrence of foreseeable human-made and natural crises, and to limit the negative impact of

such crises when they occur among IFAD's target population, by incorporating risk mitigation measures in country strategies and in project formulation.

- The objective of in-crisis support and post-crisis recovery is to strengthen the capacity of IFAD's target population, both individually and at the level of community organizations, to cope with shocks when they occur by maintaining agricultural and rural development activities.

The policy emphasizes the application of the do-no-harm principle and defines the scope of IFAD's engagement in a way that is in line with the organization's mandate and capabilities. IFAD does not engage in peacemaking or peace-enforcing operations, or humanitarian relief operations.

IFAD Policy on the Disclosure of Documents

In December the Executive Board approved IFAD's new Policy on the Disclosure of Documents, revising the disclosure policy that was approved in 1998. The new policy will increase the organization's accountability and transparency, and promote learning and knowledge-sharing. It will also help build awareness about IFAD's role in fostering sustainable development.

Under the new policy, IFAD will increase the number of documents that it discloses to include all loan and grant agreements. The policy also sets a time frame for disclosure of documents: all documents submitted to the Governing Council and the Executive Board will be disclosed to the public on the Internet at the same time as they are made available to the Executive Board Directors and Governors. Loan and grant agreements will be disclosed once they are signed and become effective. The policy also allows for previously undisclosed documents that are now eligible for disclosure to be made available on request or as necessary.

Innovation challenges for the rural poor

An IFAD issues paper entitled *Innovation challenges for the rural poor* was prepared as background material for the 2006 Governing Council panel discussion of the same name. The paper presented innovation as a system of social constructs made up of various interacting elements within a dynamic process. Innovation can be pro-poor, or it can further threaten the livelihoods of poor rural people.

Three interrelated dimensions are necessary for pro-poor innovation systems: the institutional dimension, the partnership dimension, and the empowerment or organizational dimension. Without institutions that address social and economic imbalances, risk and vulnerability, and high transaction costs, poor rural people have almost no chance to participate in innovation systems. Without effective platforms that bring together stakeholders with different assets, knowledge and experience, innovations cannot be developed. Innovation systems rarely emerge from the isolated actions of poor people with no framework of reference to others. And without empowering processes to strengthen poor rural people's organizations, innovation systems will always be managed by, and have the greatest benefit for, those who are not poor.

For IFAD, the most important innovations are those which bring about a positive change in the way small farmers and other poor rural people invest in, produce and market their products, and in the way they manage their assets, organize themselves, communicate and interact with their partners, and influence policies and institutions.

Policy dialogue

IFAD's work in 2006 with indigenous and tribal peoples

2006 was a significant year for indigenous peoples. After more than two decades of work by indigenous representatives, experts and governments, on 29 June the United Nations Human Rights Council approved the United Nations Declaration on the Rights of Indigenous Peoples. However, on 28 November 2006 the United Nations General Assembly's Third Committee deferred adoption of the Declaration.

During the year, IFAD intensified its work in support of the principle of development with identity for indigenous peoples, under the leadership of a senior manager with a special assignment for indigenous and tribal issues.

Since it was established, IFAD has provided about US\$1.1 billion in loans and about US\$14.1 million in grants in support of indigenous peoples, mainly in Latin America and Asia, working with their communities in more than 50 programmes and projects. IFAD has gradually developed an ability to address the issues of crucial importance to indigenous peoples.

In recognition of IFAD's expertise in the area, the World Bank Grants Facility for Indigenous Peoples was transferred to IFAD in 2006. It will be administered by IFAD as a time-bound facility. The Facility will provide small grants ranging from US\$10,000 to US\$30,000 to indigenous peoples' organizations and communities to support culturally appropriate development initiatives and small projects. It will be managed by a board with a majority of indigenous members.

Throughout the year, the office of the Assistant President with a special assignment on indigenous and tribal issues carried out activities to mainstream indigenous issues in IFAD's operations, providing advice and support to divisional and technical units. A session of the Policy Forum focused on indigenous peoples (see page 54). Through interdepartmental meetings, staff across the organization contributed to a draft of IFAD's plan for implementation of the Programme of Action for the Second International Decade of the World's Indigenous Peoples.

Participation in workshops and meetings

As part of its advocacy work to support indigenous peoples, IFAD participated in meetings and workshops throughout the year on a wide range of issues. In January, it attended the eleventh session of the Working Group on the Draft United Nations Declaration on the Rights of Indigenous Peoples in Geneva. This was a crucial meeting before the adoption of the United Nations Declaration on the Rights of Indigenous Peoples in June.

Also in January, IFAD took part in the International Expert Group Meeting on the Millennium Development Goals, Indigenous Participation and Good Governance organized by the United Nations Permanent Forum on Indigenous Issues (UNPFII) Secretariat and held in New York.

In March, the organization participated in a workshop held in Chang Mai, Thailand that focused on the concept of 'indigeneness' in Asia. The workshop showed the need for IFAD to develop a deeper historical understanding of the concept of indigeneness as it has been used progressively by the international community, and to play a proactive role in resolving misunderstandings and dispelling the fears that the concept commonly kindles.

In May, together with the Inter-American Development Bank, UNPFII and the World Bank, IFAD organized the Conference on Indigenous Peoples and Poverty, held in New York. The conference highlighted the inadequacy of the current development approach to indigenous peoples' aspirations. Many participants called for adoption and application of a new development paradigm that recognized the principle of development with identity. IFAD contributed two papers to the conference. It subsequently participated in the fifth session of UNPFII on The Millennium Development Goals and Indigenous Peoples: Redefining the Millennium Development Goals. The meeting officially launched the Programme of Action for the Second International Decade of the World's Indigenous Peoples.

In July, IFAD took part in a two-day workshop in Geneva organized by the United Nations Research Institute for Social Development. Participants discussed and agreed on a common research methodology to implement the IFAD grant designated Identity, Power and Rights: The State, International Institutions and Indigenous Peoples. In November IFAD participated in a workshop in Agadir, Morocco that brought representatives of French-speaking indigenous peoples from all over the world together for the first time.

During 2006, IFAD was Chair of the Inter-Agency Support Group on Indigenous Issues (IASG), and in this capacity hosted the 2006 IASG meeting on Development with Identity in Rome in September. The focal points on indigenous issues from 15 United Nations agencies, multilateral organizations and international financial institutions attended the meeting and shared their experiences in three important areas:

- indigenous land, territories and resources
- indigenous peoples' knowledge and technologies
- indigenous culture and development

An exhibition entitled An Unknown India – Arts and Living Tradition was organized by IFAD in connection with the meeting. It included displays of art and handicrafts of the *Adivasi*, the tribal peoples of India.

In cooperation with FAO, the UNPFII, the Confederación de Pueblos Indígenas de Bolivia (CIDOB) and several indigenous peoples' organizations, IFAD cosponsored a special session on indigenous peoples and communication for development at the World Congress on Communication for Development held in Rome in October. The organization also supported the participation at the congress of indigenous peoples' representatives from various regions.

Studies and sponsored research

In 2006, IFAD focused on three important studies on indigenous issues:

- *Scheduled tribes of India, development and deprivation*, a statistical study calculating the human development index (HDI) for selected tribal areas in India and comparing it with the national HDI and with the HDI of some sub-Saharan African countries; the study was presented at the May conference in New York
- *Improving the governance structure of local organizations and institutions*, a study in five states in India
- a desk review of IFAD grants that are relevant to technology development with and for indigenous peoples

Sharpening the rural focus of poverty reduction strategy processes

During 2006, work continued to internalize the poverty reduction strategy (PRS) alignment and harmonization agenda into IFAD's business processes and instruments.

The new format of the results-based country strategic opportunities paper and the new Strategic Framework 2007-2010 (see page 3) reflected these efforts. In addition, an interdepartmental group elaborated guiding principles and indicative entry points to strengthen IFAD's engagement in country-led approaches to poverty reduction.

During the year, IFAD pursued an active advocacy role in the international policy arena to sharpen the rural focus of PRS processes. In March, IFAD's Vice-President took part in the African Plenary on National Poverty Reduction Strategies and Implementation of the Millennium Development Goals held in Cairo and organized by the United Nations Commission for Africa and the African Union. Representatives of African governments, United Nations and multilateral and bilateral development agencies, and civil society organizations attended the meeting.

The plenary was part of ongoing debate on the second generation of PRSs as a mutual accountability framework for progress towards the Millennium Development Goal targets. Its recommendations focused on the importance of:

- inclusive growth to meet the Millennium Development Goal targets
- strengthened national ownership of policy and strategy processes, leadership and mutual accountability
- improved country implementation capacities, aid architecture and effectiveness
- sustained policy dialogue

IFAD underscored the need for increased attention to agriculture and rural development in the PRS context, calling for more attention and resources to be channelled to rural areas, where the majority of the world's poor people live.

IFAD is lead agency for a series of ongoing country case studies on PRS rural focus, launched in October under the aegis of the Global Donor Platform for Rural Development (see page 75).

In November, IFAD hosted a seminar entitled Poverty and Social Impact Analysis and Agricultural Policy in a PRS Context, which was cosponsored by FAO and the World Bank. The seminar brought together representatives from 12 organizations, including United Nations agencies and Brettons Woods institutions, the Organisation for Economic Co-operation and Development Development Assistance Committee (OECD-DAC) and bilateral agencies, as well as research and advocacy networks and NGOs. Issues of integration and mainstreaming of tools were discussed, as well as options for joint or coordinated analytical work.

Interaction with the United Nations system, and global and regional policy forums

United Nations system

This was an important year for deliberations and action on United Nations reform, responding to the international community's call for institutional change. IFAD is fully committed to the United Nations reform process. President Lennart Båge provided leadership in the drive for reform as chairman of the High-level Committee on Programmes of the Chief Executives Board and through his membership of the Secretary-General's High-level Panel on System-wide Coherence, and his participation in the United Nations Development Group.

IFAD also took part in three United Nations high-level meetings focusing on employment, migration and least developed countries. The organization shared its operational expertise and knowledge based on its experience in promoting pro-poor policies and helping to achieve rural poverty reduction goals.

United Nations High-level Committee on Programmes

During 2006, IFAD's President continued to chair the United Nations High-level Committee on Programmes (HLCP), which is the main coordinating body for policies within the United Nations system. In 2006, the committee focused on implementing the recommendations of the Chief Executives Board's *One United Nations* report – the United Nations system's response to the Millennium Declaration. In support of decisions taken by the General Assembly and the Economic and Social Council of the United Nations (ECOSOC), the HLCP worked to increase the collective impact of the system in advancing employment and decent work.

The committee also assessed the implications of the General Assembly's High-level Dialogue on International Migration and Development, and identified steps to achieve greater policy coherence and programmatic and operational coordination in this area. The committee reviewed the outcome of the mid-term review of the Brussels Programme of Action for the Least Developed Countries, and highlighted the need to enhance the United Nations system's efforts to support implementation of the programme.

Secretary-General's High-level Panel on UN System-wide Coherence in the Areas of Development, Humanitarian Assistance and the Environment

The Secretary General tasked the High-level Panel on UN System-wide Coherence in the Areas of Development, Humanitarian Assistance and the Environment with proposing ways to overcome the fragmentation that undermines the United Nations' effectiveness in responding to its member countries' needs. IFAD's President contributed to the panel's deliberations and its recommendations that United Nations operations be unified at the country level in four key areas: programme, budget, programme leader and integrated management systems. Following the submission of the panel's report, the President announced that IFAD would comply fully with its recommendations, starting in selected countries where the unified approach is to be piloted. IFAD supports the objective of a coherent United Nations system that delivers as "One" and is actively reviewing, in consultation with FAO, WFP and other United Nations organizations, how we can achieve this.

United Nations Development Group

This year, two areas of the work of the United Nations Development Group (UNDG) were of particular relevance to IFAD. The first was a proposal for enhancing the participation of Non-resident Agencies in United Nations country-level development activities. The proposal coincides with IFAD's own efforts to improve collaboration and partnership with United Nations agencies and other development organizations. Many UNDG members have committed to adoption of the measures included in the proposal's implementation plan, beginning in 2007. The second area of relevance was the development of a new framework for the United Nations' country-level work to strengthen national capacity to set and achieve goals, solve problems, and carry out policies and programmes. The framework provides practical guidance for United Nations country teams and resident coordinators, and it includes background on the current state of the art, an initial set of tools and resources, and discussion of potential roles for country teams.

Other initiatives to improve the effectiveness of United Nations development work focused on implementing the provisions of the 2005 World Summit. With IFAD's active involvement, the UNDG issued an Action Plan that addresses three challenges:

- better targeting of investments, actions and results to close gaps in development outcomes and to reach excluded groups

- sustaining progress achieved through scaling up and additional investment targeting
- mitigating risks that could arrest or reverse development progress

Food security, hunger reduction and rural development are among the areas highlighted for priority action.

United Nations Economic and Social Council

IFAD participated jointly with FAO and WFP in the 2006 ECOSOC High-level Segment, held in Geneva in July. The session worked to advance policy dialogue and reach a consensus on the theme of employment and development.

The three Rome-based agencies underscored the rural dimension of employment. IFAD's President Lennart Båge delivered a statement and participated in a ministerial discussion on the topic of Expansion of Local Income-Generating Activities: Rural-urban Linkages, organized by the International Land Coalition.

In his statement on behalf of the three Rome agencies, President Båge highlighted the importance of:

- agriculture and rural development policies to reduce the vulnerability of agricultural labourers, secure their access to land and other resources, including markets and business development services, and enhance their access to employment
- support to poor rural people's institutions so they can play vital roles in increasing access to productive employment and ensuring decent working conditions
- a greater share of investments by donors, governments, civil society organizations and the private sector in land and labour productivity

The Secretary-General's report on the High-level Segment includes a chapter on rural employment, largely based on IFAD's submission to the report.

High-level Dialogue on International Migration and Development

IFAD's work on remittances and development and its innovative partnership with the European Commission to establish a Funding Facility on Remittances provided insights for its participation in the September High-level Dialogue on International Migration and Development held in New York. In a roundtable discussion with government ministers and others, IFAD underscored the challenges of making remittances work for poor rural people by developing services that are easily accessed, cost-effective and linked to other financial services such as savings, loans and insurance. These points were well received, and the chairperson's summary of the meeting called for increased competition among money-transfer companies and banks to reduce transfer fees, improving the access of migrants and their families to credit and other banking services and expanding financial literacy in the migrants' countries of origin.

United Nations General Assembly

At the sixty-first session of the United Nations General Assembly, IFAD contributed to debates on issues of which it has particular knowledge and experience. The organization made statements on the situation of indigenous peoples, emphasizing the social and economic disadvantages faced by these peoples worldwide and stressing the need to increase international efforts to redress their poverty and exclusion.

Together with the Global Mechanism, IFAD also took part in the debate on the implementation of the United Nations Convention to Combat Desertification, and it was the only United Nations agency to do so. IFAD underscored the many links between poverty and land degradation and called for more concerted efforts by the international community to support implementation of the Convention. At the International Forum on the Eradication of Poverty, IFAD, FAO, WFP and UN-HABITAT emphasized the interlinkages of poverty and hunger and the role of the agricultural sector in ensuring sustainable livelihoods in rural and urban areas. Held during the sixty-first session of the General Assembly, the two-day forum was organized to mark the end of the First United Nations Decade for the Eradication of Poverty, and it served as a venue for maintaining momentum for global poverty eradication.

Global and regional policy forums

Africa Fertilizer Summit

IFAD supported and took part in the Africa Fertilizer Summit, held in Abuja, Nigeria in June 2006. It was organized by the African Union, NEPAD and the Government of Nigeria, with support from IFAD and other partners, with the objective of boosting fertilizer use and agricultural productivity in Africa. The summit developed an Africa Fertilizer Action Plan to increase the use of fertilizers and other complementary agricultural inputs across the continent.

In his statement to the Summit, IFAD's President spoke of the importance of strengthening demand for fertilizers by poor farmers, and increasing their supply. Above all, it is necessary to empower small farmers to establish their own organizations so they can negotiate effectively with fertilizer suppliers, access credit more easily, and conduct their own field trials.

The Summit Declaration called on African countries to:

- eliminate taxes and tariffs on fertilizers to lower their cost and make them more affordable for poor farmers
- expand the outreach of fertilizer dealers
- improve infrastructure
- establish a fertilizer financing facility at the African Development Bank
- reinforce continent-wide fertilizer production, procurement and distribution to expand demand and supply for fertilizers in Africa

Tokyo International Conference on African Development – Consolidation of Peace

In February, IFAD took part in the Tokyo International Conference on African Development (TICAD) on Consolidation of Peace, held in Addis Ababa, Ethiopia. It was co-organized by the Government of Japan, the United Nations, the Global Coalition for Africa and the World Bank.

Peace consolidation is the process of rebuilding a society that has experienced violent conflict, so that the process leads to durable peace and sustainable development. The conference provided a platform for African countries and the international community to define the concept of peace consolidation, the roles of all those involved and the types of support needed.

IFAD shared its experience of working in post-conflict countries in Africa, and emphasized the importance of Africa's ownership of peace consolidation work at all levels – regional, subregional and local.

Partnership with FAO and the International Conference on Agrarian Reform and Rural Development

IFAD supported FAO in preparing and organizing the International Conference on Agrarian Reform and Rural Development (ICARRD) hosted by the Brazilian Government in March in Porto Alegre, Brazil. The conference focused on the crucial issues of secure access to land and other natural resources, and reforms in agrarian structure and rural development for the sustainable reduction of poverty. Delegations from 92 countries and more than 150 farmers' and civil society organizations, for a total of some 1,400 people, took part in the conference and the parallel special forum.

During the inaugural session, IFAD's President renewed the organization's commitment to ensuring equitable, efficient and sustainable access to and use of land and other natural resources. He underscored the importance of working with civil society to identify and formulate policies to remove structural and institutional causes of rural poverty. IFAD also organized a parallel special event entitled Empowering the Rural Poor through Access to Land.

During the year IFAD began work to develop a policy on access to land and land tenure security. This builds on its involvement in ICARRD follow-up, as well as its response to the recommendations of the Farmers' Forum (see page 76), the findings of a desk review on its operational engagement with land issues, and its evolving relationship with the International Land Coalition.

Policy coherence on child labour in agriculture

Following a first Consultation on the Development of Policy Coherence on Elimination of Child Labour in Agriculture, held in Geneva in May, FAO and IFAD jointly hosted a second consultation in Rome in September. The International Labour Office, the International Federation of Agricultural Producers and the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations took part in the consultations.

Over 70 per cent of the children who are involved in hazardous labour worldwide work in the agricultural sector. The consultations explored how elimination of child labour can be mainstreamed into ongoing initiatives supported by agricultural organizations. Participants also discussed preparations for the World Day Against Child Labour in 2007, which will focus on agriculture. IFAD presented a short paper highlighting its activities related to child labour. The organization's response to the issue of child labour includes the economic empowerment of women, reduction in children's workloads, and skills training.

FAO Committee on World Food Security

IFAD took part in the thirty-second session of the FAO Committee on World Food Security, held in Rome in November. The organization was involved in two main agenda items: an assessment of progress made by the International Alliance Against Hunger (IAAH) towards the first target of the Millennium Development Goals, and a review of follow-up to the International Conference for Agrarian Reform and Rural Development (see above).

Through a grant to the International NGO/CSO Planning Committee for Food Sovereignty (IPC), IFAD supported the participation of civil society in a multi-stakeholder special forum on progress towards cutting the number of hungry people by half by 2015. Representatives of national alliances against hunger, NGOs and private sector associations took part in the special forum. Forty-nine national-level alliances operate under the aegis of the IAAH.

IFAD also played an active role in the committee's discussions with representation on both the Panel on Aid and Investment and the Panel on Agrarian Reform and Rural Development.

World Congress on Communication for Development

IFAD took part in the World Congress on Communication for Development, which was organized by the World Bank, FAO and the Communication Initiative and held at FAO in October. The purpose of the Congress was to demonstrate that communication for development is essential to meeting today's development challenges and should be more fully integrated into development policy and practice.

IFAD led the organization of a session on how communication can contribute to food security, rural development and livelihood strategies, presenting lessons and good practice emerging from the First Mile Project in the United Republic of Tanzania. The organization also contributed to the development of a final consensus document that includes a set of recommendations for policymakers.

Outreach activities in 2006

IFAD worked with many of its Member States to expand awareness of rural poverty issues and explore innovative approaches. In 2006 collaboration was particularly intense with Japan.

At the University of Tokyo IFAD co-organized a roundtable on natural resource management entitled Combating Desertification and Agricultural Development. Students, academics, parliamentarians, civil society representatives and government officials took part.

During the sixty-first United Nations General Assembly, together with the Government of Japan, the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLS), IFAD organized a roundtable discussion on Women's Role in Combating Desertification. The Prime Minister of the Kingdom of Lesotho was keynote speaker.

In October, IFAD took part in the International Cooperation Festival organized by the Japanese Ministry of Foreign Affairs. There, at a workshop on the International Year on Deserts and Desertification, IFAD released its report on *Gender and desertification*.

Other policy arenas

The United States Millennium Challenge Corporation recognized IFAD's experience in identifying and assessing key policies for rural poverty reduction, and included IFAD's Access to Land indicator as one of its two eligibility indicators for measuring natural resource management. The indicator is part of the rural sector assessment of IFAD's performance-based allocation system (PBAS) (see page 34). It measures a number of key factors, including land tenure and access to land for poor rural households and for women, indigenous populations and other vulnerable groups.

The Millennium Challenge Corporation also agreed to provide parallel financing for a new IFAD project in the Menabe and Melaky regions of Madagascar (see page 98). This is the first financial collaboration between IFAD and this new development institution.

Through IFAD's sponsorship, Dr Makanjuola Olaseinde Arigbede, national coordinator of the Union of Small and Medium Scale Farmers of Nigeria, was able to represent the concerns and perspectives of small and medium-scale farmers in the

United States World Food Day teleconference. The theme of this year's teleconference, which was broadcast to some 270 sites and networks in the United States of America and Canada, was Power of the People: Bottom-up Solutions to Hunger.

In 2006, IFAD's North American Liaison Office worked with NGO leaders from the United States to revitalize the United States' NGO Working Group on IFAD and Rural Poverty. The group explored priority issues for smallholder farmers and poor rural entrepreneurs and identified methods for sharing learning and exchanging information. The group also held a meeting with representatives of African farmers and producers who were in Washington for discussions on the United States programme for bilateral trade preferences for Africa. The African representatives confirmed their interest in collaborating with United States NGOs in information exchange and policy advocacy. In a letter to the United States Congress signed by 27 organizations, the working group expressed its support for IFAD and urged greater investment in agriculture and rural development programmes, including full funding for the first United States contribution to IFAD's Seventh Replenishment.





Partnerships

Women and children gather at a monthly savings group meeting in Andhra Pradesh, India. In India and other Asian countries, the majority of microfinance clients are women.

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Partnerships are fundamental to IFAD's work. From its inception, IFAD has worked through partnerships with national governments and other international organizations. IFAD has strong relationships with national partners, including farmers' organizations, NGOs and governments themselves. IFAD also works with partners in the international development community, including other United Nations agencies, international financial institutions, research institutions and the private sector. In concert with the Paris Declaration and the United Nations reform agenda, IFAD is working systematically to make its development partnerships more effective. Of particular note in 2006, IFAD held the first global consultation of the Farmers' Forum (see page 76), in conjunction with the Governing Council, to strengthen the consultation and dialogue between small farmers' and rural producers' organizations, IFAD and governments. In addition, IFAD formed a new strategic partnership with the International Food Policy Research Institute (IFPRI) (see page 75) to support the development and communication of innovative policy solutions to rural poverty.

Belgian Survival Fund

Since 1984, IFAD and the Belgian Survival Fund (BSF) have been engaged in a Joint Programme (BSF:JP) to pursue the common goal of enabling poor people in rural areas to overcome poverty through improved food and nutrition security.

By the end of 2006, Belgium's overall commitment through the BSF:JP totalled €139.6 million (US\$184.1 million). This amount, together with the incremental investment income, has enabled IFAD to:

- provide approximately €135.3 million (US\$178.4 million) in grant financing for 40 programmes and projects in BSF:JP target countries
- provide grant financing for IFAD/BSF:JP programme and project evaluations
- cover the Special Grants and Special Operations Facility and administrative costs

In May, work started on the Mali Northern Regions Investment and Rural Development Programme, which will build local capacity, improve access to basic services and promote rural poverty reduction. The programme will use €4.9 million (US\$5.9 million) allocated by the BSF to develop sustainable health services and to improve nutrition, water supplies and sanitation in 14 communities along the Niger River.

The Agricultural Rehabilitation Programme in the Oriental Province in the Democratic Republic of the Congo started work at the end of 2006. Through the programme, BSF-financed social services will boost the nutritional status of 55,000 households by providing better access to primary education, health services and drinkable water, and will include a special focus on nutrition programmes.

During the year, the Belgian Government approved BSF cofinancing of €4.0 million (US\$4.8 million) for health and water development in the Agricultural Sector Development Programme – Livestock: Support for Pastoral and Agro-Pastoral Development in the United Republic of Tanzania. This is the first time that BSF has financed an IFAD sector-wide approach (SWAp), funding area-based social sector investments.

In Niger, BSF will provide cofinancing of €4.6 million (US\$5.7 million) for the Agricultural and Rural Rehabilitation and Development Initiative Project. The project will work to improve participants' access to basic social services, such as primary education, health services, clean water and sanitation. FAO and WFP are also collaborating on the project: FAO is providing expertise on cereal banks, and WFP is setting up school feeding programmes.

IFAD designed three programmes for possible BSF cofinancing.

- In Burundi, there was a start-up workshop for IFAD-supported activities in the Transitional Programme of Post-conflict Reconstruction. The innovative formulation of the BSF activity utilizes the results of a survey conducted by local institutions under the guidance of the Prince Leopold Institute of Tropical Medicine, Antwerp, Belgium. Expertise acquired in a similar exercise in Ethiopia will also be used.
- In Mali, the IFAD-funded Kidal Integrated Rural Development Programme complements the existing Northern Regions Investment and Rural Development Programme. The new programme will work to reduce poverty and food insecurity in the region of Kidal, where there are no perennial water points and where nomadism is the basis of socio-economic activity. Thanks to BSF cofinancing, approximately 20,000 people will have improved access to health services and education.
- In Uganda, the IFAD-funded District Livelihoods Support Programme builds on the activities of the District Development Support Programme (DDSP). The BSF-financed activity will focus on sustainably improving the health and nutrition of 316,000 households in districts where the DDSP was active.

The IFAD-funded Southern Region Cooperatives Development and Credit Project in Ethiopia was completed at the end of 2005. During 2006, the project trained local people to conduct a participatory impact assessment of the BSF-funded Water Supply, Health and Basic Sanitation activity as a follow-up to the initial baseline survey. The evaluation concluded that health, nutrition and water indicators have generally improved in the eight BSF-supported districts. The innovative assessment approach revealed strengths, weaknesses and lessons learned for future impact assessment exercises.

The completion evaluation of the North-western Integrated Community Development Project in Somalia concluded that project performance was remarkably successful, considering the country context, particularly as regards rural health and water supply. The evaluation recommended ways to improve the effectiveness of a possible follow-up project, with specific reference to sustainability and capacity-building.

IFAD's independent Office of Evaluation carried out a country programme evaluation in Mali with BSF participation. The evaluation noted that the integrated project approach in the Northern Lake Zone had led to substantial improvements in household food and nutrition security and income, thanks to self-managed irrigation and water supply systems and health facilities.

During 2006, the Government of Belgium designed and initiated an independent external evaluation of the BSF that includes all BSF partners (bilateral, multilateral and NGOs). It is thematic and focuses on partner learning, the added value provided by the BSF, and the BSF's foundations and mechanism, strategic framework and operations. The evaluation is a tool for collective reflection with the aim of improving the effectiveness of the BSF partnership.

In the framework of knowledge dissemination, in 2006 work started on a BSF/JP Thematic Water and Health Review to provide IFAD and BSF with lessons learned from past and current development programmes focusing on water, sanitation, health and nutrition. The review will provide IFAD and BSF policymakers with recommendations on overall strategic orientation for future programmes.

International Land Coalition

The International Land Coalition (ILC) works to increase poor rural people's secure access to land and productive resources. It serves as a global forum for policy dialogue and convenes joint programmes and activities among intergovernmental, governmental and civil society organizations. The ILC is independently governed by an Assembly of Members and a 14-member Coalition Council. IFAD hosts its Secretariat.

In 2006, the ILC participated in an external evaluation of its operations, carried out by IFAD. The evaluation stressed the continuing relevance and importance of the Coalition's role in advocating a pro-poor land tenure agenda, and provided constructive recommendations about how it can grow into its role as a global convener on land issues.

During 2006, ILC members worked on planning the Coalition's new Strategic Framework 2007 to 2010, taking into account progress achieved and lessons learned under the previous strategic framework. The framework will position the Coalition's future work in relation to other stakeholders who have now become active in supporting land access by rural poor people.

In Africa, a number of ongoing ILC programmes are working to build national collaboration to advance a pro-poor land agenda. With the recruitment of a land specialist in 2006, the Coalition has accelerated these programmes, which include important initiatives in Niger and Uganda (Collaborative Action on Land Issues) and Madagascar (the Land Alliance for National Development [LAND] Partnership). All are being implemented in close collaboration with IFAD. The ILC also works with three civil society networks in Africa (LandNet West Africa, East Africa and Southern Africa) to strengthen their organizational and convening capacity, and to facilitate engagement with national and regional land policy processes, such as those emanating from the African Union and from the Regional Economic Commissions.

During the year, the ILC Secretariat launched a series of global consultations to develop strategies to strengthen the individual, household and community tenure rights of people who are particularly at risk of becoming landless. People at risk include women, indigenous peoples, pastoralists and users of common property and forest resources. Issue papers were prepared and served as the basis for e-forums. This was a first step towards collaborative advocacy of the land rights of vulnerable groups.

As part of its work to highlight the importance of land access as a global development issue, for the fourth consecutive year the ILC took part in the ECOSOC annual session, in which it focused on the role that access to land plays in creating decent conditions of work and full employment (see page 61).

The ILC gave high priority in 2006 to the International Conference on Agrarian Reform and Rural Development (ICARRD) held in Porto Alegre, Brazil (see page 63). In preparation for the conference, the Coalition supported country case studies for Madagascar and Niger in collaboration with FAO. It also supported the Andean Forum held in Lima, Peru in collaboration with IFAD, and a national consultation process involving government and civil society to formulate the Indonesian national report to ICARRD. Representatives from the Indonesian Consortium for Agrarian Reform (KPA), a long-standing civil society member of the ILC, participated in the conference as part of the country's delegation. The Coalition provided 12 member organizations with support for sending representatives to ICARRD. Those representatives served as panellists at two special thematic sessions organized by the ILC on the subjects of Engaging Governments and Civil-Society: the Experience of National and Regional Network, and Administering Land Rights: Alternatives to Individual Property Ownership.

During 2006, the ILC continued its programmes in five areas: the Knowledge Network on Agrarian Reform, the Community Empowerment Facility, the Women's Resource Access Programme, the Common Platform on Access to Land, and LAND Partnerships. Eight new projects approved under the Community Empowerment Facility brought the number of partners working with the Facility to a total of 49 in 25 countries.

Global Mechanism

Established in 1997, the Global Mechanism is a subsidiary body of the United Nations Convention to Combat Desertification (UNCCD). It provides financial advisory services to the country Parties to the Convention, with the aim of increasing financing for sustainable land management.

IFAD has hosted the Global Mechanism since its inception. By year-end, the organization had contributed US\$7.5 million, or 36 per cent of the funds mobilized by the Global Mechanism, making it the largest financial contributor. IFAD's contributions have enabled the Global Mechanism to support activities related to sustainable land management in 29 countries and 12 subregions.

In 2006 the Global Mechanism began implementing its Consolidated Strategy and Enhanced Approach (CSEA), which was endorsed by the Conference of the Parties (COP) to the UNCCD in October 2005. The CSEA equips the Global Mechanism to respond to the changing international financial architecture and increase its effectiveness through strategic programmes and special initiatives, driven by its constituencies and underpinned by communications and outreach activities.

In 2006, IFAD and the Global Mechanism carried out a joint review of IFAD's loans and grants portfolio related to UNCCD objectives. The review showed that IFAD's resource allocation to activities related to sustainable land management and the UNCCD increased between 2000 and 2004. The analytical methodology used for the review, which is based on the combination of OECD Rio markers and FIELD⁵ Relevant Activity Codes, will be used by other organizations to report on sustainable land management investments.

In response to a request from IFAD's Executive Board, during the year the Global Mechanism developed a results-based management framework for business planning and monitoring implementation. The framework is in line with policies initiated by multilateral banks, the Development Assistance Committee of the OECD and other United Nations agencies to put more emphasis on management for development results.

During 2006 the Global Mechanism was a partner in the launch of the Central Asian Countries Initiative for Land Management (CACILM), a ten-year programme with planned financing of US\$1.4 billion. The programme is designed to restore, maintain and enhance the productivity of degraded land and improve the livelihoods of local communities. As a long-standing partner of the countries involved, and in close cooperation with IFAD, the Global Mechanism spearheaded the development of a concerted plan for UNCCD implementation among the stakeholders, which ultimately resulted in CACILM. With the Asian Development Bank as lead agency and financing from the Global Environment Facility (GEF), among others, CACILM is expected to make significant headway in reversing land degradation through sustainable land management.

5/ FIELD is the Global Mechanism's Financial Information Engine on Land Degradation (<http://www.gmfield.info>)

As part of the International Year of Deserts and Desertification campaign, the Global Mechanism was one of the cofinanciers of a series of documentaries entitled *Villages on the Front Line*, illustrating strategies for addressing land degradation in drylands around the world. IFAD, the United Nations Environment Programme, the International Institute for Environment and Development, the Swiss Agency for Development Cooperation and other partners also cofinanced the series, which was broadcast by BBC World in November and December.

In April the Global Mechanism launched its south-to-south regional cooperation programme, SolArid, with an international workshop organized in cooperation with the Moroccan High Commissariat of Water, Forestry and the Fight against Desertification. The programme will support the francophone region of North and West Africa in resource mobilization through studies on priority issues and knowledge-sharing activities.

In December, the Global Mechanism cofinanced a workshop on one such priority issue – the economic and social costs of desertification. Participants at the workshop pooled knowledge on methods of assessing the social costs of desertification, compared findings on economic loss and agreed to develop stringent arguments in favour of investment in arid and semi-arid areas.

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

IFAD plays a leadership role in the Consultative Group on International Agricultural Research (CGIAR) as co-sponsor, together with the World Bank, FAO and UNDP. IFAD supports innovative multi-stakeholder research, in particular through the CGIAR's Challenge Programmes, which works to achieve system-wide synergies and encourage a broader range of external partnerships.

During the year, IFAD continued to underscore the need for research targeted at improving the generation and impact of pro-poor technologies. IFAD also supported the development of effective research governance mechanisms and stressed the importance of systematic interaction with downstream research partners. The organization continued to play an active role in the CGIAR Executive Council, contributing to programme and organizational alignment to enhance the effectiveness and efficiency of the research and development processes of the CGIAR system. During the year, IFAD approved grants in the amount of US\$10.8 million for 13 CGIAR-led programmes.

IFAD has supported the Global Forum for Agricultural Research (GFAR) since the Forum's inception in 1996. The 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, and particularly those involving civil society organizations such as farmers' associations and NGOs. IFAD is on the steering committee of the GFAR, working to build cost-effective partnerships and strategic alliances for reducing poverty, achieving food security and conserving and managing biodiversity and natural resources. In 2006, IFAD approved a small grant (US\$200,000) for the GFAR in support of a conference held in November in New Delhi, India and entitled GFAR Triennial Conference 2006: Reorienting Agricultural Research to meet the Millennium Development Goals.

Consultative Group to Assist the Poor

In 2006, IFAD established a partnership with the Consultative Group to Assist the Poor (CGAP). CGAP is a strategic technical group that supports donors in the area of rural finance and undertakes cutting edge research into innovative ways of bringing microfinance services to poor rural people. During the year, IFAD and CGAP worked together on:

- developing a donor peer review process within IFAD regarding its rural finance strategy and interventions
- developing the Funding Facility on Remittances to help rural institutions facilitate access to remittances in rural areas and maximize their development impact on poor households throughout Africa, Asia, Eastern Europe and the Near East; the facility complements the initiative on remittances in Latin America that IFAD established in partnership with the Inter-American Development Bank
- cofinancing the Rural Pro-poor Innovation Challenge, which is a competitive, demand-driven facility that supports innovative approaches developed by microfinance institutions working to extend their outreach in remote rural areas

Partnerships with intergovernmental agencies

African Union

During 2006, IFAD continued to work with the African Union to put agricultural development and rural poverty reduction at the top of the union's agenda. The organization also approved two grants in support of the African Union. IFAD's Vice-President attended the first African Union Conference of Ministers of Agriculture, held in Bamako, Mali in February. The conference also served to prepare for the FAO twenty-fourth Regional Conference for Africa, held in the same city immediately afterwards.

The main items on the agenda of the African Union conference were:

- a review of the report on the *Status of Food Security* in Africa
- a progress report on the implementation of NEPAD's Comprehensive African Agricultural Development Programme, with emphasis on country-level activities
- establishment of a tracking system related to the commitment of Heads of State and Governments to allocate at least 10 per cent of national budgets to agriculture
- preparations for the African Union/NEPAD Africa Fertilizer Summit that was to be held in June 2006 (see page 62)

Representatives of 43 African countries and other regional and international institutions attended the conference. At the conference IFAD underscored:

- the importance of tackling rural poverty by fostering investment in agriculture and rural development
- the organization's commitment to supporting NEPAD, the African Union and the CAADP
- the organization's close involvement in fostering technological advances in the production of rice, millet, sorghum and cassava

New Partnership for Africa's Development

During 2006, IFAD continued to focus its support to NEPAD on strengthening the capacity of farmers' organizations to take part in agricultural policy formulation, and on enabling them to represent their constituencies at African consultative forums. IFAD supported the participation of farmers' representatives in the Forum for Food Sovereignty in West Africa, held in Niamey, Niger in November, and in the African Union/NEPAD Summit on Food Security held in Abuja, Nigeria in December.

In Abuja, IFAD supported 18 farmers' organizations and facilitated a meeting among them to agree on interventions in the technical session. Two representatives made powerful interventions on behalf of the organizations, and the conference declaration and resolution reflected the role of farmers' organizations. IFAD also addressed the ministerial session, underscoring key factors that help ensure food security, including efficient markets, accountable institutions and access to assets, land, finance and technology for poor farmers and particularly for women. The Abuja summit called on IFAD, along with other sister United Nations agencies, to become involved in the follow-up to its resolutions.

As NEPAD's Comprehensive Africa Agriculture Development Programme moves towards implementation, IFAD mobilized Italian supplementary resources for the Regional Cassava Processing and Marketing Initiative for Western and Central Africa, which started work this year. The programme is part of NEPAD's Pan-African Cassava Initiative (PACI), one of the CAADP's flagship programmes. In addition to implementing the regional cassava initiative, IFAD also helped organize consultations enabling the PACI to start work in July, and provided technical input to its work plan.

OPEC Fund for International Development

Since the organization was established, IFAD has worked with the OPEC Fund for International Development (OFID) towards the common goal of reducing poverty in developing countries.

This year OFID celebrated its thirtieth anniversary. It is an important cofinancing partner of IFAD across all regions, with cumulative cofinancing amounting to US\$289.3 million for a total of 60 projects in 36 countries. For its part, IFAD has lent US\$562.6 million in funds for 32 projects in OPEC member states: 6 in Algeria, 1 in Gabon, 12 in Indonesia, 8 in Nigeria and 5 in the Bolivarian Republic of Venezuela. These projects attracted substantial cofinancing, and the total investment cost was about US\$1.5 billion.

During 2006, the President of IFAD paid two visits to OFID. He took part in the high-level roundtable on Partnership for Arab Development held in May, and he attended the signing ceremony of OFID's US\$600,000 grant in support of IFAD's Marine Resources Management Programme in the Red Sea.

Harmonization and alignment follow-up

During 2006, IFAD followed up on several levels on the 2005 Paris Declaration on Aid Effectiveness. The Paris meeting convened initiatives on some of the key aspects of the declaration, and IFAD continued to monitor and participate in two of these – Public Financial Management and Management for Development Results – through respective Joint Venture meetings. Work with other donors and partner countries on the Management for Development Results initiative was complemented by IFAD's revision of its country strategic opportunities paper process. The new results-based COSOP

brings IFAD's country-level operations into line with country-led priorities and requirements. At country level, the harmonization process was strengthened by the development of Joint Assistance Strategies (JASs). The JAS process, implemented in 2006 in Uganda, the United Republic of Tanzania and Zambia, puts countries in the lead role in coordinating and determining country-level priorities for donor assistance. IFAD contributed to all three country initiatives. In addition, sector-wide approaches (SWAs) with a focus on rural development and agriculture allowed donors and governments to work together on specific sectoral issues. IFAD continued to contribute to this approach in Mozambique.

Collaboration between the three Rome-based United Nations agencies has evolved since the Paris meeting, and it was given specific impetus by the Secretary General's High-level Panel on United Nations System-wide Coherence (see page 60). The three agencies decided in June 2006 to form a high-level group on working together.

Global Donor Platform for Rural Development

The Global Donor Platform for Rural Development (GDPRD) is a joint initiative of donor organizations that was established in 2003. The platform's objective is to reduce poverty and enhance economic growth in the rural areas of developing countries. Because of IFAD's focus on development in rural areas, the organization was invited to join the platform at the start.

In 2005 IFAD was designated as a lead agency for a series of GDPRD-sponsored country case studies on rural focus in poverty reduction strategies (PRSs). Previous stock-taking activities had shown gaps and disconnects between poverty assessments, PRS priority setting and the allocation of donor resources. The new studies are expected to assist in:

- understanding the country-specific weaknesses in PRS processes
- illustrating successes and failures in PRS rural focus
- identifying good practices and conditions required for replication
- providing a basis for more focused support from development partners for specific country-level processes

IFAD agreed to provide conceptual leadership, including strategic guidance and overall coordination, and to make a financial contribution for the studies. Preliminary results are expected in January 2007 and the finished case studies will be discussed with the Platform membership. The final report based on the case studies will then be distributed to members and partners as a GDPRD 'product'.

International Food Policy Research Institute

IFAD and the International Food Policy Research Institute (IFPRI) share a commitment to fighting poverty and strengthening food security. During 2006 the organizations agreed to advance their relationship and move from a funding mode to a strategic partnership that is richer in substance. The two stages of the plan include:

- an exploratory stage that takes stock of experiences and identifies key areas of cooperation
- a first stage that takes into account the findings of the exploratory stage and is to be funded by a large grant from IFAD

Work started on the exploratory stage and identified several strategic areas of cooperation:

- innovation, both institutional and technological, and support to rural networks of innovators
- policy dialogue in countries that are open to pro-poor policy changes
- the testing of policy solutions on the ground
- market linkages connecting small farmers to markets
- indigenous peoples
- the scaling up of pro-poor rural services such as finance and insurance
- capacity-building to enable rural communities to address stress and shock situations
- staff training

In July, IFAD and IFPRI held a regional policy forum in Alexandria, Egypt entitled Natural Resource Policies in the Near East and North Africa: from Management to Governance. The forum shared the results of a collaborative research project called Empowering the Rural Poor under Volatile Policy Environments in the Near East and North Africa. It provided an opportunity for researchers, policymakers, donors and representatives of civil society to come together and discuss possible ways forward for future phases of the research project and ways to apply the findings of the first phase.

Partnerships with civil society

The first global consultation of the Farmers' Forum was held in 2006 in conjunction with IFAD's Governing Council. The Farmers' Forum is a bottom-up process of consultation and dialogue between small farmers' and rural producers' organizations and IFAD and governments, focusing on rural development and poverty reduction.

Following consultations at the national and regional level, the Farmers' Forum meets every two years for a global consultation. In 2006 more than 50 leaders representing millions of small farmers from Africa, Asia, Latin America, the Near East and Europe came together to interact with IFAD staff and selected partners. They were also representing the regional and international federations, networks and movements of which they are members. These include the International Federation of Agricultural Producers, La Via Campesina, Réseau Organisations Paysannes and Producteurs Agricoles, Coordinadora de las Organizaciones de Productores Familiares del MERCOSUR, Asian Farmers Association for Sustainable Rural Development, and the World Forum of Fish Harvesters and Fishworkers. Forum participants were also invited to the Governing Council.

On the first day of the Farmers' Forum, three regional working groups – for Africa, Asia and Latin America – discussed ways to improve and institutionalize partnerships between IFAD and rural organizations in countries in each region. On the second day, thematic working groups discussed pro-poor access to land and land tenure security, capacity-building for grass-roots rural institutions, and regional market integration and family agriculture.

On the third day, participants endorsed a synthesis of the deliberations, which was read to the plenary session of the Governing Council. The main recommendations were related to:

- opening IFAD-led or IFAD-supported processes – such as the design, implementation and evaluation of programmes and projects, and the development of strategies – to the participation of farmers’ and rural producers’ organizations
- institutionalizing the Farmers’ Forum process
- strengthening IFAD’s focus on access to natural resources
- supporting capacity-building for farmers’ organizations through sustained direct financing
- deepening and broadening support to the active engagement of farmers’ organizations in regional integration processes, through an evaluation of the impact of regional market integration policies and market liberalization on family agriculture and rural livelihoods

IFAD responded to the requests and recommendations through a speech delivered by its President at the thirty-seventh World Farmers’ Congress of the International Federation of Agricultural Producers in Seoul in May 2006. IFAD made a number of precise, concrete commitments, most of which are currently being respected through direct grants to farmers’ organizations in various regions. The first global consultation of the Farmers’ Forum was far more than an event. It was a turning point in the relationship between IFAD and farmers’ organizations at all levels, and it also marked the start of work on a policy for IFAD’s partnership with farmers’ organizations.





Operational aspects

Fran Alia sells home-grown apples
at a market in Puka, northern Albania.

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Programme and project portfolio management

During 2006, IFAD continued to strengthen its programme and project management processes, and improve the effectiveness and impact of its operations. The organization issued revised and upgraded guidelines for portfolio review. To monitor impact more accurately and to share lessons learned, two guidelines for project completion were released: one for use by project management and another for use at IFAD headquarters.

To strengthen the portfolio review process, IFAD introduced major improvements:

- placing greater emphasis on applying rigorous rating systems
- including synthetic reviews of recommendations made by technical review committees on programmes and projects under design
- aggregating and interpreting impact data generated during the project completion process
- carrying out thorough analyses of the portfolio-at-risk and the current problem projects

There was stronger emphasis on portfolio clean-ups, and a number of loans were cancelled. In a drive to stimulate effective project management, IFAD extended fewer loans. At year-end, there were 186 programmes and projects in the ongoing portfolio for a total IFAD investment of US\$2.9 billion (Table 4).

Programme and project supervision and cooperating institutions

During 2006, IFAD continued to contract with a select number of cooperating institutions for supervision of the majority of IFAD-financed programmes and projects. As part of the Direct Supervision Pilot Programme, IFAD directly supervised ten programmes and projects, or about 5 per cent of the ongoing portfolio, during 2006. At year-end, cooperating institutions were supervising 176 ongoing programmes and projects, of which 128 (some 73 per cent) were supervised by the United Nations Office for Project Services (UNOPS) and the rest by seven other supervising institutions. Six of the directly supervised projects had been completed by year-end. The Executive Board approved a new Policy on Supervision and Implementation Support in December 2006 (see page 55).

Project portfolio and lending trends

In 2006, 31 new loans were approved worth US\$515.0 million (Table 1). These loans financed 27 new programmes and projects and covered financing gaps for post-tsunami programmes approved in 2005. The 27 new programmes and projects were also financed by project component grants worth US\$4.9 million (Table 7). The total cost of these programmes and projects is estimated at US\$910.8 million, of which US\$108.3 million will be provided by other external financiers and US\$282.7 million by financiers in the recipient countries – primarily the governments. When fully operational, these projects are expected to directly benefit more than 6.4 million people. Grants worth a total of US\$41.8 million were approved in 2006 (Table 7).

Since it began operations in 1978, IFAD has supported 731 programmes and projects in 114 countries and in Gaza and the West Bank for total financing of US\$9,466.2 million (Table 6). Governments and other financing sources in the recipient

countries, including individuals and households participating in the projects, have contributed about US\$9,042.9 million. Another US\$7,054.8 million came from external cofinanciers, of which bilateral donors contributed US\$1,210.0 million, multilateral donors US\$5,534.0 million and NGOs US\$25.8 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 that are yet to be confirmed amounted to US\$204.4 million.

TABLE 4
Ongoing programme and project portfolio by region^a
(as at end December 2006)

	Number of programmes and projects	IFAD investment ^b (US\$ million)
Western and Central Africa	42	538.6
Eastern and Southern Africa	37	564.9
Asia and the Pacific	45	886.8
Latin America and the Caribbean	31	522.2
Near East and North Africa ^c	31	436.4
Total^d	186	2 948.8

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 President's report for each programme or project 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 5
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 2004		Programmes and projects at end 2005		Programmes and projects at end 2006	
	Number	%	Number	%	Number	%
African Development Bank	1	0.6	1	0.6	3	1.7
Andean Development Corporation	12	6.7	10	5.9	10	5.7
Arab Fund for Economic and Social Development ^c	7	3.9	5	2.9	-	-
Asian Development Bank	2	1.1	2	1.2	1	0.6
Caribbean Development Bank	4	2.2	2	1.2	2	1.1
Central American Bank of Economic Integration	4	2.2	4	2.4	3	1.7
United Nations Office for Project Services	119	66.5	122	71.8	128	72.7
West African Development Bank	8	4.5	8	4.7	9	5.1
World Bank	22	12.3	16	9.4	20	11.4
Total^d	179	100.0	170	100.0	176	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. Any discrepancy in totals is the result of rounding.

^b Programmes and projects may change cooperating institution. This table shows numbers of cooperating institutions at end 2006 for programmes and projects that were effective in 2004, 2005 and 2006.

^c In January 2006, AFESD informed IFAD that cooperation would be confined to project cofinancing only. The ongoing projects formerly supervised by AFESD were transferred to UNOPS.

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

TABLE 6
IFAD financing by region, 1978-2006^a
(amounts in US\$ million)

	1978-1985	1986-1995	1996-2005	2006	%	1978-2006	%
Western and Central Africa							
Total amount	287.9	586.6	701.6	89.6	17.2	1 665.9	17.6
Number of programmes and projects	35	63	57	7		162	
Recipient borrowers						24	
Eastern and Southern Africa							
Total amount ^b	316.9	498.5	774.4	93.9	18.1	1 683.6	17.8
Number of programmes and projects	28	48	54	5		135	
Recipient borrowers						20	
Asia and the Pacific							
Total amount	858.3	800.8	1 217.4	168.7	32.4	3 045.2	32.2
Number of programmes and projects	49	62	67	6		184	
Recipient borrowers						21	
Latin America and the Caribbean							
Total amount	306.9	420.0	682.4	90.1	17.3	1 499.4	15.8
Number of programmes and projects	34	42	44	5		125	
Recipient borrowers						28	
Near East and North Africa^c							
Total amount ^b	359.1	448.3	687.0	77.7	14.9	1 572.0	16.6
Number of programmes and projects	32	37	52	4		125	
Recipient borrowers						22	
Total IFAD financing^{d, e}	2 129.2	2 754.3	4 062.8	519.9	100.0	9 466.2	100.0
Total number of programmes and projects^f	178	252	274	27		731	
Total recipient borrowers						115	

Source: Project and Portfolio Management System.

^a Amounts as per the President's report for each programme or project 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 2005 figures include four programmes in countries affected by the tsunami (with IFAD financing of US\$33.7 million approved outside the Regular Programme). 2006 figures include the additional loans (US\$35.0 million) approved to cover financing gaps for those programmes.

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

Regional⁶ and priority country lending

In 2006, the largest share of new financing went to sub-Saharan Africa. The region received 40.1 per cent of 2006 financing (Chart 2).

Asia and the Pacific received 32.4 per cent of new financing in 2006. Latin America and the Caribbean received 17.3 per cent and the Near East and North Africa received 10.2 per cent of new financing.

IFAD continues to emphasize assistance to least developed countries and countries with low food security. Of 2006 lending, 75.0 per cent was to low-income food-deficit countries – as classified by FAO – and 36.4 per cent to the UN-classified least developed countries (Table 8 and Chart 3).

6/ See pages 14, 18, 22, 25 and 29 for a list of countries by administrative region.

TABLE 7
Summary of grant financing, 1978-2006^a
(amounts in US\$ million)

	1978-2003	%	2004	%	2005	%	2006	%	2004-2006	%
Projects and project component^b										
Amount	32.4	7.0	3.3	9.9	6.2	16.9	4.9	11.7	14.4	12.9
Number of grants	40		6		12		11		29	
Project preparation/ Project Development Fund^{c, d}										
Amount	89.4	19.3	0.0	-	0.0	-	0.0	-	0.0	-
Number of grants	621		0	-	0	-	0	-	0	-
Research										
Amount	172.5	37.3	0.0	-	0.0	-	0.0	-	0.0	-
Number of grants	216		0	-	0	-	0	-	0	-
Research CGIAR										
Amount	115.6	67.0	0.0	-	0.0	-	0.0	-	0.0	-
Number of grants	143		0	-	0	-	0	-	0	-
Research non-CGIAR										
Amount	56.9	33.0	0.0	-	0.0	-	0.0	-	0.0	-
Number of grants	73		0	-	0	-	0	-	0	-
Training and other										
Amount	127.7	27.6	0.0	-	0.0	-	0.0	-	0.0	-
Number of grants	329		0	-	0	-	0	-	0	-
Special Operations Facility^d										
Amount	18.1	3.9	0.0	-	0.0	-	0.0	-	0.0	-
Number of grants	185		0	-	0	-	0	-	0	-
Environmental assessment^d										
Amount	4.2	0.9	0.0	-	0.0	-	0.0	-	0.0	-
Number of grants	52		0	-	0	-	0	-	0	-
IFAD/NGO Extended Cooperation Programme										
Amount	18.7	4.0	0.0	-	0.0	-	0.0	-	0.0	-
Number of grants	275		0	-	0	-	0	-	0	-
Global/regional grants										
Amount			23.9	71.7	27.6	75.4	29.1	69.6	80.6	72.2
Number of grants			48		39		59		146	
Country-specific grants^e										
Amount			6.1	18.3	2.8	7.7	7.8	18.7	16.7	14.9
Number of grants			33		15		39		87	
Total amount	463.0	100.0	33.3	100.0	36.6	100.0	41.8	100.0	111.7	100.0
Total number of grants	1 718		87		66		109		262	

Source: Loans and Grants System, Project and Portfolio Management System.

^a The grant policy adopted in December 2003 stipulated only two grant windows: Global/regional and Country-specific. Reporting from 2004 onwards reflects the new policy. Any discrepancy in totals is the result of rounding.

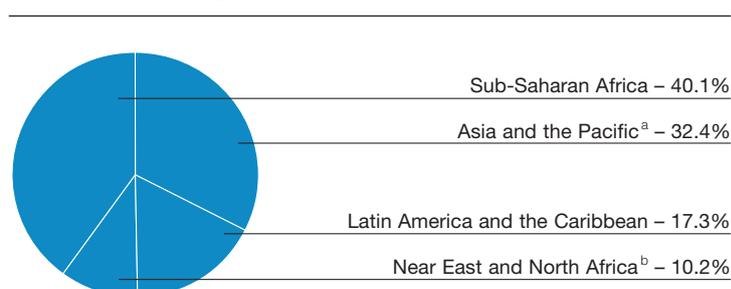
^b Grants that are components of loan-funded programmes and projects are not reflected in the country-specific window to avoid double counting. Includes one project component grant (of US\$200,000) approved in 2005 outside the Regular Programme for a country affected by the tsunami.

^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 PDFF are not included in this table.

CHART 2
**Regional distribution of IFAD financing approved in 2006
under the Regular Programme**



Source: Project and Portfolio Management System.

^a Includes supplementary loans for tsunami-related programmes.

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

Allocation of lending by lending terms⁷

The bulk of IFAD's lending is on highly concessional terms.⁸ In 2006, the value of highly concessional loans represented 78.9 per cent of the year's total lending. Another 6.8 per cent were intermediate loans and the remaining 14.3 per cent were ordinary term loans (Chart 4 and Table 9).

As a share of IFAD's cumulative lending portfolio, highly concessional loans now represent 72.6 per cent (Table 9), higher than the two-thirds target set out in the *Lending Policies and Criteria* of IFAD.

In terms of regional distribution, 93.7 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 84.9 per cent (Table 10). 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 represented 23.4 per cent and 42.9 per cent respectively of their total loans from IFAD.

Disbursements

In 2006, IFAD loan disbursements reached their highest level ever at US\$386.9 million. Cumulative disbursements on loans under the Regular Programme amounted to US\$5,633.3 million (75.3 per cent of effective commitments) at the end of 2006 (Tables 11 and 12) compared with US\$5,247.4 million (75.6 per cent of effective commitments) disbursed at the end of 2005.

Cofinancing of IFAD programmes and projects

Twenty-five of the 27 programmes and projects approved in 2006 were designed and initiated by IFAD (Table 13). Of these, 13 will receive external cofinancing for US\$74.8 million (18.8 per cent of their cost) and domestic contributions – from recipient governments or other local sources – for another US\$86.1 million (21.6 per cent of their cost). The other 12 IFAD-initiated projects were financed by IFAD for US\$273.1 million (61.1 per cent) and domestic sources for US\$174.0 million (38.9 per cent).

Of the US\$2,736.6 million contributed over the years to IFAD-initiated projects by external cofinanciers, the bulk was from multilateral donors, 69.7 per cent, followed by bilateral donors with 21.4 per cent. NGOs have contributed US\$15.8 million (0.6 per cent) (Chart 5).

The major multilateral cofinanciers of IFAD-initiated projects over the years were OFID with US\$264.0 million, the International Bank for Reconstruction and Development (IBRD – of the World Bank Group) with US\$259.9 million, followed by the Arab Fund for Economic and Social Development (AFESD) with US\$236.1 million, and WFP with US\$193.6 million (Chart 6). Together, these four represent 50 per cent of total multilateral cofinancing of US\$1,906.6 million.

Belgium is the largest bilateral donor, having provided US\$98.3 million over the years in cofinancing, followed by Germany with US\$86.3 million, the Netherlands with US\$80.5 million and the United Kingdom with US\$77.6 million. These figures represent 16.8 per cent, 14.7 per cent, 13.7 per cent and 13.2 per cent respectively of total bilateral cofinancing of IFAD-initiated projects of US\$586.4 million (Chart 7).

7/ 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 the projects.

8/ 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 8
Summary of IFAD programme and project lending to priority countries, 1978-2006
(amounts in US\$ million)

	1978-1985	%	1986-1995	%	1996-2005	%	2006	%	1978-2006	%	Number of countries ^a		
											In group	IFAD Member States	With IFAD project
Least developed countries^b													
Amount ^c	876.4	41.4	1 058.9	38.6	1 611.9	39.9	187.7	36.4	3 734.9	39.7	50	48	44
Number of programmes and projects	90		117		119		13		339				
Low-income food-deficit countries^d													
Amount ^c	1 730.3	81.8	2 154.1	78.6	3 217.9	79.6	386.3	75.0	7 488.6	79.5	82	77	72
Number of programmes and projects	138		194		215		21		568				
Lending for all IFAD programmes and projects^{e, f}													
	2 115.9		2 741.7		4 044.0		515.0		9 416.6				
Total number of programmes and projects^g													
	178		251		272		27		728				

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 for this reason 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 2006, 50 were thus classified: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, the Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, The Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, 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 Member States of IFAD.

^c Amounts as per the President's report for each loan presented to the Executive Board. Any discrepancy in totals is the result of rounding.

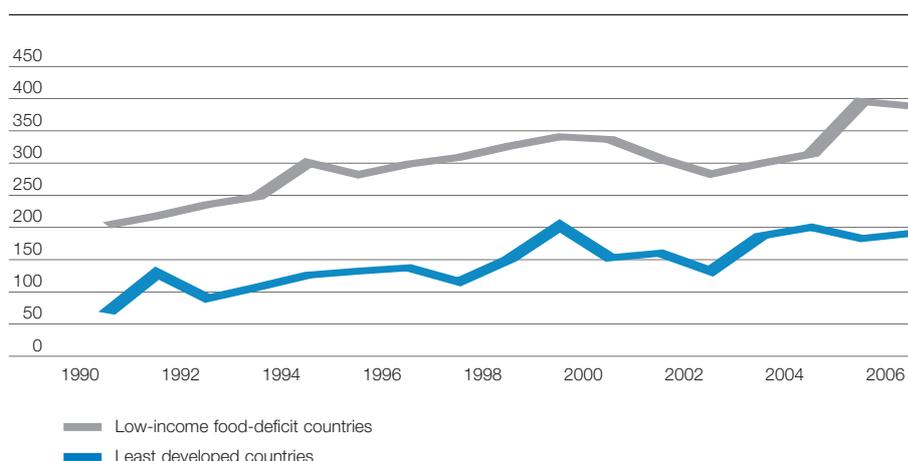
^d In 2006, FAO classified 82 countries as "low-income food-deficit": Afghanistan, Albania, Angola, Armenia, Azerbaijan, Bangladesh, Belarus, Benin, Bhutan, Bosnia and Herzegovina, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, the Central African Republic, Chad, China, the Comoros, the Congo, the Democratic Republic of the Congo, Côte d'Ivoire, the Democratic People's Republic of Korea, Djibouti, Ecuador, Egypt, Equatorial Guinea, Eritrea, Ethiopia, The Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Haiti, Honduras, India, Indonesia, Iraq, Kenya, Kiribati, Kyrgyzstan, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mongolia, Morocco, Mozambique, Nepal, Nicaragua, 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 Member States of IFAD.

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

^f 2005 figures include four programmes in countries affected by the tsunami (with IFAD financing of US\$33.7 million approved outside the Regular Programme). 2006 figures include the additional loans (US\$35.0 million) approved to cover financing gaps for those programmes.

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

CHART 3
IFAD lending to priority countries, 1990-2006^a
(amounts in US\$ million)



Source: Project and Portfolio Management System.

^a 2005 figures include four programmes in countries affected by the tsunami (with IFAD financing of US\$33.7 million approved outside the Regular Programme). 2006 figures include the additional loans (US\$35.0 million) approved to cover financing gaps for those programmes.

TABLE 9
Summary of IFAD loans by lending terms, 1978-2006^a
(amounts in US\$ million)

	1978-1985	%	1986-1995	%	1996-2005	%	2006	%	1978-2006	%
Highly concessional										
Amount	1 438.0	68.0	1 699.0	62.0	3 297.2	81.5	406.3	78.9	6 840.6	72.6
Number of loans	119		178		223		26		546	
Intermediate										
Amount	547.2	25.9	666.6	25.5	356.8	8.8	35.2	6.8	1 605.8	17.1
Number of loans	48		56		27		2		133	
Ordinary										
Amount	130.7	6.2	376.1	13.7	389.9	9.6	73.4	14.3	970.2	10.3
Number of loans	12		31		23		3		69	
Total amount	2 115.9	100.0	2 741.7	100.0	4 044.0	100.0	515.0	100.0	9 416.6	100.0
Total number of loans^{b, c}	179		265		273		31		748	

Source: Project and Portfolio Management System.

^a Amounts as per the President's report for each loan presented to the Executive Board. Any discrepancy in totals is the result of rounding. Includes Regular Programme loans and Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans. 2005 figures include four programmes in countries affected by the tsunami (with IFAD financing of US\$33.7 million approved outside the Regular Programme). 2006 figures include the additional loans (US\$35.0 million) approved to cover financing gaps for those programmes.

^b A programme or project may be financed through more than one loan and for this reason 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 10
Summary of IFAD loans by region and lending terms, 1978-2006^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	3 347.7	93.7	2 579.2	84.9	349.9	23.4	567.8	42.9	6 844.6	72.6
Percentage of highly concessional loans	48.9		37.7		5.1		8.3		100.0	
Number of loans	308		160		30		48		546	
Intermediate										
Amount	208.1	5.8	457.7	15.1	466.9	31.2	480.9	36.3	1 613.6	17.1
Percentage of intermediate loans	12.9		28.4		28.9		29.8		100.0	
Number of loans	21		29		49		34		133	
Ordinary										
Amount	16.7	0.5	0.0	0.0	678.4	45.4	275.1	20.8	970.2	10.3
Percentage of ordinary loans	1.7		0.0		69.9		28.4		100.0	
Number of loans	3		0		46		20		69	
Total amount	3 572.5	100.0	3 036.9	100.0	1 495.3	100.0	1 323.8	100.0	9 428.4	100.0
Percentage of total IFAD lending	37.9		32.2		15.9		14.0		100.0	
Total number of loans^{c, d}	332		189		125		102		748	

Source: Project and Portfolio Management System.

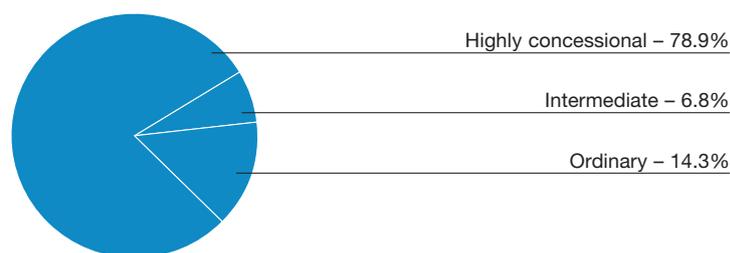
^a Amounts as per the President's report for each loan presented to the Executive Board. Any discrepancy in totals is the result of rounding. Includes Regular Programme loans and Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans. 2005 figures include four programmes in countries affected by the tsunami (with IFAD financing of US\$33.7 million approved outside the Regular Programme). 2006 figures include the additional loans (US\$35.0 million) approved to cover financing gaps for those programmes.

^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 for this reason 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 2006 by lending terms^a



Source: Project and Portfolio Management System.

^a Percentages refer to value of loans.

TABLE 11
Annual loan disbursement by region under the Regular Programme, 1996-2006^a
(amounts in US\$ million)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1979-2006
Western and Central Africa	27.8	34.2	34.2	30.4	36.0	33.0	34.5	48.6	61.4	62.3	57.8	804.5
Eastern and Southern Africa	28.9	24.9	37.9	30.7	40.2	54.1	46.9	55.4	70.2	75.9	88.6	926.4
Asia and the Pacific	88.4	94.8	95.7	86.2	83.0	97.9	86.1	78.7	73.1	93.1	127.2	2 009.1
Latin America and the Caribbean	35.7	45.3	50.4	53.2	51.0	63.1	51.4	47.0	49.1	42.3	57.4	912.6
Near East and North Africa^b	38.9	28.9	55.5	70.2	59.7	43.2	44.5	56.1	57.6	68.0	55.9	980.7
Total^c	219.7	228.2	273.7	270.7	269.8	291.3	263.4	285.8	311.4	341.6	386.9	5 633.3

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.

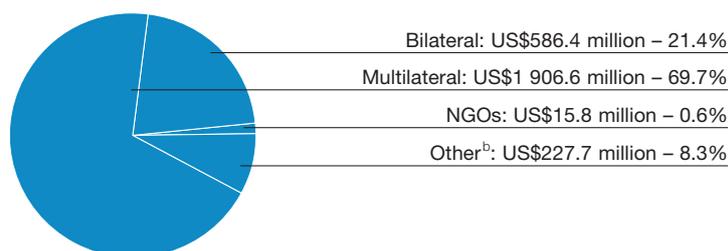
TABLE 12
Loan disbursement by region and lending terms under the Regular Programme, 1979-2006
(amounts in US\$ million)

	Highly concessional	Intermediate	Ordinary	Total
Western and Central Africa				
Amount	731.8	60.3	12.4	804.5
Percentage of effective commitment	65.5%	100.0%	100.0%	67.7%
Eastern and Southern Africa				
Amount	844.0	81.2	1.2	926.4
Percentage of effective commitment	73.3%	84.3%	100.0%	74.2%
Asia and the Pacific				
Amount	1 655.8	353.3	0.0	2 009.1
Percentage of effective commitment	75.9%	100.0%	0.0%	79.3%
Latin America and the Caribbean				
Amount	206.6	352.9	353.1	912.6
Percentage of effective commitment	68.1%	88.5%	64.5%	73.2%
Near East and North Africa^a				
Amount	524.3	290.6	165.8	980.7
Percentage of effective commitment	76.2%	78.3%	82.2%	77.7%
Total	3 962.5	1 138.3	532.5	5 633.3
Total percentage of effective commitment	72.9%	88.9%	69.8%	75.3%

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, 1978-2006^a



Source: Project and Portfolio Management System.

^a Amounts refer to cofinancing as appearing in the President's report at the time of approval.

^b This 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 13
Cofinancing of IFAD programmes and projects, 1978-2006^a
(amounts in US\$ million)

	1978-1985	%	1986-1995	%	1996-2005	%	2006	%	1978-2006	%
Programmes and projects initiated by cooperating institutions										
IFAD ^b	953.0	14.7	219.8	18.6	321.0	17.8	9.3	14.2	1 503.1	15.8
Cofinanced ^c	2 545.1	39.4	682.7	57.7	1 057.1	58.8	33.5	51.2	4 318.3	45.4
Domestic	2 967.6	45.9	280.0	23.7	420.5	23.4	22.6	34.6	3 690.6	38.8
Total	6 465.6	100.0	1 182.5	100.0	1 798.6	100.0	65.3	100.0	9 512.0	100.0
Number of programmes and projects	84		26		28		2		140	
Programmes and projects initiated by IFAD and cofinanced										
IFAD ^b	447.5	34.2	1 731.1	44.6	2 197.9	43.2	237.5	59.6	4 614.0	43.2
Cofinanced ^c	495.9	37.9	995.6	25.7	1 170.2	23.0	74.8	18.8	2 736.6	25.6
Domestic	365.6	27.9	1 151.3	29.7	1 716.3	33.8	86.1	21.6	3 319.3	31.1
Total	1 309.0	100.0	3 878.0	100.0	5 084.3	100.0	398.4	100.0	10 669.8	100.0
Number of programmes and projects	43		162		147		13		365	
Programmes and projects initiated and exclusively financed by IFAD										
IFAD ^b	728.7	58.4	803.4	60.9	1 543.9	65.2	273.1	61.1	3 349.1	62.2
Domestic	519.7	41.6	515.7	39.1	823.6	34.8	174.0	38.9	2 033.0	37.8
Total	1 248.4	100.0	1 319.1	100.0	2 367.5	100.0	447.0	100.0	5 382.1	100.0
Number of programmes and projects	51		64		99		12		226	
All programmes and projects^d										
IFAD	2 129.2	23.6	2 754.3	43.2	4 062.8	43.9	519.9	57.1	9 466.2	37.0
Cofinanced	3 041.0	33.7	1 678.3	26.3	2 227.2	24.1	108.3	11.9	7 054.8	27.6
Domestic	3 852.9	42.7	1 947.0	30.5	2 960.4	32.0	282.7	31.0	9 042.9	35.4
Total	9 023.0	100.0	6 379.7	100.0	9 250.4	100.0	910.8	100.0	25 563.9	100.0
Number of programmes and projects	178		252		274		27		731	

Source: Project and Portfolio Management System.

^a 2005 figures include four programmes in countries affected by the tsunami (with IFAD financing of US\$33.7 million approved outside the Regular Programme). 2006 figures include the additional loans (US\$35.0 million) approved to cover financing gaps for those programmes.

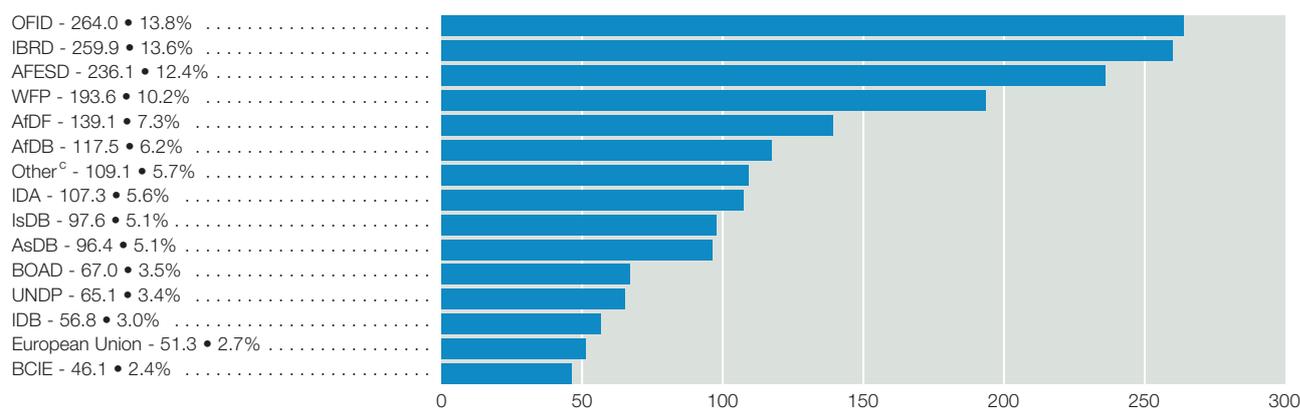
^b Amounts as per the President's report for each programme or project presented to the Executive Board. Programme and project amounts include grants that are components of loan-funded programmes and projects. Grants not related to programmes and projects are not included in this table. Any discrepancy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

^c Includes cofinancing that was not confirmed at the time of Executive Board approval.

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

CHART 6

Cofinancing of IFAD-initiated programmes and projects by multilateral donor, 1978-2006^{a, b}
(amounts in US\$ million)



Source: Project and Portfolio Management System.

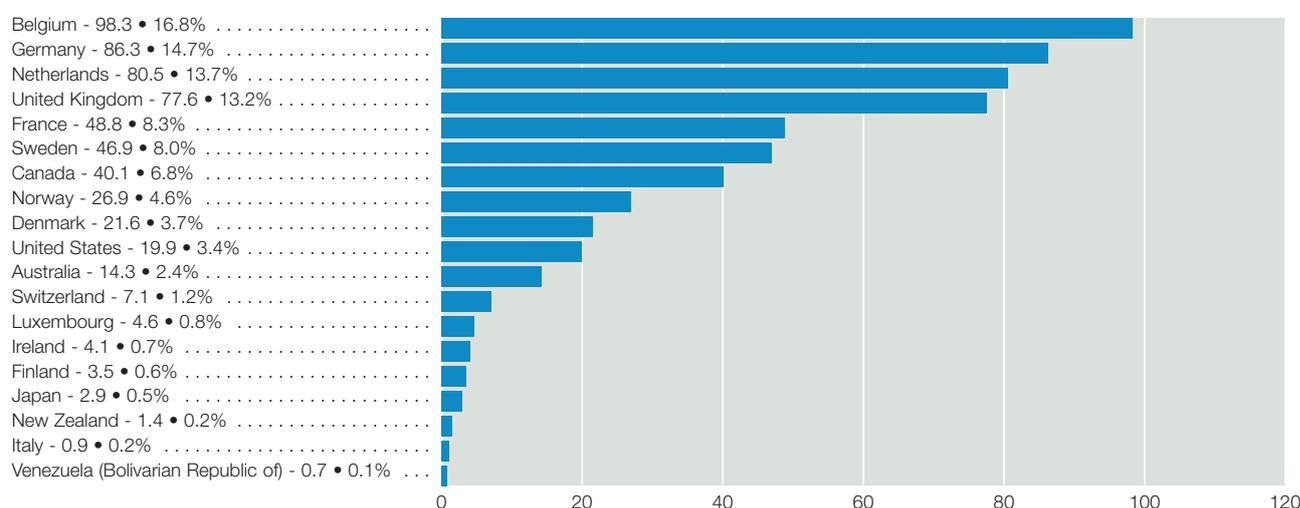
^a Amounts as per the President's report for each programme or project presented to the Executive Board. Any discrepancy in totals is the result of rounding. The amounts and percentages shown here represent the share of each multilateral in total multilateral cofinancing of US\$1 906.6 million. Multilateral 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), 1978-2006^a
(amounts in US\$ million)



Source: Project and Portfolio Management System.

^a Amounts as per the President's report for each programme or project presented to the Executive Board. 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\$586.4 million. Bilateral participation in basket or similar funding arrangements is not included.





Summary of 2006 programmes, projects and grants

Deogratias Niyitegeka (left) and Jean Claude Motobazi make furniture at a workshop for trainee carpenters in Dufatanye, Byumba Province, Rwanda. Learning a trade gives young rural people the chance to make a decent income.

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Number of effective programmes and projects by region and country (end 2006)

186 programmes and projects
81 countries and Gaza and the West Bank

Western and Central Africa

42 programmes and projects
18 countries

Eastern and Southern Africa

37 programmes and projects
15 countries

Asia and the Pacific

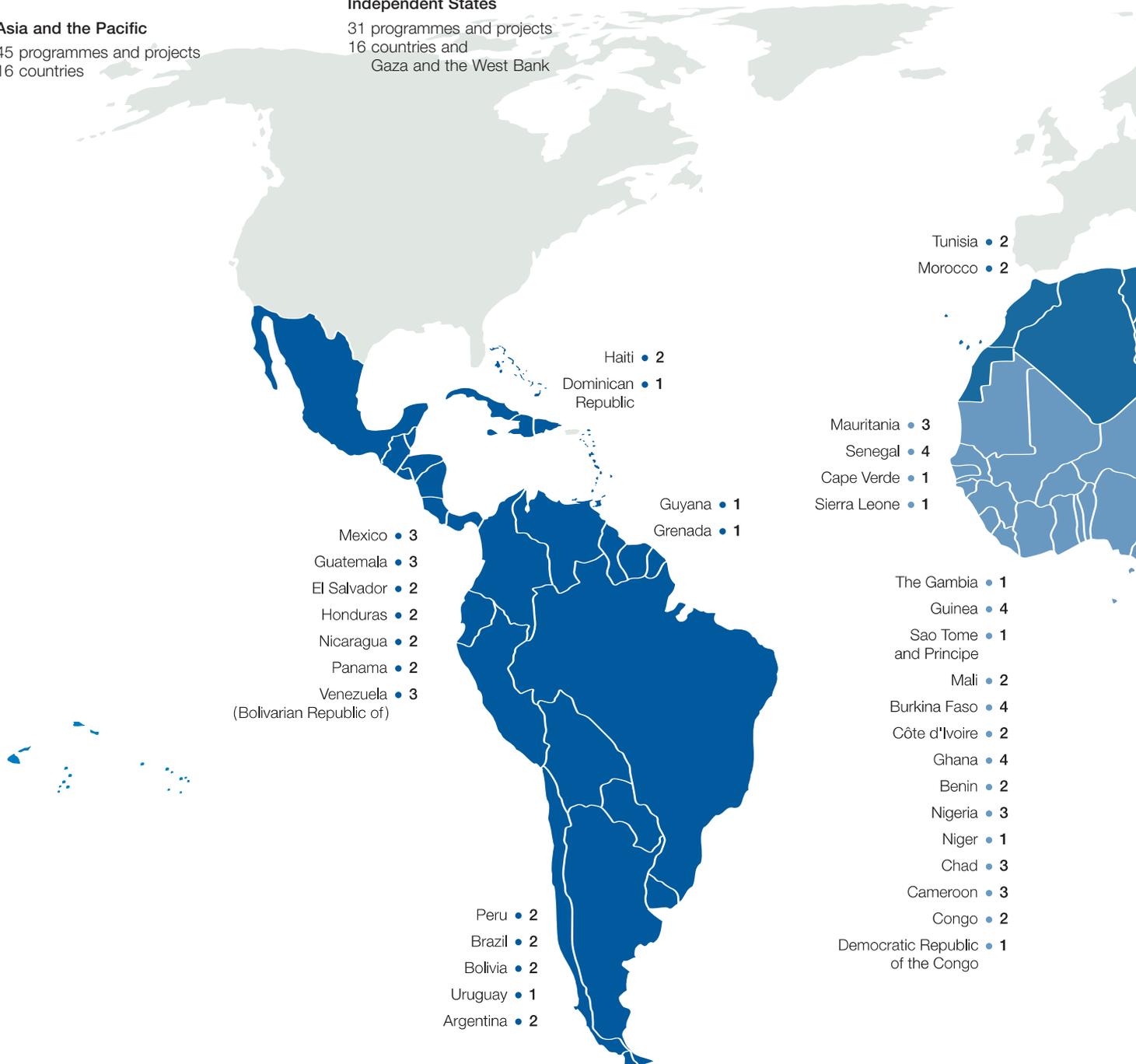
45 programmes and projects
16 countries

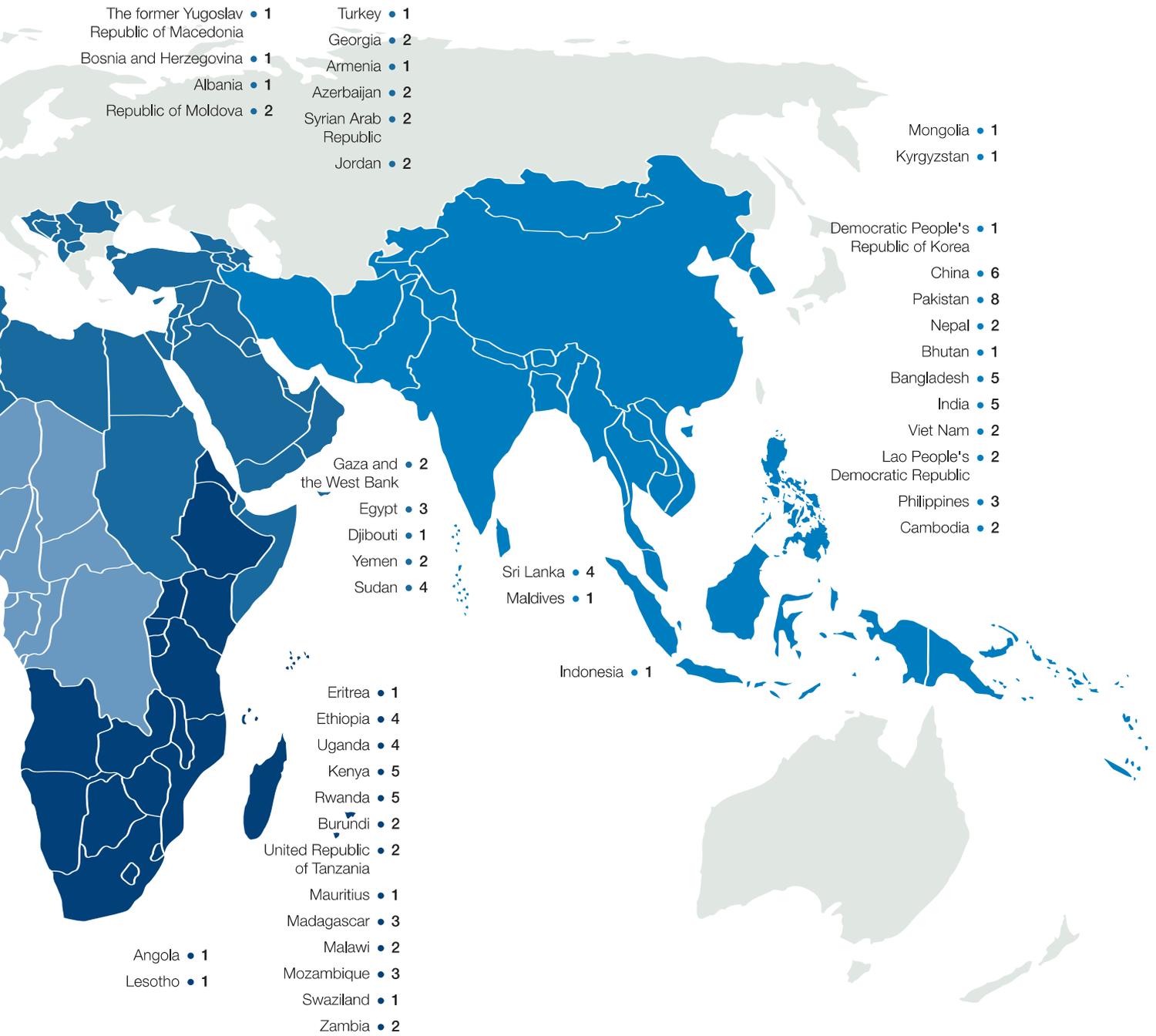
Latin America and the Caribbean

31 programmes and projects
16 countries

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

31 programmes and projects
16 countries and
Gaza and the West Bank





Programmes and projects

Western and Central Africa

Burkina Faso

Agricultural Commodity Chain Support Project

The project's aim is to reduce rural poverty by improving poor rural people's access to profitable markets. Its specific objectives are to:

- develop links between project participants and other stakeholders in the commodity chain
- strengthen the capacities of members of the target group and their organizations
- improve poor rural people's access to productive investments and marketing services

It will support five commodity chains: cowpea, sesame, poultry, onions, and goats and sheep. These offer considerable development opportunities for poor rural people, particularly because Burkina Faso borders six neighbouring countries and is well placed to take advantage of this regional economic opportunity. The project's target includes 1,000 common economic interest groups, among them 800 farmers' groups and 200 traders' and processors' groups. The project will also work to strengthen 30 professional commodity chain organizations. A total of 20,000 households are expected to benefit directly from project activities.

Loan amount: SDR 9.4 million (approximately US\$13.8 million) on highly concessional terms

Total project cost: estimated at US\$16.9 million, of which beneficiaries will provide US\$540,000 and national government US\$2.5 million

Directly supervised by IFAD

Congo

Rural Development Project in the Niari, Bouenza and Lékoumou Departments

The objective of the project is to increase the incomes and food security of the target population in the departments of Niari, Bouenza and Lékoumou in a sustainable manner. The people who will benefit directly are members of vulnerable poor communities in rural areas who have limited access to markets and resources, particularly financial resources. The specific objectives of the project are to:

- improve access to markets and production zones in a sustainable way
- support the production, diversification and marketing of food crops, livestock and fisheries
- strengthen the capacities of farmers' economic interest groups
- facilitate the access of smallholders to financial services

Participatory diagnostic and planning processes will ensure that members of the target group, especially women and young people and their organizations, are effectively involved in identifying project activities. The project will help poor rural people and their associations strengthen their negotiation skills and other relevant capacities.

Loan amount: SDR 5.9 million (approximately US\$8.4 million) on highly concessional terms

Total project cost: estimated at US\$20.8 million, of which beneficiaries will provide US\$545,000, OFID US\$7.5 million and national government US\$4.4 million

Cooperating institution: UNOPS

The Gambia

Rural Finance Project

The goal of the project is to consolidate and expand the rural outreach of existing microfinance institutions (MFIs). Specific objectives are to:

- foster self-sustaining rural MFIs
- ensure that MFIs have access to support from technical service providers
- forge mutually beneficial partnerships with other projects
- ensure that the proceeds of IFAD financing are used effectively

When the project closes, it is expected that 180 rural branches of MFIs and 2,276 Gambia Women's Finance Association groups will be delivering financial services to rural clients. Village savings and credit associations and three non-bank financial institutions will serve about 180,000 clients, more than half of them women. Local participants will be involved in planning, executing and monitoring activities, as well as in evaluating impact.

Loan amount: SDR 4.2 million (approximately US\$6.1 million) on highly concessional terms

Total project cost: estimated at US\$8.7 million, of which IFAD will provide a grant of SDR 280,000 (approximately US\$400,000), beneficiaries US\$382,000 and national government US\$952,000; US\$873,000 from the credit line of the Rural Finance and Community Initiatives Project will be utilized

Directly supervised by IFAD

Mali

Kidal Integrated Rural Development Programme

The programme is designed to help reduce poverty and food insecurity among the people of the Kidal region. Specifically it will:

- increase and diversify incomes by stabilizing returns from nomadic livestock husbandry and by promoting agropastoral activities
- improve living conditions, particularly among women, by improving access to basic socio-economic services and infrastructure

The programme will work to strengthen the capacity of local governments to identify, plan and implement investments targeting poor rural people, and it will foster participation. Activities will give special attention to women and will target 20,000 people, including:

- extremely vulnerable households with about four goats
- highly vulnerable households with mixed flocks of about ten small ruminants
- vulnerable households with flocks of approximately 30 small ruminants

Loan amount: SDR 7.7 million (approximately US\$11.3 million) on highly concessional terms

Total programme cost: estimated at US\$22.8 million, of which the West African Development Bank (BOAD) will provide US\$5.0 million, BSF US\$3.5 million, beneficiaries US\$260,000 and national government US\$2.7 million.

Cooperating institution: BOAD

Niger

Agricultural and Rural Rehabilitation and Development Initiative Project

The objective of the project is to improve the incomes, food security and living conditions of the poorest rural people of the Maradi region, in a sustainable manner. The project will work to increase the ability of local institutions, such as local government, farmers' organizations, and public and private service providers, to deliver the services rural people need for development. The project will reach approximately 68,000 households, with special emphasis on women and young people under the age of 25. It will provide resources to enable them to:

- overcome a high debt burden and recover from the disinvestments resulting from locust attacks in 2004 and low rainfall in 2005
- prevent or cope more effectively with future crises
- improve nutrition and child-feeding practices (45 per cent of children under five are malnourished)
- enhance food security
- develop sustainable income sources

Loan amount: SDR 10.4 million (approximately US\$15.3 million) on highly concessional terms

Total project cost: estimated at US\$36.3 million, of which IFAD will provide a grant of SDR 280,000 (approximately US\$400,000), OFID US\$6.4 million, BSF US\$5.7 million, WFP US\$2.1 million, beneficiaries US\$2.3 million and national government US\$4.2 million

Cooperating institution: UNOPS

Nigeria

Rural Finance Institutions-building Programme

The programme aims to strengthen microfinance institutions (MFIs) and establish linkages between MFIs and formal financial institutions to create a viable and sustainable rural finance system. Programme activities will develop rural financial services and enhance rural people's access to them in order to expand and improve agricultural productivity and rural microenterprises and small enterprises. The goal is to reduce rural poverty, especially among women, young people and the physically challenged. The strategy involves:

- providing support to develop and strengthen MFIs
- promoting the improvement of a legal, policy and regulatory framework to enhance operations and minimize the risk exposure of MFIs
- establishing linkages between the financial system and rural production systems to improve operational efficiency, raise productivity and minimize technical and credit risks

A major focus of the programme is the development of non-banking rural financial institutions that are composed of members of the target group.

Loan amount: SDR 18.5 million (approximately US\$27.2 million) on highly concessional terms

Total programme cost: estimated at US\$40.0 million, of which IFAD will provide a grant of SDR 270,000 (approximately US\$400,000), Ford Foundation a grant of US\$500,000, beneficiaries US\$985,100, domestic financial institutions US\$4.8 million and national government US\$6.2 million

Cooperating institution: World Bank/International Development Association

Senegal

Agricultural Services and Producer Organizations Project – PSAOP 2

The goal of the project's second phase is to reduce rural poverty by improving smallholders' access to sustainable and diversified agricultural services and innovations.

The project will:

- strengthen the institutional framework put in place during the first phase
- expand coverage of agricultural advisory services nationwide
- support the emergence of private services providers
- strengthen research capacity and focus
- empower producers' organizations while increasing their social accountability and representation

IFAD supports the project's strong focus on empowering producers' organizations, building their capacity and enhancing their social accountability and inclusiveness. Activities funded by IFAD will strengthen the learning process by testing, in the context of other IFAD-financed projects in Senegal, pro-poor approaches that can benefit from and feed into the institutional reform process. The organization will also provide grant funding, particularly for capacity-building in collaborative innovation management.

Loan amount: SDR 4.1 million (approximately US\$6.0 million) on highly concessional terms

Total project cost: estimated at US\$47.0 million, of which IFAD will provide a grant of SDR 210,000 (approximately US\$300,000), World Bank US\$20.0 million and national government US\$20.7 million

Cooperating institutions: World Bank (loan) and IFAD (grant)

Eastern and Southern Africa

Eritrea

Post-crisis Rural Recovery and Development Programme

The programme will promote conservation-based agriculture and natural resource management to raise agricultural productivity while safeguarding the environment. Its objective is to improve the income, food security and nutrition of 121,500 households. A technology development and dissemination system will ensure technical support for farming in more than 200,000 ha of drylands and 450 ha of land under irrigation, and for improving more than 40,370 ha of rangeland and rehabilitating 40,000 ha of degraded watersheds. Activities will enhance livestock production by improving communal rangeland. The programme will provide technical support for intensive livestock production, covering 4,000 dairy cows, 78,000 dairy goats and about 8,000 sheep. It will distribute more than 1,000 bee-raising packages. The programme's target includes poor and food-insecure households constituting over 80 per cent of the people living in the programme area. Particular attention will be given to households headed by women, internally displaced persons and returnees, and to 12,500 destitute households that cultivate plots of 1 ha or less and have no livestock.

Loan amount: SDR 8.3 million (approximately US\$12.2 million) on highly concessional terms

Total programme cost: estimated at US\$23.2 million, of which IFAD will provide a grant of SDR 230,000 (approximately US\$343,000), GEF US\$5.0 million (under preparation), beneficiaries US\$2.3 million and national government US\$1.0 million

Directly supervised by IFAD

Madagascar

Project to Support Development in the Menabe and Melaky Regions

The primary goal of the project is to establish a sound legal, regulatory and market-responsive environment within the agricultural sector to help the country reduce poverty. The major objectives of the project are to improve poor rural people's access to land and water resources to optimize agricultural production and ensure a sustainable increase in their incomes, while limiting the rural exodus towards urban centres. Specific objectives are to:

- support good local governance, land security and land use rights by establishing an appropriate legal and regulatory framework, both nationally and regionally, within the structure of decentralized land use management
- promote sustainable development of agricultural production among poor rural people

Loan amount: SDR 9.1 million (approximately US\$13.1 million) on highly concessional terms

Total project cost: estimated at US\$23.4 million, of which IFAD will provide a grant of SDR 255,000 (approximately US\$365,000), beneficiaries will provide US\$527,000, Millennium Challenge Account US\$4.7 million, European Union US\$1.6 million, Swiss Foundation Intercooperation US\$100,000, local NGOs US\$342,000 and national government US\$2.7 million

Cooperating institution: UNOPS

Mozambique

Agricultural Support Programme

The programme constitutes a core part of the second phase of Mozambique's National Programme for Agricultural Development (PROAGRI II), supporting the government's action plan for poverty reduction. Specifically it supports the government's objective of maintaining agricultural sector growth at a minimum level of 7 per cent per year to ensure that the Millennium Development Goals are reached. The goal is to reduce extreme poverty and improve the quality of life of people in rural areas. The programme will increase returns and improve household food security for subsistence farmers, particularly households headed solely by women or otherwise disadvantaged, through a steady rise in production efficiency. The key objectives are to ensure:

- wider access to effective technical support services
- better organized producer groups that can influence the supply of services
- demand-driven delivery of support services

Loan amount: SDR 13.9 million (approximately US\$20.0 million) on highly concessional terms

Total programme cost: estimated at US\$50.8 million, of which beneficiaries will provide US\$756,000 and national government US\$30.1 million

Directly supervised by IFAD

Uganda

District Livelihoods Support Programme

The programme works to improve the standard and sustainability of poor rural households' livelihoods. Its objectives are:

- empowerment and self-reliance of rural communities
- a sustainable increase in household productivity and incomes
- better management and rational utilization of individual and communal land
- improved access to key infrastructure and services
- adequate support to allow districts to provide services locally

The programme supports the decentralization process. To address some of the constraints that poor people face with regard to land tenure, land management and women's rights, the programme includes specific measures to support new land tenure, land use and domestic relations policies at the district level. An estimated 1.9 million poor people, or 316,000 households, live in the 13 districts of the programme area. Most participants will be small farmers and fishers, and women and young people living in remote and less-favoured parts of poorer areas.

Loan amount: SDR 18.6 million (approximately US\$27.4 million) on highly concessional terms

Total programme cost: estimated at US\$38.9 million, of which IFAD will provide a grant of SDR 280,000 (approximately US\$400,000), BSF US\$4.8 million, beneficiaries US\$1.3 million and national government US\$5.0 million

Cooperating institution: UNOPS

United Republic of Tanzania

Rural Micro, Small and Medium Enterprise Support Programme

The programme will enable rural entrepreneurs in the target group to improve their livelihood skills and knowledge and gain better access to markets. The objective is to increase their household food security and boost their cash incomes. Special attention will be paid to reaching the smallest businesses and women and young people. The programme will also support the country's Local Government Reform Programme by building capacity to promote enterprise development in rural areas. The target group includes:

- rural microenterprises, mainly owned by economically active poor households, with a specific focus on the most vulnerable groups, such as women, young people and households with chronically ill, disabled or HIV/AIDS-affected members
- smallholder farmers and fishers with the potential to produce and sell their produce to processors
- economically active poor rural households with members who can seize the increased employment opportunities in improved value chains

Loan amount: SDR 13.0 million (approximately US\$20.0 million) on highly concessional terms

Total programme cost: estimated at US\$25.3 million, of which IFAD will provide a grant of SDR 300,000 (approximately US\$450,000), Irish Aid US\$910,000, beneficiaries US\$225,000 and national government US\$4.2 million

Directly supervised by IFAD

Asia and the Pacific

China

Xinjiang Uygur Autonomous Region Modular Rural Development Programme

The objective of the programme is to reduce the incidence of poverty in target villages in a sustainable and gender-equitable way. It will enable poor people to improve their social and economic situation sustainably, so their incomes will exceed the poverty line at all times. Innovations with demonstrated potential for poverty reduction and successful programme modules will be scaled up. Women will benefit from all programme activities in at least equal proportions to men. The programme targets about 176,000 households, which comprise more than 40 per cent of the population in the ten counties that it covers. The target households live below the official poverty line and tend to have low skills levels and difficulty accessing financial resources. Labour resources are scarce and the productivity of economic activities is low.

Loan amount: SDR 16.7 million (approximately US\$25.1 million) on highly concessional terms

Total programme cost: estimated at US\$55.0 million, of which the national government will provide US\$29.9 million

Directly supervised by IFAD

India

Women's Empowerment and Livelihoods Programme in the Mid-Gangetic Plains

The programme has three objectives:

- building and strengthening community-level institutions for social and economic empowerment
- enabling the target group to access productive resources and social services
- building a sustainable livelihood base that is integrated with the wider economy

Approximately 108,000 households in six districts will benefit from the programme. Community-based organizations, including self-help groups, will develop the capacity to take charge of their own affairs, and a greater confidence in dealing with external development entities. Women and adolescent girls will be empowered economically, socially and organizationally. Over 50,000 enterprises will benefit from programme activities, including some 34,000 micro, 12,860 small and 104 medium-scale enterprises. The programme will work in the areas of:

- empowerment and capacity-building of communities and support organizations
- livelihood enhancement and enterprise development
- programme management

Loan amount: SDR 20.4 million (approximately US\$30.2 million) on highly concessional terms

Total programme cost: estimated at US\$52.5 million, of which beneficiaries will provide US\$2.5 million, domestic financial institutions US\$18.1 million and national government US\$1.7 million

Directly supervised by IFAD

Lao People's Democratic Republic

Northern Region Sustainable Livelihoods through Livestock Development Project

The project will contribute to the improved sustainability of livelihoods of upland smallholders in five provinces in the north of the country. It will enhance village livestock systems through improved livestock productivity and profitability under integrated upland farming systems. The project will have a positive impact on the incomes of at least 17,000 ethnic households and of women in 408 villages. The principal constraints faced by the ethnic groups in the project area relate to:

- declining productivity from upland agriculture
- lack of adequate land and forests for food production and gathering
- lack of access to appropriate technologies and marketing opportunities for improved livestock production and trade

Ethnic groups will benefit from appropriate technology transfer, group formation, access to financial services and development of village infrastructure. Women are expected to benefit particularly from training and improved access to resources and markets.

Loan amount: SDR 2.0 million (approximately US\$3.0 million) on highly concessional terms

Total project cost: estimated at US\$18.4 million, of which the Asian Development Bank will provide US\$10.0 million, the Swiss Agency for Development and Cooperation US\$3.5 million, beneficiaries US\$800,000 and national government US\$1.1 million

Cooperating institution: Asian Development Bank

Pakistan

Project for the Restoration of Earthquake-affected Communities and Households

The project's development goal is to enable rural households to rebuild livelihoods and reduce vulnerability in areas affected by earthquakes. The project will:

- restore livelihoods and replace lost assets; by repairing and rebuilding permanent housing, restoring basic community infrastructure and restoring household livestock
- ensure that priority is given to the most vulnerable households, which lack the economic means to rebuild their lives
- operate in a limited number of villages, and only where community organizations are able to facilitate implementation and maximize limited institutional capacity
- enable villagers to determine investments under the project and support them accordingly

Loan amount: SDR 18.4 million (approximately US\$26.4 million) on highly concessional terms

Total project cost: estimated at US\$29.6 million, of which domestic financing institutions will provide US\$141,000 and national government US\$3.0 million

Cooperating institution: World Bank

Sri Lanka

Smallholder Plantations Entrepreneurship Development Programme

The programme will improve the livelihoods and social conditions of smallholder estate crop producers in a sustainable way. It has the objectives of:

- strengthening the capacity and skills of participants, and establishing sustainable outgrower schemes with processing enterprises
- improving land tenure for smallholder tea and rubber growers and developing profitable and sustainable outgrower farming systems
- increasing producers' profits through improved post-harvest handling and marketing, as well as through mutually beneficial public-private partnerships
- developing and expanding rural financial services

The programme targets approximately 8,700 households. They include tea estate settlers and marginalized smallholder tea producers in the centre of the country, as well as poor upland food crop farmers in the Moneragala district who want to take up rubber cultivation.

Loan amount: SDR 15.3 million (approximately US\$22.5 million) on highly concessional terms

Total programme cost: estimated at US\$40.0 million, of which the United States Agency for International Development will provide US\$5.5 million, beneficiaries US\$1.0 million, domestic financial institutions US\$1.9 million, local private sector US\$5.2 million and national government US\$3.8 million

Directly supervised by IFAD

Viet Nam

Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces

The goal of the programme is to contribute to the sustainable improvement of poor people's incomes in rural areas of Viet Nam. Its aim is to facilitate poor rural people's access to and participation in markets in Ha Tinh and Tra Vinh provinces. The programme will work to:

- improve key markets and market mechanisms, processes and linkages
- create off-farm jobs and improve agricultural incomes
- link market-based initiatives to the needs and priorities of poor communes within a better functioning market environment

The programme will operate in seven districts in each province, with a focus on a total of 80 communes. It will generate lessons and experience that will be the basis for broader replication of successful market-oriented approaches and interventions.

Loan amount: SDR 17.6 million (approximately US\$26.0 million) on highly concessional terms

Total programme cost: estimated at US\$37.3 million, of which IFAD will provide a grant of SDR 270,000 (approximately US\$400,000), Germany US\$2.6 million, the Department for International Development of the United Kingdom US\$600,000, beneficiaries US\$1.1 million, domestic financial institutions US\$1.2 million and national government US\$4.1 million; with US\$1.3 million from sources to be determined

Cooperating institution: UNOPS

Latin America and the Caribbean

Argentina

Rural Areas Development Programme

The programme will contribute to the sustainable reduction of rural poverty in ten provinces of Argentina. It will:

- empower producers' organizations and groups that have a high percentage of women and young members
- carry out social and productive projects for indigenous groups and communities
- foster the transformation of the traditional farm and non-farm activities of poor rural households into sustainable, revenue-generating business activities
- offer work and business opportunities to rural young people
- facilitate access to business support services by participants and their organizations
- support institutional strengthening and policy dialogue in favour of poor rural people

About 19,450 rural producers will benefit directly from the programme. Some 11,540 are non-indigenous, family-based producers or adult rural workers, 37 per cent of whom are women. About 3,900 belong to indigenous communities, and more than 4,000 are young men and women. The non-indigenous population needs opportunities for employment or stable productive activity and sufficient income to meet their basic needs. The indigenous population is extremely vulnerable in terms of food security, health care, education and basic services.

Loan amount: SDR 13.1 million (approximately US\$19.3 million) on ordinary terms.

Total programme cost: estimated at US\$44.8 million, of which beneficiaries will provide US\$290,000 and national government US\$25.2 million

Directly supervised by IFAD

Bolivia

Enhancement of the Peasant Camelid Economy Support Project

The project will enhance and increase the social, human, financial, physical and natural assets of poor camelid producers and microentrepreneurs, especially women and young people. It will enable participants to gain better access to financial services, sustainable technical assistance, knowledge and information. More than 14,000 poor and food-insecure households will benefit directly. The target group includes poor producers of South American domestic camelids, peasant communities managing undomesticated populations of vicuñas, and artisans and small-scale traders. The project will focus on 6,300 households of market-led, productive poor people, and expand outreach to 7,800 additional poorer households, most of which are part of a community-based economy with fewer assets. Women will represent 55 per cent of targeted participants, and 23 per cent will be young people.

Loan amount: SDR 4.8 million (approximately US\$7.2 million) on highly concessional terms

Total project cost: estimated at US\$14.4 million, of which beneficiaries will provide US\$2.6 million, local government US\$220,000 and national government US\$4.3 million, of which US\$1.5 million from a European Union-financed government budget support programme

Directly supervised by IFAD

Brazil

Rural Communities Development Project in the Poorest Areas of the State of Bahia

The project's goal is to significantly reduce levels of poverty and extreme poverty in communities in semi-arid zones of the State of Bahia. The objective is to improve the living conditions of poor rural communities through environmentally sustainable social and economic development that promotes gender equity and the participation of young people in the rural labour force. Specific objectives include:

- empowering poor rural people and their grass-roots organizations by improving their capacity to participate in local, municipal and territorial development processes
- improving poor people's income-generating capacities by transforming subsistence-level economic activities into profitable agricultural and non-agricultural rural enterprises

The rural people participating in the project will be involved in the planning, management and supervision of activities.

Loan amount: SDR 20.8 million (approximately US\$30.0 million) on ordinary terms

Total project cost: estimated at US\$60.5 million, of which IFAD will provide a grant of US\$500,000, beneficiaries US\$600,200 and national government US\$29.4 million

Cooperating institution: UNOPS

Colombia

Rural Microenterprise Assets Programme: Capitalization, Technical Assistance and Investment Support

The programme's objective is to increase the social, human, financial and physical assets of small-scale entrepreneurs, especially women and young people, in poor rural areas of Colombia. The specific objective is to increase rural poor people's access to the financial resources, technical assistance, knowledge, information and governance structures (local, regional and national) that are essential to the development of their entrepreneurial activities and markets. The programme will foster poor rural people's participation in policy dialogue and in the formulation of public policies related to economic integration and its impact on rural poverty. It will directly target poor small-scale producers, microentrepreneurs and craftworkers who have scant access to resources but have dynamic social, economic and cultural potential.

Loan amount: SDR 13.5 million (approximately US\$20.0 million) on intermediate terms

Total programme cost: estimated at US\$32.1 million, of which beneficiaries will provide US\$2.1 million and national government US\$10.0 million

Cooperating institution: Andean Development Corporation

Haiti

Small-scale Irrigation Development Project (PPI-2)

The project has the aim of reducing rural poverty. Its objective is to improve the livelihoods and incomes of poor rural households in a sustainable manner, especially of the most vulnerable groups. It will work specifically to:

- intensify and increase sustainable agricultural production through efficient water management and consolidation of irrigated agriculture on both a collective and an individual basis
- develop agricultural production systems and other productive and income-generating activities
- strengthen communities' planning, organization and management capacity to facilitate market linkages and access to financial services

The project's goal is to reach 18,000 households living in remote rural areas where they have a marginal role in the essentially informal economy. These households survive at the subsistence level and are characterized by lack of communication links, low level of access to public or private services, and high transaction costs.

Loan amount: SDR 8.8 million (approximately US\$13.0 million) on highly concessional terms

Total project cost: estimated at US\$27.0 million, of which OFID will provide US\$8.0 million, beneficiaries US\$2.5 million and national government US\$3.5 million

Cooperating institution: UNOPS

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

Bosnia and Herzegovina

Rural Enterprise Enhancement Project

The project's goal is to increase the incomes of poor rural people in the target area. In accord with government poverty reduction policies, the project will work to enable farmers, smallholders and landless people to increase their incomes through on-farm and off-farm activities. Specific objectives include the sustained growth of rural enterprises and employment opportunities in the project area. The project will also support rural enterprises in improving dynamic market linkages at various levels, contributing to local, regional and national economies. Activities will directly benefit 10,000 poor rural households engaged in small-scale dairy production, fruit growing and various small-scale rural enterprises.

Loan amount: SDR 8.8 million (approximately US\$12.6 million) on highly concessional terms

Total project cost: estimated at US\$24.5 million, of which beneficiaries will provide US\$2.0 million, domestic financial institutions US\$1.7 million, OFID US\$6.0 million and national government US\$2.3 million

Cooperating institution: UNOPS

Egypt

Upper Egypt Rural Development Project

The project will work to reduce poverty and improve livelihoods. It will empower the target group to create sustained employment and increase incomes by:

- developing small and medium enterprises and microfinance services
- carrying out research and extension into farming systems to help small farmers achieve higher returns per unit of land and water
- improving water management for the more rational use and equitable distribution of available water for sustainable irrigation

The project will target the poorest people in the project area, including smallholders cultivating less than about one *feddan* (0.42 ha), landless labourers, unemployed young people and households headed by women. Activities will include:

- development of the private sector, including marketing and small enterprises and microenterprises, and financial services
- enhancement of agriculture competitiveness
- management of irrigation water
- project coordination and management

Loan amount: SDR 10.1 million (approximately US\$15.1 million) on intermediate terms

Total project cost: estimated at US\$19.9 million, of which IFAD will provide a grant of SDR 635,000 (equivalent to approximately US\$950,000) and national government US\$3.7 million

Directly supervised by IFAD

Sudan

Butana Integrated Rural Development Project

The overall goal of the project is to improve the livelihoods and drought-resilience of poor rural households in a sustainable way. Specific objectives include:

- establishing a coherent and cost-effective governance framework that ensures regulated access to land and water resources
- improving both women's and men's access to livestock markets and their bargaining positions
- developing the capacity of community-based organizations to engage in environmentally sound development initiatives that are gender and socially equitable

The target group is composed of smallholder agropastoralist households in the sand dune zone and in the clay plains, smallholder households engaged in irrigation, and smallholder transhumant households. About 80 per cent of the households living in the project area are expected to benefit from the project.

Loan amount: SDR 16.8 million (approximately US\$24.8 million) on highly concessional terms

Total project cost: estimated at US\$29.9 million, of which beneficiaries will provide US\$766,000, local government US\$1.0 and national government US\$3.2 million

Directly supervised by IFAD

Turkey

Diyarbakir, Batman and Siirt Development Project

The project will improve the economic and social status of poor rural people in the provinces of Diyarbakir, Batman and Siirt. Specific objectives are to:

- improve economic efficiency and livelihoods in poor rural villages in the project area within the framework of current production and employment patterns
- diversify income sources and increase employment, where feasible, through the establishment of new, profitable businesses and the expansion of existing ones, both on- and off-farm, mainly by improving supply chain management
- optimize the employability of members of the target groups through support to enhancing individual and organizational skills

The target groups include:

- poor farm households with at least two resident members of active working age
- poor rural women
- poor male and female seasonal workers
- poor unemployed male and female rural young people over 16 years of age

Loan amount: SDR 16.3 million (approximately US\$24.1 million) on ordinary terms

Total project cost: estimated at US\$37.4 million, of which UNDP will provide US\$752,000, beneficiaries US\$7.8 million and national government US\$4.8 million

Directly supervised by IFAD

Grants

The strategic objectives of IFAD's grant programme are to:

- promote pro-poor research on innovative approaches and technological options to enhance impact at field level
- build the pro-poor capacities of partner institutions, including community-based organizations and NGOs

Global and regional grants approved in 2006 focused on participatory technology development, community-based validation of innovative institutional arrangements, and knowledge-sharing through regional research and innovation networks. Prominent grant recipients continue to include international and regional institutions for agricultural research that focus on the needs of poor rural people, and their partners in national research systems.

Country-specific grants approved in 2006 were a response to key rural development and poverty-reduction issues identified by regional divisions. They addressed policy and institutional factors that have an influence on the effectiveness of lending operations, and they also addressed agricultural production constraints. Country-specific grants also tackled institutional weaknesses in agricultural research and development through capacity-building. Details of these grants appear with the summaries of approved programmes and projects. This year has seen a trend towards larger country-specific grants that help to ensure efficiency in both time and cost of internal processing. Because the Executive Board approves large grants, it has an opportunity to monitor the scope and direction of the country-specific grant programme.

Seventy-five small grants (of less than US\$200,000) were approved this year. Most of them focus on capacity-building, technical assistance and rural innovation. For example, a small, country-specific grant for Viet Nam was for improving understanding of cognition and institutions for poverty-reduction programmes and human security. It finances research on the issue of risk management and the behavioural choices of economically vulnerable and disadvantaged people. Another example was a small regional grant that cofinanced a conference hosted by the Library of Alexandria on the governance of natural resources in the region. The conference provided policy options to enhance the management of rangeland resources by poor pastoralist communities (see page 76).

IFAD's grant portfolio for 2006 totalled US\$55.0 million, including the transfer to the Programme Development Financing Facility. All grants are also subdivided into large (US\$30.3 million) and small (US\$11.5 million) grant categories. A summary of the large global and regional grants approved during the year appears below.

IFAD grants awarded to programmes and projects promoting pro-poor research

International Livestock Research Institute: Enhancing Livelihoods of Poor Livestock Keepers through Increased Use of Fodder – US\$1.6 million. The programme will increase the use of fodder in a holistic way, building on advances in participatory and innovation systems research, knowledge management, and concepts and approaches for scaling up. It will link with ongoing poverty-reduction programmes and will identify and remove constraints among a range of stakeholders at pilot learning sites. Work with diverse partners in Ethiopia, the Syrian Arab Republic and Viet Nam will yield generic lessons.

International Center for Agricultural Research in the Dry Areas: Programme for Rehabilitation of Agricultural Livelihoods of Women in Marginal Post-Conflict Areas of

Afghanistan and Pakistan – US\$1.1 million. The programme will enhance the economic empowerment of women and build on the centre's experiences in research for development, particularly on experiences based on effective participation of rural households. The programme will develop strategies for community-based adaptive research and participatory knowledge-sharing, focusing on technological, institutional and policy options for improving and diversifying household incomes.

World Agroforestry Centre: Programme to Support Smallholder Conservation Agriculture Promotion in Western and Central Africa – US\$1.5 million. The programme will raise the productivity of natural resources in Western and Central Africa in a sustainable way to reduce rural poverty. It will promote community- and smallholder-driven natural resource management, and cropping and farming systems that are responsive to local environmental, social and economic conditions.

International Institute of Tropical Agriculture (IITA): Programme for the Integrated Protection of Cassava from Emerging Pests and Diseases that Threaten Rural Livelihoods – US\$1.3 million. The programme will diminish the pressure of pests and diseases on cassava to reduce crop losses and improve the livelihoods of poor rural people who depend on this staple crop. Sustainable integrated pest management technologies will be tested and implemented in collaboration with various partners in five sub-Saharan African countries.

Bioversity International (IPGRI): Empowering the Rural Poor by Strengthening their Identity, Income Opportunities and Nutritional Security through the Improved Use and Marketing of Neglected and Underutilized Species – US\$1.4 million. The three-year programme will explore the potential of the genetic and cultural diversity contained in neglected and underutilized species of plants as a means of empowering poor rural people, raising incomes and strengthening the identity and food security of small farmers worldwide.

International Maize and Wheat Improvement Center: Facilitating the Adoption of Conservation Agriculture by Resource-poor Smallholder Farmers in Southern Africa – US\$1.5 million. The programme will apply the principles of conservation agriculture in selected communities in Malawi, Mozambique, Zambia and Zimbabwe to develop groups of farmers, researchers and extension agents who understand and champion the principles of conservation agriculture. It will build on existing work promoting the widespread adoption of conservation agriculture in smallholder maize-based farming systems in Eastern and Southern Africa.

IFAD grants awarded to programmes and projects building pro-poor capacities of partner institutions

International Food Policy Research Institute: Support Programme to the Poverty Reduction Strategy (PRS) Paper Process in Western and Central Africa – US\$500,000. The programme will help make PRS papers an effective framework for reducing rural poverty in the region. Through an inclusive participatory approach involving all of the stakeholders in the PRS process, the programme will develop low-cost instruments, tools and guidelines for monitoring and evaluating the processes, outcomes and impacts of proposed PRS options for rural poverty.

Asia-Pacific Rural and Agricultural Credit Association (APRACA): Programme for Accelerating the Financial Empowerment of Poor Rural Communities in Asia and the Pacific through Rural Finance Innovations – US\$1.2 million. The programme will promote the financial empowerment of poor people in rural areas in the Asia and the Pacific region through policy dialogue, innovative pilot programmes and knowledge-

sharing in the rural finance sector. It will foster an enabling, pro-poor policy environment and regulatory framework, encourage innovative approaches to rural finance that empower poor people, and replicate successful approaches throughout the region.

Participatory Microfinance Group for Africa (PAMIGA): Programme for the Promotion of Participatory Microfinance in Africa – US\$800,000. The programme will work to reduce poverty in rural areas by innovatively strengthening the decision-making role of poor people and empowering them as users and user-owners of local financial institutions. It will strengthen the institutional, organizational and technical capacity of the group's member organizations to provide sustainable, cost-effective rural financial services. It will also support the growth of promising participatory microfinance institutions and build local technical assistance capacity in participatory microfinance.

Sasakawa-Global 2000: Market-driven Initiative for Millet and Sorghum Development in Western and Central Africa – US\$1.3 million. The programme will improve food security in semi-arid Western and Central Africa by stimulating the consumption of traditional cereals and raising incomes. It will foster a market-driven approach to meet urban consumers' demand for affordable, good quality cereal products, and it will stimulate production and develop links between farmers' organizations and processors.

United Nations Capital Development Fund (UNCDF): Programme for Building Inclusive Financial Sectors in Western and Central Africa – US\$990,000. The programme will improve poor rural people's access to appropriate and sustainable financial services. It will implement IFAD's rural finance strategy in Western and Central Africa by developing the Building Inclusive Financial Sectors in Africa programme.

Food and Agriculture Organization of the United Nations: Programme for Enhancing the Agricultural Competitiveness of Rural Households in the Greater Mekong Subregion – US\$609,000. The objective of the programme is to improve the livelihoods, incomes and agricultural competitiveness of poor rural households. It will introduce new and improved production, handling and processing technologies for commodities of interest to poor rural people and particularly to women. It will make commodity chains more rewarding for poor producers and facilitate expanded trade for poor rural households within neighbouring countries.

Consultative Group to Assist the Poor (CGAP): Regional Partnership Programme to Support the Development of a Pro-poor Rural Financial Sector in the Near East and North Africa – US\$1.2 million. The regional partnership programme will improve poor rural people's access to sustainable financial services by improving the delivery, outreach, appropriateness and sustainability of financial services, and by strengthening the policy and regulatory framework for rural financial service delivery in the region.

Centro Internacional para el Desarrollo Humano (CIDH): Programme for Strengthening Rural Organizations for Policy Dialogue in the Context of the Dominican Republic-Central America-United States Free Trade Agreement – US\$800,000. The three-year programme will improve policies on smallholder agriculture to promote inclusive social and economic development at national and subregional levels. It will create a formal space where small farmers' organizations and national governments can discuss policies and their instruments.

West Africa Rural Foundation (WARF): Programme to Support IFAD-funded Projects' Monitoring and Evaluation Systems in the Western and Central Africa Region – US\$1.4 million. To enhance the performance and impact of IFAD's interventions in Western and Central Africa, this initiative will improve the capacity of IFAD-supported countries and programmes to monitor and evaluate their activities.

Netherlands-based International Development Organisation (CSNV) (not-for-profit Foundation): Programme for Strengthening Support Capacity for Enhanced Market Access and Knowledge Management in Eastern and Southern Africa – US\$1.6 million. The programme will increase returns to poor rural people by making it possible for them to establish more equitable and efficient linkages with markets. It will improve the effectiveness and capacity of ‘enablers’ – implementers, service providers, policymakers, private-sector operators and farmers’ organizations – to support market linkage initiatives.

Microfinance Centre for Central and Eastern Europe and the Newly Independent States (MFC): Facilitating Widespread Access to Micro-Insurance Services – US\$952,000. This three-year collaboration will facilitate the development of micro-insurance services and products for poor rural people. It will focus on how they can better manage the risks to their livelihoods and make progress in building assets.

Regional Programme for Rural Development Training (PROCASUR): Learning Routes Training Programme – US\$900,000. The programme will improve the implementation and management of rural development and poverty reduction projects, especially those which IFAD cofinances in Latin America, by building the human and social capacity of key stakeholders involved in implementation.

Global Mechanism of the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa: Support to Resource Mobilization for an Implementation of Action Programmes and Related Initiatives – Phase II – US\$1.25 million. The programme will provide financial resources to decentralize advisory services to national focal point institutions of the UNCCD, particularly in Latin America and the Caribbean. It will continue to strengthen south-south cooperation by building on past cooperation between North and West Africa, and Latin America and the Caribbean region.

International Land Coalition: Strengthening the performance of the International Land Coalition (ILC) – US\$1.7 million. The grant will contribute towards the ILC’s institutional requirements for transition-related operations and ongoing programmes and administration for the period ending 31 December 2008. During this period, ILC will progressively introduce necessary institutional changes while it continues to manage, implement and monitor its ongoing programmes at the global, country and regional levels.





Financial and institutional aspects

Women in El Rosario, Santa Ana State, El Salvador, feed the chickens that they raise as part of their own microenterprise. They started the business after receiving training through an IFAD-supported programme. They quickly recuperated their initial investment and began to make a profit.

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Institutional risk and internal control

In 2006 IFAD carried out an audit specifically focusing on internal controls over its financial reporting. The audit identified and documented more than 300 such internal controls. Its findings will support the organization's drive to continually improve internal controls and financial risk management.

Increased administrative efficiency

During the year, IFAD joined the International Financial Institution Benchmarking Initiative⁹ to review its accounting, information technology and human resource management processes. To devote a greater portion of its resources to programme development and implementation, IFAD is placing a high premium on increasing its administrative efficiency. For example, during 2006, in addition to the benchmarking initiative, work was under way in the Office of the Secretary to review and assess the efficiency of current procedures and processes and to propose measures for improvements.

IFAD's anticorruption policy

IFAD adopted its Policy on Preventing Fraud and Corruption in its Activities and Operations in December 2005. The policy's objective is to prevent and combat fraud and corruption in IFAD's activities and operations. Specific actions were undertaken in 2006 to implement the policy.

- The organization hired an investigation officer and an investigation assistant.
- IFAD carried out a comprehensive review of its internal and operational policies, procedures and legal instruments to identify and introduce amendments required for effective implementation of the anticorruption policy.
- IFAD asked two independent experts to conduct an external review of its investigation and sanction processes. Their conclusions were issued in October and will result in significant reforms to the institutional oversight and sanctions mechanisms early in 2007.
- The organization established communication facilities to allow and encourage communication of confidential reports of suspected fraud and corruption, both internally and externally, by telephone, fax and e-mail, and online.
- Following efforts in 2005 to raise awareness internally, in 2006 the organization disseminated information on the policy to IFAD-funded programmes and projects, particularly through a communication campaign. An anticorruption brochure was also published.
- An anticorruption website providing all relevant information on the policy and reporting mechanisms was created in English, French, Spanish and Arabic.

Green office procedures

During 2006, IFAD developed comprehensive 'green' office procedures to institute environmentally friendly measures at its headquarters. A brochure for IFAD staff was also prepared. The aim of the procedures is to:

- propagate the culture of environmental concern
- optimize efficient use of natural resources through use of environmentally friendly technologies
- reduce waste in IFAD's operations

9/ The World Bank, the Asian Development Bank, the Inter-American Development Bank, the African Development Bank, the European Bank for Reconstruction and Development and a number of smaller international financial institutions are participating in the benchmarking initiative.

The key issues and recommendations addressed by the procedures include usage of energy and water, and 'green' procurement of office materials. Additional issues include staff health, safety and comfort; indoor air quality; acoustics in meeting rooms; aesthetic values and landscape; and waste management. The procedures will help promote IFAD as a role model in corporate social and environmental responsibilities.

Managing IFAD's liquidity, cash flow and financial policies

The Office of the Treasurer is responsible for IFAD's overall asset and liability management, including daily cash-flow operations, longer-term resource projections, investment and liquidity policy formulation, and financial risk management. It manages US\$2.4 billion worth of liquidity, all of which is fully committed to or against IFAD's loans and grants. Part of this liquidity is invested in an internally managed held-to-maturity (HTM) portfolio.

During the first quarter, the Office of the Treasurer reviewed the investment portfolio's expected rate of return based on different asset allocation scenarios. The exercise was conducted in cooperation with IFAD's financial advisor, the World Bank. The review broadly reconfirmed that the investment policy target rate-of-return of 3.5 per cent per annum over three-year periods (equivalent to IFAD's three-year replenishment cycles) would be a reasonable one based on the current conservative investment approach.

In July IFAD's Investment Advisory Committee decided on a tactical asset reallocation to protect the committed liquidity from unfavourable market conditions. To lock in a return for 2006, some of the externally managed portfolios – namely the most interest-rate sensitive ones – were liquidated for the amount of US\$500.0 million and reinvested in money market instruments (time deposits and commercial papers). This reallocation was for the short duration of six months to ensure ample flexibility in the face of changing market conditions in 2007.

During the last quarter, the Office of the Treasurer contributed to preparation of the liquidity policy document, which will provide the means of monitoring and ensuring that IFAD has adequate liquidity available at all times. In December the Executive Board reviewed and approved the proposed Liquidity Policy. The Board noted the prudent approach proposed in the policy and approved a yearly minimum liquidity level, with the understanding that the liquidity status would be monitored and reported through IFAD's investment portfolio regular reports.

Throughout the year, the Office of the Treasurer continued to play an important role in supporting IFAD's growing programme of work. In anticipation of the 10 per cent annual increase over the Seventh Replenishment period, the Office of the Treasurer initiated the first tender ever for international and domestic banking services in an effort to reinforce and streamline IFAD's loans and grants disbursement operations.

Organization and staff

At the end of the year, IFAD had 436 staff members, including the independent Office of Evaluation. There were 203 Professional and higher-category staff (excluding the positions of President and Vice-President) and 233 General Service staff. In the Professional and higher categories, staff were nationals of 61 Member States, reflecting IFAD's adherence to the principle of equitable geographical distribution. Women made up 44.3 per cent of staff in the Professional and higher categories. As in previous years, IFAD engaged the services of consultants for specific tasks, and of other temporary staff to enable it to meet its operational needs during peak periods and conferences.

Under its Associate Professional Officer/Special Programme Officer Programmes, the organization benefited from the services of 20 professionals from 11 donor countries – Belgium, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, the Republic of Korea and Sweden. In the Internship Programme, at 31 December 2006, IFAD accepted 29 professionals from 22 countries – Belgium, Benin, Cameroon, Canada, Colombia, France, Germany, Ghana, Guinea, India, Italy, Japan, Kuwait, Mauritania, Morocco, Nepal, Niger, Senegal, Sweden, Togo, Tunisia and the United States of America. Under its Fellowship Programme, IFAD concluded an agreement with the Congressional Hunger Centre, which funded the services of one fellow from the United States.

Work in the area of human resources was also guided by the milestones set out in IFAD's Action Plan for Enhancing its Development Effectiveness (see page 44). The organization formed working groups to coordinate and integrate the deliverables of the Action Plan into existing line functions.

During the year, IFAD continued to participate in a pilot study for pay-for-performance, led by the International Civil Service Commission. It also completed a workload study to assess current staffing requirements, both quantitatively and qualitatively. IFAD carried out competency assessments for directors, senior-level professionals, and staff in the Office of Human Resources, giving participating staff a clear understanding of their managerial strengths and development needs. IFAD also started developing strategic human resources skills within the Office of Human Resources to facilitate change management across the organization.

Support to staff development and training focused on performance management, competency assessment and skills development. IFAD conducted 11 refresher courses on its performance management system and developed relevant learning tools. It also launched the Competency Development Programme by training all staff in innovation competency and conducted pilot training sessions in communication and negotiation skills. Staff development activities were also undertaken in areas such as customer care and contract management, targeted selection interviewing skills, ombudsman programmes, security in the field, and languages.

A grant from the Innovation Mainstreaming Initiative contributed to developing the institutional basis and support for innovative forms of staff development such as field immersions (see page 45).

In September, the Executive Board approved an enhanced Associate Professional Officer Programme for candidates from developing countries. The programme will ensure that well qualified young professionals from developing countries have equal opportunities to be recruited, based on merit, and contribute to enhancing the equitable geographical distribution of IFAD staff.

Membership and representation

As of 31 December 2006, IFAD had a total membership of 165 countries – 23 in List A, 12 in List B and 130 in List C, of which 49 in Sub-List C1, 50 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 (The)	Kazakhstan	Honduras
Sweden		Ghana	Kiribati	Jamaica
Switzerland		Guinea	Kyrgyzstan	Mexico
United Kingdom		Guinea-Bissau	Lao People's Democratic Republic	Nicaragua
United States		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	Niue	Trinidad and Tobago
		Morocco	Oman	Uruguay
		Mozambique	Pakistan	
		Namibia	Papua New Guinea	
		Niger	Philippines	
		Rwanda	Republic of Korea	
		Sao Tome and Principe	Republic of Moldova	
		Senegal	Romania	
		Seychelles	Samoa	
		Sierra Leone	Solomon Islands	
		Somalia	Sri Lanka	
		South Africa	Syrian Arab Republic	
		Sudan	Tajikistan	
		Swaziland	Thailand	
		Togo	The former Yugoslav Republic of Macedonia	
		Tunisia	Timor-Leste	
		Uganda	Tonga	
		United Republic of Tanzania	Turkey	
		Zambia	Viet Nam	
		Zimbabwe	Yemen	
			Yugoslavia ¹⁰	

10/ 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 2006^{11, 12}

Member	Governor	Alternate
AFGHANISTAN	Abdullah Ali	Abdul Razak Ayazi
ALBANIA	Jemin Gjana	Pavli Zëri (January 2006 – June 2006) Vera Gara (June 2006 –)
ALGERIA	Said Barkat	Rachid Marif
ANGOLA	Gilberto Buta Lutucuta	–
ANTIGUA AND BARBUDA	Leon Errol Cort	–
ARGENTINA	Victorio María José Taccetti	Hilda Gabardini (January 2006 – November 2006) María del Carmen Squeff (November 2006 –)
ARMENIA	Davit Lokyan	Zohrab V. Malek
AUSTRALIA	Bruce Billson (January 2006 – May 2006) Teresa Gambaro (May 2006 –)	Bruce Davis
AUSTRIA	Kurt Bayer	– Klaus Oehler (May 2006 –)
AZERBAIJAN	Emil Zulfugar Oglu Karimov	
BANGLADESH	M. Saifur Rahman (January 2006 – November 2006) Akbar Aki Khan (November 2006 –)	Ayub Quadri
BARBADOS	Erskine R. Griffith	–
BELGIUM	Jean De Ruyt	Philip Heuts
BELIZE	Michael Espot (January 2006 – April 2006) Vildo Marin (April 2006 –)	–
BENIN	Fatiou Akplogan (January 2006 – April 2006) Cossi Gaston Dossouhoui (April 2006 – December 2006)	Sossou Justin Adanmayi (January 2006 – February 2006)
BHUTAN	Sangay Ngedup	Sonam Tobden Rabgye
BOLIVIA	María Isabel Cadima Paz	–
BOSNIA AND HERZEGOVINA	Midhat Haračić	Sabahka Radjo (January 2006 – February 2006) Tamara Dogo Kovačević (February 2006 –)
BOTSWANA	Peter Letlhogonolo Siele	Mathias Chakalisa
BRAZIL	Paulo Bernardo Silva	José Carlos da Rocha Miranda
BURKINA FASO	Jean-Baptiste Marie Pascal Compaoré	Mamadou Sissoko
BURUNDI	Elie Buzoya	Cyprien Ndayegamiye
CAMBODIA	Chan Sarun	–
CAMEROON	Abdoulaye Aboubakary	Michael Tabong Kima
CANADA	Bruce Montador	Roger Ehrhardt

11/ At its twenty-ninth session on 15 February 2006, His Excellency Matthew Wyatt (United Kingdom) was elected as chairperson of the Governing Council. His Excellency Dr Sultan bin Hassan Al-Dhabit Al Dousari (Qatar) and Mr Mohammad Mokhles-ur-Rahman (Bangladesh) were elected as vice chairpersons.

12/ 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 2006 and/or will continue to serve after December 2006.

CAPE VERDE	Maria Goretti Santos Lima (January 2006 – December 2006) José Eduardo Barbosa (March 2006 –)	Maria Goretti Santos Lima
CENTRAL AFRICAN REPUBLIC	Parfait-Anicet M'bay (January 2006 – November 2006) Charles Massi (November 2006 –)	Ernest Gothard-Bassebe (January 2006 – November 2006)
CHAD	Albert Pahimi Padacke	Boubakari Hamadou
CHILE	Eduardo Araya Alemparte (January 2006 – May 2006) Francisco Fuenzalida Lizana (May 2006 – June 2006) Gabriel Valdés Subercaseaux (June 2006 –)	–
CHINA	Li Yong	– Ju Kuilin (April 2006 –)
COLOMBIA	Luis Camilo Osorio Isaza (January 2006 – September 2006) Francisco José Coy Granados (September 2006 – October 2006) Sabas Pretelt de la Vega (October 2006 –)	Francisco José Coy Granados
COMOROS	Mohamed Abdoulhamid (January 2006 – June 2006) Siti Kassim (June 2006 –)	Ahmed Djibir (January 2006 – June 2006) –
CONGO	Jeanne Dambendzet	Mamadou Kamara Dekamo
COOK ISLANDS	Tom Marsters (January 2006 – June 2006) Wilkie Rasmussen (June 2006 –)	–
COSTA RICA	Victoria Guardia Alvarado de Hernández	Yolanda Gago Pérez
CÔTE D'IVOIRE	Richard Gbaka Zady	–
CROATIA	Tomislav Vidosević	– Ivo Resić (February 2006 –)
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
DEMOCRATIC REPUBLIC OF THE CONGO	Paul Musafiri (January 2006 – June 2006) Constant Ndom Nda Ombel (June 2006 – October 2006) Romain Nimy (October 2006 –)	–
DENMARK	Ole E. Moesby	Dan E. Frederiksen
DJIBOUTI	Abdoulkader Kamil Mohamed	Mohamed Moussa Chehem
DOMINICA	John Colin McIntyre	–
DOMINICAN REPUBLIC	Mario Arvelo Caamaño	–
ECUADOR	Emilio Izquierdo Miño	Patricia Borja (January 2006 – December 2006) Mónica Martínez Mendiño (December 2006 –)
EGYPT	Amin Ahmed Mohamed Othman Abaza (January 2006 –)	Helmy Abdel Hamid Bedeir (January 2006 – February 2006) –
EL SALVADOR	José Roberto Andino Salazar	– María Eulalia Jiménez Zepeda (February 2006 –)
EQUATORIAL GUINEA	Teodoro Nguema Obiang Mangue	–
ERITREA	Arefaine Berhe	Zemedede Tekle Woldetatos

ETHIOPIA	Adissu Legesse	Mengistu Hulluka Deyas (January 2006 – April 2006) Omer Furkan Temesgen (April 2006 – June 2006) Abay Teshome Grum (June 2006 –)
FIJI	Seremaia Tuinaugusori Cavuitati	–
FINLAND	Hannu Kyröläinen	Pasi Hellman (January 2006 – April 2006) Pekka Hukka (April 2006 –)
FRANCE	Ambroise Fayolle	–
GABON	Faustin Boukoubi	Yolande Bivigou
GAMBIA (The)	Yankouba Touray (January 2006 – November 2006) Kanji Sanneh (November 2006 –)	Karamo Kebba Bojang
GEORGIA	Mikheil Svimonishvili (January 2006 – November 2006) Petre Tsiskarishvili (November 2006 –)	Zaal Gogsadze
GERMANY	Michael Hofmann	–
GHANA	Ernest Akobuor Debrah	Kofi Dsane-Selby (January 2006 – August 2006) Worwornyo Agyeman (August 2006 – October 2006) Charles Agyei-Amoama (October 2006 –)
GREECE	Anastassis Mitsialis	Emmanuel Manoussakis
GRENADA	Joseph S. Charter	–
GUATEMALA	Francisco Bonifaz Rodríguez	Ileana Rivera de Angotti
GUINEA	Jean Paul Sarr	Ibrahima Cherif Bah
GUINEA-BISSAU	Sola Na Quilin Na Bitchita	–
GUYANA	Laleshwar K.N. Singh	–
HAITI	Philippe Mathieu (January 2006 – June 2006) François Séverin (June 2006 –)	Franck Hyppolite
HONDURAS	Mariano Jiménez Talavera (January 2006 – February 2006) Héctor Hernández Amador (February 2006 –)	– Nehemías Martínez (February 2006 –)
ICELAND	Jón Erlingur Jónasson	Hermann Örn Ingólfsson
INDIA	Palaniappan Chidambaram	Ashok Chawla
INDONESIA	J.B. Kristiadi	Djafar Husein
IRAN (ISLAMIC REPUBLIC OF)	Seyed Mojtaba Arastoo (January 2006 – December 2006) Eshagh Al Habib (December 2006 –)	Adel Jalili (January 2006 – February 2006) –
IRAQ	Hoshiyar Mahmoud al-Zebari	–
IRELAND	John Francis Cogan (January 2006 – October 2006) Sean O’Huiginn (October 2006 –)	Padraic Dempsey
ISRAEL	Ehud Gol (January 2006 – September 2006) Gila Livnat Rosiner (September 2006 –)	Denis-Paul Mordehay-Rodgold (January 2006 – October 2006)
ITALY	Michele Vietti (January 2006 – June 2006) – Pier Paolo Cento (September 2006 –)	–
JAMAICA	Ransford A. Smith (January 2006 – December 2006)	–

JAPAN	Yuji Nakamura	Kiyoshi Kodera (January 2006 – April 2006) Rintaro Tamaki (April 2006 –)
JORDAN	Suhair al-Ali	–
KAZAKHSTAN	Akhmetzhan S. Yessimov	–
KENYA	Kipruto Rono Arap Kirwa	–
KIRIBATI	Martin Puta Tofinga	Tukabu Teroroko
KUWAIT	Bader Mishari Al-Humaidhi	Abdulwahab Ahmed Al-Bader
KYRGYZSTAN	Alikbek Jekshenkulov	–
LAO PEOPLE'S DEMOCRATIC REPUBLIC	Chansy Phosykhram (January 2006 – February 2006) Somdy Douangdy (February 2006 –)	Phoupnet Khamphounvong
LEBANON	Louis L. Lahoud (January 2006 – October 2006) Ghattas Akl (October 2006 –)	Rania Khalil Zarzour
LESOTHO	Daniel Rakoro Phororo	Mathoriso Molumeli
LIBERIA	George Kramee (January 2006 – March 2006) J. Chris Toe (March 2006 –)	John B. Samuels
LIBYAN ARAB JAMAHIRIYA	Abdalla A. M. Zaied	–
LUXEMBOURG	Jean-Louis Schiltz	Arsène Jacoby
MADAGASCAR	Harison Edmond Randriarimanana	Auguste Richard Paraina
MALAWI	Uladi Mussa (January 2006 – November 2006) Bingu wa Mutharika (November 2006 –)	Charles J. Matabwa
MALAYSIA	Izzudin bin Dali	Lily Zachariah
MALDIVES	Abdulla Kamaludeen	Hamdun Hameed
MALI	Seydou Traoré	Ibrahim Bocar Daga
MALTA	Abraham Borg (January 2006 – February 2006) Pierre Hili (February 2006 –)	Pierre Hili
MAURITANIA	Mohamed Ould El Abed	Yahya N'Gam
MAURITIUS	Arvin Boolell	Denis Cangy
MEXICO	Rafael Tovar y de Teresa	Vladimir Hernández
MONGOLIA	Dendev Terbichdagva	Tserendorj Gankhuyag
MOROCCO	Moha Marghi	Ali Lamrani
MOZAMBIQUE	Aiuba Cuereneia	Pedro Conceicao Couto (January 2006 – December 2006) Ernesto Gouveia Gove (December 2006 –)
MYANMAR	Htay Oo	–
NAMIBIA	Wilfred Inotira Emvula (January 2006 – September 2006) Michael Mutonga (September 2006 –)	Desmond R. Tshikesho
NEPAL	Keshar Bahadur Bista (January 2006 – May 2006) Mahantha Thakur (May 2006 –)	Ganesh Kumar (February 2006 –)
NETHERLANDS	A. M. Agnes van Ardenne-van der Hoeven	Ewald Wermuth
NEW ZEALAND	Julie Clare MacKenzie	Tiffany Babington
NICARAGUA	José Cuadra Chamorro (January 2006 – June 2006) Piero Coen Montealegre (June 2006 –)	Amelia Silvia Cabrera

NIGER	Ausseil Mireille Fatouma	-
NIGERIA	Alhaji Adamu Bello	-
NIUE	Young M. Vivian (July 2006 -)	-
NORWAY	Nils Haugstveit (January 2006 - November 2006) Henrik Harboe (November 2006 -)	Ingrid Glad
OMAN	Khalfan bin Saleh Mohammed Al Naebi	-
PAKISTAN	Sikandar Hayat Khan Bosan	- Akram Malik (November 2006 -)
PANAMA	Horacio J. Maltez (January 2006 - March 2006) Eudoro Jaén Esquivel (March 2006 - May 2006) Carlos A. Vallarino (May 2006 -)	Horacio J. Maltez (January 2006 - May 2006) Eudoro Jaén Esquivel (May 2006 -)
PAPUA NEW GUINEA	Bart Philemon (Acting) (January 2006 - July 2006) Rabbie Namaliu (July 2006 -)	-
PARAGUAY	Jorge Figueredo Fratta	Ana María Baiardi Quesnel (January 2006 - August 2006) Liz Haydee Coronel Correa (August 2006 -)
PERU	Harold Forsyth Mejía (January 2006 - March 2006) Roberto Seminario Portocarrero (March 2006 -)	Pedro Alberto Mario Rubín Heraud
PHILIPPINES	Margarito B. Teves	-
PORTUGAL	Carlos Manuel Inácio Figueiredo	Carlos Manuel dos Santos Figueiredo
QATAR	Sultan bin Hassan al-Dhabit al-Dousari (January 2006 - September 2006) Abdul Rahman bin Khalifa bin Abdul Azziz Al-Thani (September 2006 -)	-
REPUBLIC OF KOREA	Cho Young-jai	Kim Chang-hyun
REPUBLIC OF MOLDOVA	Anatolie Spivacenco	Lilia Razlog
ROMANIA	Nicolae Flaviu Lazin	Cristian Valentin Colteanu
RWANDA	Anastase Murekezi	Emmanuel Ndagijimana
SAINT KITTS AND NEVIS	Cedric Roy Liburd	-
SAINT LUCIA	Ignatius Jean (January 2006 - December 2006) Ezechiel Joseph (December 2006 -)	Julius Polius (January 2006 - December 2006) Martin Satney (December 2006 -)
SAINT VINCENT AND THE GRENADINES	Montgomery Daniel	-
SAMOA	To'omata Alapati Poesé To'omata (January 2006 - April 2006) Taua Tavaga Kitiona Seuata (April 2006 -)	-
SAO TOME AND PRINCIPE	Gaudêncio Luis da Costa (January 2006 - June 2006) Cristina Maria Fernandes Dias (June 2006 -)	-
SAUDI ARABIA	Fahad bin Abdulrahman Balghunaim	- Hamad bin Sulaiman Al Bazei (February 2006 -)
SENEGAL	Habib Sy (January 2006 - February 2006) Farba Senghor (February 2006 -)	Papa Cheikh Saadibou Fall
SEYCHELLES	Ronald Jumeau	-

SIERRA LEONE	Sama Sahr Mondeh	Cristina F.S. Wright (January 2006 – March 2006) Foday Duramani Mohamed Seisay (March 2006 –)
SOLOMON ISLANDS	Enele Kwanairara (January 2006 – May 2006) Trevor Olavae (May 2006 – October 2006) Toswell Kaua (October 2006 –)	Ezekiel Walaodo
SOMALIA	Hassan Mohamed Noor (January 2006 – October 2006) Abdulqadir Nur Arale (October 2006 –)	–
SOUTH AFRICA	Lenin Magigwane Shope	Margaret Mohapi
SPAIN	Eduardo Ibáñez López-Dóriga	Jorge Cabrera Espinós
SRI LANKA	E. Rodney M. Perera	Niluka Kadurugamuwa (January 2006 – September 2006) Saranya Hasanthi Urugodawatte Dissanayake (September 2006 –)
SUDAN	Mohamed El Amin Kabashi Eisa	Ahmed Magdoub Ahmed (February 2006 –)
SURINAME	Jaswant Sahtoe	Gerhard Otmar Hiwat
SWAZILAND	Mtiti Fakudze	Christopher Nkwanyana
SWEDEN	Ruth Jacoby (January 2006 – November 2006) Joakim Szymne (November 2006 –)	Stefan Emblad
SWITZERLAND	Serge Chappatte	Martin Rohner (January 2006 – November 2006) Lukas Siegenthaler (November 2006 –)
SYRIAN ARAB REPUBLIC	Adel Safar	Hassan Al-Ahmad
TAJIKISTAN	Talbak Nazarov	–
THAILAND	Banphot Hongthong	Tritaporn Khomapat
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	Ivan Angelov (January 2006 – February 2006) Lidija Cadikovska (February 2006 –)	–
TIMOR-LESTE	Estanislau Alexio da Silva	Cesár José da Cruz
TOGO	Charles Kondi Agba (January 2006 – October 2006) Yves Mado Nagou (October 2006 –)	Ekoué Kandé Assiongbon
TONGA	Viela K. Tupou	–
TRINIDAD AND TOBAGO	Jarette Narine	–
TUNISIA	Mohamed Nouri Jouini	–
TURKEY	Sitki Uğur Ziyal	–
UGANDA	Ezra Suruma	–
UNITED ARAB EMIRATES	Mohamed Khalfan bin Khirbash	– Abdulla Ahmed bin Abdul Aziz (February 2006 –)
UNITED KINGDOM	Matthew Wyatt (January 2006 – September 2006) James Harvey (September 2006 –)	Elizabeth Nasskau
UNITED REPUBLIC OF TANZANIA	Charles N. Keenja (January 2006 – January 2006) Joseph Mungai (January 2006 – November 2006) Stephen Masatu Wassira (November 2006 –)	Costa Ricky Mahalu (January 2006 – March 2006) Grace Abdiel Shangali (March 2006 – October 2006) Ali K. Karume (October 2006 – November 2006) –

UNITED STATES OF AMERICA	John W. Snow (January 2006 – July 2006) Henry M. Paulson (July 2006 –)	Anthony Wayne
URUGUAY	Ramón Carlos Abin De María	Gabriel Bellón
VENEZUELA (BOLIVARIAN REPUBLIC OF)	Nelson J. Merentes Díaz	Rudolf Römer Pieretti
VIET NAM	Thi Bang Tam Le (January 2006 – November 2006) Tran Xuan Ha (November 2006 –)	Truong Thai Phuong (January 2006 – February 2006) Yen Nguyen Thi Hong (February 2006 – November 2006) Nguyen Thanh Do (November 2006 –)
YEMEN	Hasan Omar Sowaid (January 2006 – April 2006) Jalal Ibrahim Fakira (April 2006 –)	Abdulrahman Mohammed Bamatraf
ZAMBIA	Webby D. Kamwendo (January 2006 – February 2006) James Katoka (February 2006 – October 2006) Daniel Kalenga (October 2006 –)	–
ZIMBABWE	Joseph M. Made	Mary Margaret Muchada

List of Executive Board Directors

as of 31 December 2006¹³

Member		Alternate Member	
LIST A			
James Melanson	Canada	Heidi Pihlatie	Finland
Alain Guillouët (January 2006 – July 2006)	France	Philip Heuts	Belgium
Vincent Perrin (July 2006 –)			
Bernd Dunnzlauff	Germany	Lothar Caviezel	Switzerland
Augusto Zodda	Italy	Georgios Pandremenos	Greece
Kazumi Endo	Japan	Kristian Hojersholt	Denmark
Margaret Slettevold (January 2006 – August 2006)	Norway	Ann Uustalu	Sweden
Arne B. Hønningstad (August 2006 –)			
Matthew Wyatt (January 2006 – September 2006)	United Kingdom	Ewald Wermuth (January 2006 – April 2006)	Netherlands
Neil Briscoe (September 2006 –)		Theo van Banning (April 2006 –)	
Mark M. Jaskowiak	United States	Eduardo Ibáñez López-Dóriga	Spain
LIST B			
Hesham Ibrahim Al-Waqayan	Kuwait	Majed Ali Ahmed Omran Al Shamsi	United Arab Emirates
Ganyir Lombin	Nigeria	–	Qatar
Ahmed Ben Souleiman Al-Aquil (January 2006 – May 2006)	Saudi Arabia	Soltan Saad S.K. Al-Moraikhi (May 2006 –)	Indonesia
Abdul Rahman Mohammad A. Alangari (May 2006 –)		Hasanuddin Ibrahim	
Heidi González	Venezuela (Bolivarian Republic of)	Larbi Boumaza	Algeria
LIST C			
SUB-LIST C1			
Africa			
Said Mohamed El Sayed Mansour	Egypt	Ibrahim Bocar Daga	Mali
–	South Africa	Médi MOUNGUI	Cameroon
SUB-LIST C2			
Europe, Asia and the Pacific			
Ju Kuilin	China	Mirza Qamar Beg	Pakistan
Ashok Chawla	India	Sitki Uğur Ziyal	Turkey
SUB-LIST C3			
Latin America and the Caribbean			
Benvindo Belluco	Brazil	Francisco Bonifaz Rodríguez	Guatemala
Rafael Tovar y de Teresa	Mexico	Hilda Gabardini (January 2006 – November 2006)	Argentina
		María del Carmen Squeff (November 2006 –)	

^{13/} 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 2006 and/or will continue to serve after December 2006.

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended 31 December 2006 and 2005*

Appendix A	Consolidated and IFAD-only balance sheet
Appendix A1	IFAD-only balance sheet at nominal value in United States dollars and retranslated in special drawing rights
Appendix B	Consolidated and IFAD-only statement of revenues and expenses
Appendix B1	IFAD-only statement of operating expenses
Appendix B2	Consolidated and IFAD-only statement of total recognized gains and losses
Appendix C	Consolidated cash-flow statement
Appendix D	Statement of IFAD-only resources available for commitment
Appendix E	Statement of contributions
Appendix E1	Statement of unspent 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 special drawing rights (SDR). The notes to the consolidated financial statements (appendix H) form an integral part of the financial statements.

* As submitted for endorsement to the Ninetieth Session of the Executive Board in April 2007 for further submission to the Thirty-First 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 Balance Sheet ¹

As at 31 December 2006 and 2005 (expressed in thousands of United States dollars)

Assets	Consolidated		IFAD-Only	
	2006	2005	2006	2005
Cash on hand and in banks (Note 5)	197 177	249 831	156 720	235 211
Investments (Note 5)	2 364 673	2 384 770	2 258 424	2 269 975
Contributors' promissory notes (Note 6)	337 804	307 596	313 226	286 204
Contributions receivable (Note 6)	366 658	230 430	319 892	204 656
Less: provisions (Note 7)	(169 360)	(169 359)	(169 360)	(169 359)
	535 102	368 667	463 758	321 501
Other receivables (Note 8)	44 712	107 464	128 490	189 920
Loans outstanding (Note 9 and Appendix F)	3 210 750	2 830 282	3 210 750	2 830 282
Less: accumulated allowance for loan impairment losses (Note 9(a))	(55 608)	(51 280)	(55 608)	(51 280)
Less: accumulated allowance for the HIPC Debt Initiative (Note 10(b))	(183 404)	(170 233)	(183 404)	(170 233)
Net loans outstanding	2 971 738	2 608 769	2 971 738	2 608 769
Total Assets	6 113 402	5 719 501	5 979 130	5 625 376
Liabilities and Equity	Consolidated		IFAD-Only	
	2006	2005	2006	2005
Payables and liabilities (Note 11)	168 980	319 838	169 215	325 957
Undisbursed grants	73 430	71 065	49 367	42 210
Deferred revenues (Note 12)	103 320	65 981	5 223	3 140
Total Liabilities	345 730	456 884	223 805	371 307
Equity				
Contributions				
Regular	4 937 561	4 597 776	4 937 561	4 597 776
Special	20 348	20 348	20 348	20 348
Total Contributions (Appendix E)	4 957 909	4 618 124	4 957 909	4 618 124
General Reserve	95 000	95 000	95 000	95 000
Fully committed retained earnings	714 763	549 493	702 416	540 945
Total Equity	5 767 672	5 262 617	5 755 325	5 254 069
Total Liabilities and Equity	6 113 402	5 719 501	5 979 130	5 625 376

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 Trust Fund for the Heavily Indebted Poor Countries (HIPC) Debt Initiative
- IFAD's After-Service Medical Coverage Scheme (ASMCS) Trust Fund

See Note 2(b) for further information.

APPENDIX A1

IFAD-Only Balance Sheet at nominal value in United States Dollars and Retracted in SDR ¹

As at 31 December 2006 and 2005

Assets	US\$'000		SDR'000	
	2006	2005	2006	2005
Cash on hand and in banks (Note 5)	156 720	235 211	104 210	164 906
Investments (Note 5)	2 258 424	2 269 975	1 501 739	1 591 479
Contributors' promissory notes (Note 6)	331 291	298 614	220 292	209 358
Contributions receivable (Note 6)	347 022	213 520	230 752	149 699
Less: provisions (Note 7)	(169 360)	(169 359)	(112 616)	(118 738)
	508 953	342 775	338 428	240 319
Other receivables (Note 8)	128 490	189 920	85 440	133 153
Loans outstanding (Note 9 and Appendix F)	4 466 220	4 003 639	2 969 813	2 806 952
Less: accumulated allowance for loan impairment losses (Note 9(a))	(169 162)	(140 634)	(112 484)	(98 598)
Less: accumulated allowance for the Debt Initiative for HIPCs (Note 10(b))	(279 393)	(264 527)	(185 783)	(185 460)
Net loans outstanding	4 017 665	3 598 478	2 671 546	2 522 894
Total Assets	7 070 252	6 636 359	4 701 363	4 652 751
Liabilities and Equity	US\$'000		SDR'000	
	2006	2005	2006	2005
Payables and liabilities (Note 11)	169 215	325 957	112 519	228 528
Undisbursed grants	54 216	48 386	36 051	33 923
Deferred revenues (Note 12)	5 223	3 140	3 473	2 202
Total Liabilities	228 654	377 483	152 043	264 653
Equity (Note 13)				
Contributions				
Regular	4 982 756	4 619 049	4 194 336	4 199 748
Special	20 348	20 348	15 219	15 219
Total Contributions (Appendix E)	5 003 104	4 639 397	4 209 555	3 977 491
General Reserve	95 000	95 000	63 170	66 605
Fully committed retained earnings	1 743 494	1 524 479	276 595	344 002
Total Equity	6 841 598	6 258 876	4 549 320	4 388 098
Total Liabilities and Equity	7 070 252	6 636 359	4 701 363	4 652 751

¹ Presented for information purposes only, as stated in Notes 2(c) and Note 4(b).

APPENDIX B

Consolidated and IFAD-Only Statement of Revenues and Expenses

For the years ended 31 December 2006 and 2005 (expressed in thousands of United States dollars)

	Consolidated ¹		IFAD-Only	
	2006	2005	2006	2005
Revenues				
Income from loans (Note 9)	47 081	45 321	47 081	45 321
Income from cash and investments (Note 15)	66 379	74 653	61 975	71 693
Income from other sources (Note 16)	9 643	9 792	12 710	13 539
Contributions income (Note 17)	26 327	20 708	8 595	2 931
Total Revenues	149 430	150 474	130 361	133 484
Operating Expenses (Note 18)				
Staff salaries and benefits (Note 18)	(63 133)	(56 223)	(59 419)	(51 861)
Office and general expenses	(28 291)	(23 091)	(25 627)	(21 819)
Consultants and other non-staff costs	(29 384)	(24 724)	(25 460)	(21 939)
Cooperating institutions	(8 133)	(10 339)	(7 949)	(10 064)
Direct bank and investment costs (Note 20)	(3 626)	(3 107)	(3 559)	(3 060)
Subtotal	(132 569)	(117 484)	(122 014)	(108 743)
Adjustment for changes in fair value (Note 21)	(5 281)	71 521	(4 786)	74 040
Allowance for loan impairment losses (Note 9(a))	(20 488)	(35 872)	(20 488)	(35 872)
Debt Initiative for HIPCs expenses (Note 10)	(37 454)	(72 592)	(37 454)	(72 592)
Grant expenses (Note 22)	(36 010)	(42 367)	(29 660)	(34 721)
Provision for after-service medical scheme (Note 19(c))	(1 908)	(9 257)	(1 908)	(9 257)
Total Operating Expenses	(233 708)	(206 051)	(216 310)	(187 145)
Total Revenues Less Operating Expenses	(84 278)	(55 577)	(85 949)	(53 661)
Total Foreign Exchange Rate Movements (Appendix B2)	249 548	(404 015)	247 420	(397 675)
Transfer to Retained Earnings	165 270	(459 592)	161 471	(451 336)

APPENDIX B1

IFAD-Only Statement of Operating Expenses

For the years ended 31 December 2006 and 2005 (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)	Action Plan	Direct Charges ³	Other Sources ⁴	Total
Staff salaries and benefits	(52 399)	(3 871)	(377)	(85)	(2 687)	(59 419)
Office and general expenses	(9 992)	(5 180)	(166)	(324)	(9 965)	(25 627)
Consultants and other non-staff costs	(7 721)	(15 557)	(789)	(100)	(1 293)	(25 460)
Cooperating institutions	1 957	(9 906)				(7 949)
Direct bank and investment costs				(3 559)		(3 559)
Total 2006	(68 155)	(34 514)	(1 332)	(4 068)	(13 945)	(122 014)
Total 2005	(63 606)	(29 004)	-	(3 463)	(12 670)	(108 743)

¹ This balance sheet includes transactions for the following entities:

- IFAD
- SPA
- Other supplementary funds, including co-financing, associate professional officers and programmatic supplementary funds; BSF.JP; the Global Environment Facility
- IFAD's Trust Fund for the HIPC Debt Initiative
- IFAD's ASMCS Trust Fund

See Note 2(b) for further information.

² These refer to IFAD and its Office of Evaluation and include one-time costs and carry forward.

³ Direct charges against investment income.

⁴ Includes Italian Government reimbursable expenditures, field presence and positions funded from service charges.

APPENDIX B2

Consolidated Statement of Total Recognized Gains and Losses

For the years ended 31 December 2006 and 2005 (expressed in thousands of United States dollars)

	Retained Earnings from Operations	Foreign Exchange Effects	Total Retained Earnings
Opening Balance 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 14)	-	(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
Total Revenues less Operating Expenses before the effect of Foreign Exchange Rate Movements	(84 278)	-	(84 278)
Net Operating Exchange Losses	(392)	-	(392)
Net Foreign Exchange Rate Movements (Note 14)	-	249 940	249 940
Total Foreign Exchange Movements	(392)	249 940	249 548
Retained Earnings as at 31 December 2006	(69 427)	784 190	714 763

IFAD-Only Statement of Total Recognized Gains and Losses

For the years ended 31 December 2006 and 2005 (expressed in thousands of United States dollars)

	Retained Earnings from Operations	Foreign Exchange Effects	Total Retained Earnings ¹
Opening Balance 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
Total Revenues less Operating Expenses before the effect of Foreign Exchange Rate Movements	(85 949)	-	(85 949)
Net Operating Exchange Losses	(366)	-	(366)
Net Foreign Exchange Rate Movements	-	247 786	247 786
Total Foreign Exchange Movements	(366)	247 786	247 420
Retained Earnings as at 31 December 2006	(75 738)	778 154	702 416

¹ Fully committed. See Note 2(d)(iii).

APPENDIX C

Consolidated Cash-Flow Statement

For the years ended 31 December 2006 and 2005 (expressed in thousands of United States dollars)

	2006	2005
Cash flows from investing activities		
Loan disbursements	(387 525)	(343 469)
Loan principal repayments	148 513	157 225
Payments of HIPC debt relief - principal	(25 515)	(19 459)
Net sale of equities	-	281 671
Net purchase of held to maturity (HTM) investments	-	(370 175)
Net cash flows invested in development activities	(264 527)	(294 207)
Cash flows from financing activities		
Payments for replenishment contributions	197 599	156 226
Net cash flows provided by financing activities	197 599	156 226
Cash flows from operating activities		
Interest received from loans	44 556	45 619
Payments of HIPC debt relief - interest	(9 040)	(7 834)
Income received from HTM investments	14 446	10 158
Dividend income from equities	-	1 074
(Payments for)/receipts from non equities	(47 014)	54 955
Receipts for non-replenishment contributions	30 380	71 530
Miscellaneous payments	20 582	6 439
Payments for operating expenses and other payments	(128 949)	(133 884)
Grant disbursements (IFAD)	(24 148)	(22 186)
Grant disbursements (non IFAD)	(11 534)	(20 473)
Net cash flows (used)/provided by operating activities	(110 721)	5 398
Effects of exchange-rate movements on cash and investments, excluding equities and HTM investments	82 287	(206 964)
Net decrease in unrestricted cash and cash equivalents	(95 362)	(339 547)
Unrestricted cash and cash equivalents at beginning of year	2 242 997	2 582 544
Unrestricted cash and cash equivalents at end of year	2 147 635	2 242 997
COMPOSED OF:		
Unrestricted cash	197 098	249 762
Unrestricted investments excluding HTM investments	1 950 537	1 993 235
Cash and cash equivalents at end of period	2 147 635	2 242 997
Reconciliation of net income to net cash used by operating activities:		
Excess of revenues over operating expenses before net foreign exchange rate movements	(84 278)	(55 577)
Adjustments to reconcile net income to net cash provided by operations:		
- fair value adjustment	5 281	(71 521)
- decrease/(increase) in accrued income on loans and investments	66 411	(47 715)
- decrease/(increase) in other receivables	(25 675)	28 960
- (decrease)/increase in other payables	(123 206)	37 123
- gain on equities	-	(4 506)
- grants approved but not yet disbursed	328	(292)
- exchange (gain)/loss on operations	(392)	1 205
- non-cash expenses relating to the HIPC Debt Initiative	28 414	72 592
- after-service medical provision	1 908	9 257
- loan impairment provision movement	20 488	35 872
Net cash flows (used)/provided by operating activities	(110 721)	5 398

APPENDIX D

Statement of IFAD-Only Resources Available for Commitment¹

For the years ended 31 December 2006 and 2005 (expressed in thousands of United States dollars)

		2006	2005
Assets in freely-convertible currencies	Cash	156 639	235 141
	Investments	2 257 790	2 269 319
	Promissory notes	329 892	297 215
	Other receivables	128 490	189 920
		2 872 811	2 991 595
Less	Payables and liabilities	169 180	325 957
	Programme Development Financing Facility (PDFF) carry forward	3 879	5 676
	General Reserve	95 000	95 000
	Undisbursed effective loans	2 090 759	1 939 333
	Approved loans signed but not yet effective	302 504	308 958
	Undisbursed grants	54 216	48 386
		2 447 479	2 296 677
	Provision for promissory notes	80 898	80 898
		2 796 435	2 804 208
Resources Available for Commitment		76 376	187 387
Less	Loans not yet signed	484 698	449 722
	Grants not yet signed	44 994	33 687
Net Resources pre-advance commitment authority (ACA) (Note 2(o))		(453 316)	(296 022)
ACA carried forward at 1 January		296 022	136 853
ACA approved at Executive Board sessions during the year		181 600	186 600
		477 622	323 453
Less	ACA covered in year	(24 306)	(27 431)
ACA carried forward		453 316	296 022
Net Resources Available for Commitment		-	-

¹ Presented for informational purposes only, as stated in Note 2(o).

APPENDIX E

Statement of Contributions

(expressed in US\$'000)

Regular Contributions

Supplementary and Complementary Contributions³

Member States	Total Payments*	Instruments Deposited	Co-financing	APOs	Other Supplementary Funds
Albania					
Replenishment 0-5	20	20			
Replenishment 6	10	10			
Replenishment 7	10	10			
Total	40	40			
Algeria					
Replenishment 0-5	50 330	50 330			
Replenishment 6	1 000	1 000			
Total	51 330	51 330			
Angola					
Replenishment 0-5	160	160			
Replenishment 6	100	100			
Other					7
Total	260	260			7
Argentina ¹					
Replenishment 0-5	6 400	7 900			
Total	6 400	7 900			
Armenia					
Replenishment 6	11	11			
Total	11	11			
Australia ¹					
Replenishment 0-5	37 202	37 202			
SPA Phase I	389	389			
Other			2 721		84
Total	37 591	37 591	2 721		84
Austria					
Replenishment 0-5	33 141	33 141			
Replenishment 6	9 667	9 667			
Replenishment 7		11 600			
Other			755		
Total	42 808	54 408	755		
Azerbaijan					
Replenishment 0-5	5	5			
Replenishment 6	95	95			
Total	100	100			
Bangladesh					
Replenishment 0-5	3 156	3 156			
Replenishment 6	600	600			
Replenishment 7	600	600			
Total	4 356	4 356			
Barbados					
Replenishment 0-5	10	10			
Total	10	10			
Belgium					
Replenishment 0-5	61 348	61 348			
Replenishment 6	12 193	12 193			
SPA Phase I	34 975	34 975			
SPA Phase II	12 263	12 263			
Other			5 059	610	1 480
Total	120 779	120 779	5 059	610	1 480
Belize					
Replenishment 0-5	205	205			
Total	205	205			
Benin					
Replenishment 0-5	100	100			
Replenishment 6	97	97			
Total	197	197			
Bhutan					
Replenishment 0-5	78	78			
Replenishment 6	27	27			
Replenishment 7	30	30			
Total	135	135			

GEF	Belgian Survival Fund		Heavily Indebted Poor Countries Debt Initiative		Other Complementary Contributions	Total (Excluding Total Payments)
	Complementary Contributions	Other Contributions	Complementary Contributions	Other Contributions		
						20
						10
						10
						40
						50 330
						1 000
						51 330
						160
						100
						7
						267
						7 900
						7 900
						11
						11
						37 202
						389
						2 805
						40 396
						33 141
						9 667
						11 600
						755
						55 163
						5
						95
						100
						3 156
						600
						600
						4 356
						10
						10
						61 348
						12 193
						34 975
						12 263
	57 904	63 836		2 713		131 602
	57 904	63 836		2 713		252 381
						205
						205
						100
						97
						197
						78
						27
						30
						135
						Cont'd

APPENDIX E

Statement of Contributions

(expressed in US\$'000)

Regular Contributions

Supplementary and Complementary Contributions³

Member States	Total Payments*	Instruments Deposited	Co-financing	APOs	Other Supplementary Funds
Bolivia					
Replenishment 0-5	900	900			
Replenishment 6	300	300			
Total	1 200	1 200			
Bosnia and Herzegovina					
Replenishment 7	75	75			
Total	75	75			
Botswana					
Replenishment 0-5	235	235			
Replenishment 6	100	100			
Replenishment 7	25	25			
Total	360	360			
Brazil ¹					
Replenishment 0-5	36 104	36 104			
Replenishment 6	7 916	7 916			
Replenishment 7		7 916			
Total	44 020	51 936			
Burkina Faso					
Replenishment 0-5	99	99			
Replenishment 6	60	60			
Replenishment 7	100	100			
Total	259	259			
Burundi					
Replenishment 0-5	70	70			
Total	70	70			
Cambodia					
Replenishment 0-5	210	210			
Replenishment 6	210	210			
Total	420	420			
Cameroon					
Replenishment 0-5	555	555			
Replenishment 6	300	300			
Replenishment 7	794	794			
Total	1 649	1 649			
Canada					
Replenishment 0-5	134 796	134 796			
Replenishment 6	35 032	35 032			
Other					1 471
Total	169 828	169 828			1 471
Cape Verde					
Replenishment 0-5	26	26			
Total	26	26			
Central African Republic					
Replenishment 0-5	11	11			
Total	11	11			
Chile					
Replenishment 0-5	605	605			
Replenishment 6	95	95			
Replenishment 7	100	100			
Total	800	800			
China					
Replenishment 0-5	30 339	30 339			
Replenishment 6	10 500	10 500			
Replenishment 7		16 000			
Other					30
Total	40 839	56 839			30
Colombia					
Replenishment 0-5	370	370			
Replenishment 6	100	100			
Replenishment 7	170	170			
Other					25
Total	640	640			25
Comoros ²					
Replenishment 0-5	23	33			
Total	23	33			

GEF	Belgian Survival Fund		Heavily Indebted Poor Countries Debt Initiative		Other Complementary Contributions	Total (Excluding Total Payments)
	Complementary Contributions	Other Contributions	Complementary Contributions	Other Contributions		
						900
						300
						1 200
						75
						75
						235
						100
						25
						360
						36 104
						7 916
						7 916
						51 936
						99
						60
						100
						259
						70
						70
						210
						210
						420
						555
						300
						794
						1 649
						134 796
						35 032
					1 511	2 982
					1 511	172 810
						26
						26
						11
						11
						605
						95
						100
						800
						30 339
						10 500
						16 000
						30
						56 869
						370
						100
						170
						25
						665
						33
						33
						Cont'd

APPENDIX E

Statement of Contributions

(expressed in US\$'000)

Regular Contributions

Supplementary and Complementary Contributions³

Member States	Total Payments*	Instruments Deposited	Co-financing	APOs	Other Supplementary Funds
Congo					
Replenishment 0-5	151	151			
Replenishment 6	200	200			
Total	351	351			
Cook Islands					
Replenishment 0-5	5	5			
Total	5	5			
Côte d'Ivoire					
Replenishment 0-5	1 559	1 559			
Total	1 559	1 559			
Cuba					
Replenishment 0-5	9	9			
Total	9	9			
Cyprus					
Replenishment 0-5	137	137			
Replenishment 6	25	25			
Total	162	162			
Democratic People's Republic of Korea ²					
Replenishment 0-5	797	797			
Total	797	797			
Democratic Republic of the Congo					
Replenishment 0-5	1 030	1 030			
Replenishment 6	150	150			
Total	1 180	1 180			
Denmark					
Replenishment 0-5	85 472	85 472			
Replenishment 6	27 878	27 878			
Replenishment 7		10 614			
SPA Phase I	18 673	18 673			
Other			2 467	3 155	3 980
Total	132 023	142 637	2 467	3 155	3 980
Djibouti					
Replenishment 0-5	6	6			
SPA Phase I	1	1			
Total	7	7			
Dominica					
Replenishment 0-5	55	55			
Total	55	55			
Dominican Republic					
Replenishment 0-5	84	84			
Total	84	84			
Ecuador					
Replenishment 0-5	791	791			
Total	791	791			
Egypt					
Replenishment 0-5	11 409	11 409			
Replenishment 6	3 000	3 000			
Total	14 409	14 409			
El Salvador					
Replenishment 0-5	100	100			
Total	100	100			
Eritrea					
Replenishment 0-5	10	10			
Replenishment 6	10	10			
Total	20	20			
Ethiopia					
Replenishment 0-5	161	161			
Replenishment 6	30	30			
Total	191	191			
European Union					
SPA Phase I	17 619	17 619			
Other			814		1 846
Total	17 619	17 619	814		1 846

GEF	Belgian Survival Fund		Heavily Indebted Poor Countries Debt Initiative		Other Complementary Contributions	Total (Excluding Total Payments)
	Complementary Contributions	Other Contributions	Complementary Contributions	Other Contributions		
						151
						200
						351
						5
						5
						1 559
						1 559
						9
						9
						137
						25
						162
						797
						797
						1 030
						150
						1 180
						85 472
						27 878
						10 614
						18 673
						9 602
						152 239
						6
						1
						7
						55
						55
						84
						84
						791
						791
						11 409
						3 000
						14 409
						100
						100
						10
						10
						20
						161
						30
						191
						17 619
				10 512		13 172
				10 512		30 791

Cont'd

APPENDIX E

Statement of Contributions

(expressed in US\$'000)

Regular Contributions

Supplementary and Complementary Contributions³

Member States	Total Payments*	Instruments Deposited	Co-financing	APOs	Other Supplementary Funds
Fiji					
Replenishment 0-5	194	194			
Total	194	194			
Finland					
Replenishment 0-5	25 701	25 701			
Replenishment 6	5 825	5 825			
SPA Phase I	12 205	12 205			
Other			2 397	1 661	3 509
Total	43 731	43 731	2 397	1 661	3 509
France¹					
Replenishment 0-5	172 462	172 462			
Replenishment 6	31 648	31 648			
Replenishment 7		31 648			
SPA Phase I	37 690	37 690			
SPA Phase II	4 008	4 008			
Other			1 032	795	3 845
Total	245 808	277 456	1 032	795	3 845
Gabon²					
Replenishment 0-5	2 430	2 801			
Replenishment 6	187	200			
Total	2 617	3 001			
Gambia (The)					
Replenishment 0-5	30	30			
Replenishment 6	15	15			
Total	45	45			
Germany¹					
Replenishment 0-5	255 873	255 873			
Replenishment 6	40 000	40 000			
Replenishment 7		40 000			
SPA Phase I	17 361	17 361			
Other			46	3 996	5 345
Total	313 234	353 234	46	3 996	5 345
Ghana					
Replenishment 0-5	967	967			
Total	967	967			
Greece					
Replenishment 0-5	2 350	2 350			
Replenishment 6	600	600			
SPA Phase I	37	37			
SPA Phase II	40	40			
Total	3 027	3 027			
Grenada					
Replenishment 0-5	50	50			
Replenishment 6	25	25			
Total	75	75			
Guatemala					
Replenishment 0-5	693	693			
Replenishment 6	77	100			
Replenishment 7		250			
Total	770	1 043			
Guinea					
Replenishment 0-5	190	190			
Replenishment 6	70	70			
Replenishment 7	70	70			
SPA Phase I	25	25			
Total	355	355			
Guinea-Bissau					
Replenishment 0-5	30	30			
Total	30	30			
Guyana					
Replenishment 0-5	480	480			
Replenishment 6	155	155			
Total	635	635			
Haiti					
Replenishment 0-5	107	107			
Total	107	107			

GEF	Belgian Survival Fund		Heavily Indebted Poor Countries Debt Initiative		Other Complementary Contributions	Total (Excluding Total Payments)
	Complementary Contributions	Other Contributions	Complementary Contributions	Other Contributions		
						194
						194
						25 701
						5 825
						12 205
				5 193		12 760
				5 193		56 491
						172 462
						31 648
						31 648
						37 690
						4 008
						5 672
						283 128
						2 801
						200
						3 001
						30
						15
						45
						255 873
						40 000
						40 000
						17 361
				6 989		16 376
				6 989		369 610
						967
						967
						2 350
						600
						37
						40
						3 027
						50
						25
						75
						693
						100
						250
						1 043
						190
						70
						70
						25
						355
						30
						30
						480
						155
						635
						107
						107

Cont'd

APPENDIX E

Statement of Contributions

(expressed in US\$'000)

Regular Contributions

Supplementary and Complementary Contributions³

Member States	Total Payments*	Instruments Deposited	Co-financing	APOs	Other Supplementary Funds
Honduras					
Replenishment 0-5	749	749			
Replenishment 6	52	52			
Total	801	801			
Iceland					
Replenishment 0-5	5	5			
Special Contributions	10	10			
Other					
Total	15	15			
India					
Replenishment 0-5	47 812	47 812			
Replenishment 6	15 000	15 000			
Replenishment 7	5 000	17 000			
Total	67 812	79 812			
Indonesia					
Replenishment 0-5	36 959	36 959			
Replenishment 6	5 000	5 000			
Replenishment 7		5 000			
Other					50
Total	41 959	46 959			50
Iran (Islamic Republic of) ²					
Replenishment 0-5	43 183	128 750			
Total	43 183	128 750			
Iraq ²					
Replenishment 0-5	51 099	53 099			
Total	51 099	53 099			
Ireland					
Replenishment 0-5	5 007	5 007			
Replenishment 6	1 404	1 404			
Replenishment 7		7 912			
SPA Phase I	418	418			
SPA Phase II	289	289			
Other			6 307		1 030
Total	7 118	15 030	6 307		1 030
Israel					
Replenishment 0-5	300	300			
Total	300	300			
Italy					
Replenishment 0-5	168 361	168 361			
Replenishment 6	17 815	17 815			
SPA Phase I	33 254	33 254			
SPA Phase II	6 785	6 785			
Other			16 629	4 154	25 480
Total	226 215	226 215	16 629	4 154	25 480
Jamaica					
Replenishment 0-5	326	326			
Total	326	326			
Japan					
Replenishment 0-5	292 531	292 531			
Replenishment 6	31 724	31 724			
Replenishment 7	15 256	30 513			
SPA Phase I	21 474	21 474			
Other			1 876	2 073	3 967
Total	360 985	376 242	1 876	2 073	3 967
Jordan					
Replenishment 0-5	655	655			
Replenishment 6	85	85			
Other					15
Total	740	740			15
Kenya ²					
Replenishment 0-5	3 903	4 408			
Total	3 903	4 408			
Kiribati					
Replenishment 6	5	5			
Total	5	5			

GEF	Belgian Survival Fund		Heavily Indebted Poor Countries Debt Initiative		Other Complementary Contributions	Total (Excluding Total Payments)
	Complementary Contributions	Other Contributions	Complementary Contributions	Other Contributions		
						749
						52
						801
						5
						10
				250		250
				250		265
						47 812
						15 000
						17 000
						79 812
						36 959
						5 000
						5 000
						50
						47 009
						128 750
						128 750
						53 099
						53 099
						5 007
						1 404
						7 912
						418
						289
						7 337
						22 367
						300
						300
						168 361
						17 815
						33 254
						6 785
			4 602			50 865
			4 602			277 080
						326
						326
						292 531
						31 724
						30 513
						21 474
						7 916
						384 158
						655
						85
						15
						755
						4 408
						4 408
						5
						5
						Cont'd

APPENDIX E

Statement of Contributions

(expressed in US\$'000)

Regular Contributions

Supplementary and Complementary Contributions³

Member States	Total Payments*	Instruments Deposited	Co-financing	APOs	Other Supplementary Funds
Kuwait					
Replenishment 0-5	148 041	148 041			
Replenishment 6	5 000	5 000			
SPA Phase II	15 000	15 000			
Total	168 041	168 041			
Lao People's Democratic Republic					
Replenishment 0-5	103	103			
Replenishment 6	51	51			
Total	154	154			
Lebanon					
Replenishment 0-5	115	115			
Replenishment 7		80			
Total	115	195			
Lesotho					
Replenishment 0-5	239	239			
Replenishment 6	50	50			
Replenishment 7	100	100			
Total	389	389			
Liberia					
Replenishment 0-5	39	39			
Total	39	39			
Libyan Arab Jamahiriya ²					
Replenishment 0-5	52 000	52 000			
Total	52 000	52 000			
Luxembourg					
Replenishment 0-5	1 876	1 876			
Replenishment 6	630	630			
SPA Phase I	266	266			
Other			750		163
Total	2 772	2 772	750		163
Madagascar					
Replenishment 0-5	188	188			
Replenishment 6	91	91			
Replenishment 7	97	97			
Total	376	376			
Malawi					
Replenishment 0-5	73	73			
Total	73	73			
Malaysia					
Replenishment 0-5	750	750			
Replenishment 6	250	250			
Other					28
Total	1 000	1 000			28
Maldives					
Replenishment 0-5	51	51			
Total	51	51			
Mali					
Replenishment 0-5	52	52			
Replenishment 6	11	11			
Total	63	63			
Malta					
Replenishment 0-5	55	55			
Total	55	55			
Mauritania ²					
Replenishment 0-5	50	50			
SPA Phase I		25			
Total	50	75			
Mauritius					
Replenishment 0-5	250	250			
Replenishment 6	20	20			
Total	270	270			

GEF	Belgian Survival Fund		Heavily Indebted Poor Countries Debt Initiative		Other Complementary Contributions	Total (Excluding Total Payments)
	Complementary Contributions	Other Contributions	Complementary Contributions	Other Contributions		
						148 041
						5 000
						15 000
						168 041
						103
						51
						154
						115
						80
						195
						239
						50
						100
						389
						39
						39
						52 000
						52 000
						1 876
						630
						266
			1 053			1 966
			1 053			4 738
						188
						91
						97
						376
						73
						73
						750
						250
						28
						1 028
						51
						51
						52
						11
						63
						55
						55
						50
						25
						75
						250
						20
						270
						Cont'd

APPENDIX E

Statement of Contributions

(expressed in US\$'000)

Regular Contributions

Supplementary and Complementary Contributions³

Member States	Total Payments*	Instruments Deposited	Co-financing	APOs	Other Supplementary Funds
Mexico					
Replenishment 0-5	27 131	27 131			
Replenishment 6	3 000	3 000			
Replenishment 7		3 000			
Total	30 131	33 131			
Morocco					
Replenishment 0-5	5 944	5 944			
Replenishment 6	300	300			
Other					50
Total	6 244	6 244			50
Mozambique					
Replenishment 0-5	240	240			
Replenishment 6	80	80			
Total	320	320			
Myanmar					
Replenishment 0-5	250	250			
Total	250	250			
Namibia					
Replenishment 0-5	320	320			
Replenishment 6	20	20			
Replenishment 7	20	20			
Total	360	360			
Nepal					
Replenishment 0-5	110	110			
Replenishment 6	50	50			
Total	160	160			
Netherlands					
Replenishment 0-5	171 748	171 748			
Replenishment 6	50 639	50 639			
Replenishment 7	42 197	42 197			
SPA Phase I	16 174	16 174			
SPA Phase II	9 533	9 533			
Other			67 089	4 701	10 047
Total	290 291	290 291	67 089	4 701	10 047
New Zealand					
Replenishment 0-5	7 991	7 991			
SPA Phase I	252	252			
Total	8 243	8 243			
Nicaragua					
Replenishment 0-5	89	89			
Replenishment 6	10	10			
Replenishment 7	10	20			
Total	109	119			
Niger					
Replenishment 0-5	175	175			
SPA Phase I	18	18			
Total	193	193			
Nigeria					
Replenishment 0-5	96 459	96 459			
Replenishment 6	224	224			
SPA Phase II	250	250			
Other					50
Total	96 933	96 933			50
Norway					
Replenishment 0-5	114 256	114 256			
Replenishment 6	30 494	30 494			
Replenishment 7		33 644			
SPA Phase I	19 759	19 759			
Other			19 120	1 387	4 908
Total	164 509	198 153	19 120	1 387	4 908
Oman					
Replenishment 0-5	150	150			
Replenishment 6	50	50			
Total	200	200			

GEF	Belgian Survival Fund		Heavily Indebted Poor Countries Debt Initiative		Other Complementary Contributions	Total (Excluding Total Payments)
	Complementary Contributions	Other Contributions	Complementary Contributions	Other Contributions		
						27 131
						3 000
						3 000
						33 131
						5 944
						300
						50
						6 294
						240
						80
						320
						250
						250
						320
						20
						20
						360
						110
						50
						160
						171 748
						50 639
						42 197
						16 174
						9 533
			14 024			95 861
			14 024			386 152
						7 991
						252
						8 243
						89
						10
						20
						119
						175
						18
						193
						96 459
						224
						250
						50
						96 983
						114 256
						30 494
						33 644
						19 759
				5 912		31 327
				5 912		229 480
						150
						50
						200
						Cont'd

APPENDIX E

Statement of Contributions

(expressed in US\$'000)

Regular Contributions

Supplementary and Complementary Contributions³

Member States	Total Payments*	Instruments Deposited	Co-financing	APOs	Other Supplementary Funds
Pakistan					
Replenishment 0-5	8 934	8 934			
Replenishment 6	2 000	2 000			
Replenishment 7		4 000			
Other					25
Total	10 934	14 934			25
Panama					
Replenishment 0-5	133	133			
Replenishment 6	33	33			
Replenishment 7	8	8			
Total	174	174			
Papua New Guinea					
Replenishment 0-5	170	170			
Total	170	170			
Paraguay					
Replenishment 0-5	605	605			
Other					15
Total	605	605			15
Peru					
Replenishment 0-5	560	560			
Replenishment 6	200	200			
Total	760	760			
Philippines					
Replenishment 0-5	1 778	1 778			
Replenishment 7	24	24			
Total	1 802	1 802			
Portugal					
Replenishment 0-5	2 167	2 167			
Replenishment 6	922	922			
Other			142		738
Total	3 089	3 089	142		738
Qatar					
Replenishment 0-5	28 980	28 980			
Replenishment 6	1 000	1 000			
Replenishment 7	4 000	10 000			
Total	33 980	39 980			
Republic of Korea					
Replenishment 0-5	7 739	7 739			
Replenishment 6	2 500	2 500			
Replenishment 7		3 000			
Other				2 545	
Total	10 239	13 239		2 545	
Republic of Moldova					
Replenishment 6	6	6			
Replenishment 7	6	6			
Total	12	12			
Romania					
Replenishment 0-5	50	50			
Replenishment 6	100	100			
Total	150	150			
Rwanda					
Replenishment 0-5	160	160			
Replenishment 6	4	4			
Total	164	164			
Saint Kitts and Nevis					
Replenishment 0-5	20	20			
Total	20	20			
Saint Lucia					
Replenishment 0-5	22	22			
Total	22	22			
Samoa					
Replenishment 0-5	50	50			
Total	50	50			
Sao Tome and Principe ²					
Replenishment 0-5		10			
Total		10			

GEF	Belgian Survival Fund		Heavily Indebted Poor Countries Debt Initiative		Other Complementary Contributions	Total (Excluding Total Payments)
	Complementary Contributions	Other Contributions	Complementary Contributions	Other Contributions		
						8 934
						2 000
						4 000
						25
						14 959
						133
						33
						8
						174
						170
						170
						605
						15
						620
						560
						200
						760
						1 778
						24
						1 802
						2 167
						922
						880
						3 969
						28 980
						1 000
						10 000
						39 980
						7 739
						2 500
						3 000
						2 545
						15 784
						6
						6
						12
						50
						100
						150
						160
						4
						164
						20
						20
						22
						22
						50
						50
						10
						10

Cont'd

APPENDIX E

Statement of Contributions

(expressed in US\$'000)

Regular Contributions

Supplementary and Complementary Contributions³

Member States	Total Payments*	Instruments Deposited	Co-financing	APOs	Other Supplementary Funds
Saudi Arabia					
Replenishment 0-5	369 778	369 778			
Replenishment 6	10 000	10 000			
Replenishment 7	10 000	10 000			
Total	389 778	389 778			
Senegal					
Replenishment 0-5	203	203			
Replenishment 6	68	68			
Other					15
Total	271	271			15
Seychelles					
Replenishment 0-5	20	20			
Total	20	20			
Sierra Leone					
Replenishment 0-5	37	37			
Total	37	37			
Solomon Islands					
Replenishment 0-5	10	10			
Total	10	10			
Somalia					
Replenishment 0-5	10	10			
Total	10	10			
South Africa					
Replenishment 0-5	500	500			
Other					10
Total	500	500			10
Spain					
Replenishment 0-5	9 643	9 643			
Replenishment 6	3 057	3 057			
SPA Phase I	1 000	1 000			
Other					2 639
Total	13 700	13 700			2 639
Sri Lanka					
Replenishment 0-5	5 883	5 883			
Replenishment 6	667	667			
Total	6 550	6 550			
Sudan					
Replenishment 0-5	688	688			
Replenishment 6	201	201			
Total	889	889			
Suriname					
Other			2 019		
Total			2 019		
Swaziland					
Replenishment 0-5	178	178			
Replenishment 6	60	60			
Total	238	238			
Sweden					
Replenishment 0-5	125 100	125 100			
Replenishment 6	39 444	39 444			
Replenishment 7	36 738	36 738			
SPA Phase I	19 055	19 055			
SPA Phase II	4 196	4 196			
Other			9 379	2 282	2 059
Total	224 533	224 533	9 379	2 282	2 059
Switzerland ¹					
Replenishment 0-5	77 364	77 364			
Replenishment 6	17 208	17 208			
SPA Phase I	17 049	17 049			
Other			8 388	343	8 005
Total	111 621	111 621	8 388	343	8 005
Syrian Arab Republic					
Replenishment 0-5	667	667			
Replenishment 6	300	300			
Replenishment 7	350	350			
Total	1 317	1 317			

GEF	Belgian Survival Fund		Heavily Indebted Poor Countries Debt Initiative		Other Complementary Contributions	Total (Excluding Total Payments)
	Complementary Contributions	Other Contributions	Complementary Contributions	Other Contributions		
						369 778
						10 000
						10 000
						389 778
						203
						68
						15
						286
						20
						20
						37
						37
						10
						10
						10
						10
						500
						10
						510
						9 643
						3 057
						1 000
						2 639
						16 339
						5 883
						667
						6 550
						688
						201
						889
						2 019
						2 019
						178
						60
						238
						125 100
						39 444
						36 738
						19 055
						4 196
				17 000		30 720
				17 000		255 253
						77 364
						17 208
						17 049
				3 276		20 012
				3 276		131 633
						667
						300
						350
						1 317
						Cont'd

APPENDIX E

Statement of Contributions

(expressed in US\$'000)

Regular Contributions

Supplementary and Complementary Contributions³

Member States	Total Payments*	Instruments Deposited	Co-financing	APOs	Other Supplementary Funds
Thailand					
Replenishment 0-5	600	600			
Replenishment 6	150	150			
Total	750	750			
Togo					
Replenishment 0-5	35	35			
Total	35	35			
Tonga					
Replenishment 0-5	55	55			
Total	55	55			
Tunisia					
Replenishment 0-5	1 978	1 978			
Replenishment 6	600	600			
Replenishment 7		600			
Total	2 578	3 178			
Turkey					
Replenishment 0-5	15 036	15 036			
Replenishment 6	300	300			
Replenishment 7	100	900			
Other					47
Total	15 436	16 236			47
Uganda					
Replenishment 0-5	200	200			
Replenishment 6	45	45			
Total	245	245			
United Arab Emirates					
Replenishment 0-5	50 180	50 180			
Replenishment 6	1 000	1 000			
Total	51 180	51 180			
United Kingdom of Great Britain and Northern Ireland ¹					
Replenishment 0-5	120 849	140 090			
Replenishment 6	10 106	38 099			
SPA Phase I	11 150	11 150			
Other			15 606		3 318
Total	142 105	189 339	15 606		3 318
United Republic of Tanzania					
Replenishment 0-5	214	214			
Replenishment 6	50	50			
Total	264	264			
United States of America					
Replenishment 0-5	602 674	602 674			
Replenishment 6	44 541	45 000			
SPA Phase I	10 000	10 000			
SPA Phase II	10 000	10 000			
Other				322	85
Total	667 215	667 674		322	85
Uruguay					
Replenishment 0-5	225	225			
Total	225	225			
Venezuela (Bolivarian Republic of)					
Replenishment 0-5	169 089	169 089			
Replenishment 6	5 600	5 600			
Total	174 689	174 689			
Viet Nam					
Replenishment 0-5	603	603			
Replenishment 6	500	500			
Total	1 103	1 103			
Yemen					
Replenishment 0-5	1 400	1 400			
Replenishment 6	384	384			
Total	1 784	1 784			

GEF	Belgian Survival Fund		Heavily Indebted Poor Countries Debt Initiative		Other Complementary Contributions	Total (Excluding Total Payments)
	Complementary Contributions	Other Contributions	Complementary Contributions	Other Contributions		
						600
						150
						750
						35
						35
						55
						55
						1 978
						600
						600
						3 178
						15 036
						300
						900
						47
						16 283
						200
						45
						245
						50 180
						1 000
						51 180
						140 090
						38 099
						11 150
					8 154	27 078
					8 154	216 417
						214
						50
						264
						602 674
						45 000
						10 000
						10 000
						407
						668 081
						225
						225
						169 089
						5 600
						174 689
						603
						500
						1 103
						1 400
						384
						1 784
						Cont'd

APPENDIX E

Statement of Contributions

(expressed in US\$'000)

Regular Contributions	Supplementary and Complementary Contributions ³				
Member States	Total Payments*	Instruments Deposited	Co- financing	APOs	Other Supplementary Funds
Yugoslavia					
Replenishment 0-5	108	108			
Total	108	108			
Zambia					
Replenishment 0-5	307	307			
Total	307	307			
Zimbabwe					
Replenishment 0-5	2 103	2 103			
Total	2 103	2 103			
Total Member States	4 805 105	5 152 126	162 596	28 024	84 366
Non-Member States and Other Sources					
African Development Bank			2 800		
Arab Bank			899		
Arab Fund for Economic and Social Development			2 998		
Arab Gulf Programme for United Nations Development Organizations			299		
Congressional Hunger Center					201
Food and Agriculture Organization of the United Nations			14		
Liechtenstein					5
National Agricultural Cooperative Federation			35		
Office of the United Nations High Commissioner for Refugees			1 976		
OPEC Fund for International Development					
Special Contributions	20 000	20 000			
Other			50		
Other	338	338			712
Service Charges Surplus			50		
United Nations Office for the Coordination of Humanitarian Affairs			1 000		
United Nations Fund for International Partnerships			81		
World Bank			802		755
Total Non-Member States and Other Sources	20 338	20 338	11 004	-	1 673
TOTAL 2006	4 825 443	5 172 464	173 600	28 024	86 039
TOTAL 2005	4 595 237	4 808 756	165 803	25 973	80 023

* Payments includes cash and promissory notes. Amounts are expressed in thousands of United States dollars, therefore payments from Afghanistan (US\$93) and Tajikistan (US\$200) do not appear on Appendix E.

¹ See Appendix H, Note 6 (b).

² See Appendix H, Notes 7 (a) and (b).

³ Includes interest earned according to each underlying agreement.

GEF	Belgian Survival Fund		Heavily Indebted Poor Countries Debt Initiative		Other Complementary Contributions	Total (Excluding Total Payments)
	Complementary Contributions	Other Contributions	Complementary Contributions	Other Contributions		
						108
						108
						307
						307
						2 103
						2 103
-	57 904	63 836	19 679	51 845	9 665	5 630 041
						2 800
						899
						2 998
						299
						201
						14
						5
						35
						1 976
						20 000
						50
						1 050
						50
						1 000
						81
20 346						21 903
20 346	-	-	-	-	-	53 361
20 346	57 904	63 836	19 679	51 845	9 665	5 683 402
2 716	56 002	63 836	18 084	44 845	7 741	5 273 779

APPENDIX E

Summary of Contributions

	US\$'000	
	2006	2005
Initial Contributions	1 017 313	1 017 312
First Replenishment	1 016 372	1 016 372
Second Replenishment	566 560	566 560
Third Replenishment	553 495	553 495
Fourth Replenishment	361 394	361 394
Fifth Replenishment	440 641	434 322
Sixth Replenishment	519 898	487 251
Seventh Replenishment	325 211	470
Total IFAD	4 800 884	4 437 176
SPA First Phase	288 868	288 868
SPA Second Phase	62 364	62 364
Total SPA	351 232	351 232
Special Contributions ¹	20 348	20 348
Total Replenishment Contributions	5 172 464	4 808 756
Statement of Complementary Contributions		
Belgian Survival Fund	57 904	56 002
HIPC Debt Initiative	19 679	18 084
Other complementary contributions	9 665	7 741
Total Complementary Contributions	87 248	81 827
HIPC contributions not made in the context of replenishment resources	51 845	44 845
BSF contributions not made in the context of replenishment resources	63 836	63 836
Statement of Supplementary Contributions²		
Co-financing Funds	173 600	165 803
Associate Professional Officer Funds	28 024	25 973
Other Supplementary Funds	86 039	80 023
Global Environment Facility	20 346	2 716
Total Supplementary Contributions	423 690	383 196
Total Contributions	5 683 402	5 273 779
Total contributions include the following:		
Total Replenishment Contributions (as above)	5 172 464	4 808 756
Less Provisions	(169 360)	(169 359)
Total Net Replenishment Contributions	5 003 104	4 639 397
Less fair value adjustment	(45 195)	(21 273)
Total Replenishment Contributions at fair value	4 957 909	4 618 124

¹ Including Iceland's special contribution prior to membership.

² Includes interest earned according to each underlying agreement.

APPENDIX E1

Statement of Unspent Complementary and Supplementary Contributions

Amounts in US\$'000 unless otherwise stated

Statement of Movement in Contributions	Co-financing Funds	APO Funds	Other Supplementary Funds	GEF	Total
Unspent funds as at 1 January 2006	9 144	1 403	30 484	2 052	43 083
Contributions received from donors	1 580	2 051	6 389	17 630	27 650
Returned to donors	-	-	(6)	(141)	(147)
Interest added to funds	77	13	749	333	1 172
Expenditures	(2 947)	(1 745)	(6 569)	(1 825)	(13 086)
Unspent funds as at 31 December 2006	7 854	1 722	31 047	18 049	58 672

Co-financing Funds Donor	Unspent balance as at 31 December	
	2006	2005
Member States		
Ireland	2 115	2 609
Italy	2 267	2 921
Japan	304	380
Netherlands	154	1
Norway	791	469
Suriname	2	2
Sweden	260	343
Switzerland	321	832
United Kingdom of Great Britain and Northern Ireland	619	619
Non-Member States		
Arab Bank	976	899
Arab Fund for Economic and Social Development	1	1
United Nations Fund for International Partnerships	4	28
World Bank	40	40
Total	7 854	9 144

Associate Professional Officer Funds	Unspent balance as at 31 December		Cumulative Number of APOs	
	2006	2005	2006	2005
Belgium	89	105	4	4
Denmark	210	115	20	19
Finland	208	293	10	10
France	122		4	3
Germany	254	160	27	26
Italy	371	373	20	19
Japan	47	(29)	11	11
Netherlands	73	100	29	29
Norway	83	206	9	8
Republic of Korea	57	(40)	8	8
Sweden	208	120	13	12
Switzerland			3	3
United States of America			3	3
Total	1 722	1 403	161	155

A total of 20 APOs worked at IFAD during 2006 (2005 - 24). These were financed by Belgium (1), Denmark (2), Finland (2), France (1), Germany (3), Italy (4), Japan (2), Republic of Korea (1), Netherlands (1), Norway (1) and Sweden (2).

APPENDIX E1

Statement of Unspent Complementary and Supplementary Contributions

Amounts in US\$'000 unless otherwise stated

Other Supplementary Funds Donor	Unspent balance as at 31 December	
	2006	2005
Belgium	19	20
Canada	899	1 015
Congressional Hunger Center	4	18
Denmark	223	223
European Union	1 703	
Finland	722	697
France	429	619
Germany	1 184	2 144
Ireland	445	293
Italy	11 594	13 870
Japan	339	524
Luxembourg	42	71
Malaysia	13	13
Netherlands	282	314
Norway	811	1 216
Portugal	219	271
Spain	2 631	
Sweden	560	993
Switzerland	2 706	2 728
United Kingdom of Great Britain and Northern Ireland	5 786	5 410
World Bank	409	19
Other	27	26
Total	31 047	30 484

Global Environment Facility

Recipient Country	Cumulative Contributions Received as at 31 December	Unspent at 1 January 2006	Received from Donors	Expenditures	Unspent at 31 December 2006
Asian Regional	340	136	-	(102)	34
Brazil ¹	5 988	245	5 943	(9)	5 942
China	350	-	350	(251)	99
Ethiopia	350	350	-	(217)	133
Global support for UNCCD	637	-	637	(612)	25
Jordan	350	350	-	(185)	165
Kenya ²	4 700	-	4 700	-	4 700
Mali ¹	6 326	11	6 000	-	6 011
Morocco	350	350	-	(112)	238
Sri Lanka	350	197	-	(112)	85
Tunisia	350	350	-	(243)	107
Unallocated ³	255	-	-	-	255
Total	20 346	1 989	17 630	(1 825)	17 794
Interest added to funds	396	63	192	-	255
Total	20 742	2 052	17 822	(1 825)	18 049

¹ Brazil (US\$5 843 000) and Mali (US\$6 000 000) - grants approved but not effective.

² Kenya - grant under negotiation.

³ Unallocated - reduction of the Brazil project - available for future projects.

APPENDIX F

Statement of Loans¹

As at 31 December 2006 and 2005

1. IFAD: Statement of Outstanding Loans

Borrower or Guarantor	Approved Loans Less Cancellations	Loans Not Yet Effective	Effective Loans			
			Undisbursed Portion	Disbursed Portion	Repayments	Outstanding Loans
US\$ Loans ¹	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Bangladesh	30 000	-	-	30 000	13 500	16 500
Cape Verde	2 003	-	-	2 003	901	1 102
Haiti	3 500	-	-	3 500	1 619	1 881
Nepal	11 538	-	-	11 538	5 203	6 336
Sri Lanka	12 000	-	-	12 000	5 700	6 300
United Republic of Tanzania	9 488	-	-	9 488	4 414	5 074
Subtotal¹	68 530	-	-	68 530	31 337	37 193
Exchange adjustment on US\$ loans	3 417			3 417	3 153	264
Subtotal US\$ Loans¹	71 947			71 947	34 490	37 457
SDR Loans ¹	SDR'000	SDR'000	SDR'000	SDR'000	SDR'000	SDR'000
Albania	29 227	5 500	270	23 457	1 009	22 448
Algeria	12 919		70	12 849	11 423	1 426
Angola	12 000		945	11 055	223	10 832
Argentina	58 800	26 450	12 019	20 331	15 518	4 813
Armenia	37 749		4 642	33 107	270	32 837
Azerbaijan	21 809		9 121	12 689		12 689
Bangladesh ²	244 572		52 548	192 024	36 017	156 007
Belize	1 750		733	1 017	471	546
Benin	72 753	6 950	8 440	57 363	9 894	47 469
Bhutan	27 284		8 566	18 718	2 958	15 760
Bolivia	53 309	4 800	8 160	40 349	11 690	28 659
Bosnia and Herzegovina	32 757	8 800	2 800	21 157	73	21 085
Brazil	80 450	15 450	30 407	34 593	19 815	14 778
Burkina Faso	69 121	9 350	18 872	40 899	5 060	35 840
Burundi ²	41 689		13 862	27 828	6 881	20 946
Cambodia	28 149		8 417	19 731	52	19 680
Cameroon	38 879		20 229	18 650	3 468	15 181
Cape Verde	10 890		3 724	7 166	886	6 279
Central African Republic	23 044			23 044	1 758	21 286
Chad	26 150		22 677	3 473		3 473
China	351 232	16 700	67 860	266 672	42 392	224 280
Colombia	24 450	13 450	957	10 043	5 500	4 543
Comoros	4 182			4 182	683	3 499
Congo	13 950		12 479	1 471		1 471
Costa Rica	5 722			5 722	4 249	1 473
Côte d'Ivoire	25 276		14 906	10 371	1 146	9 225
Cuba	10 581			10 581	2 273	8 308
Democratic People's Republic of Korea	50 496		1 695	48 801	3 832	44 969
Democratic Republic of the Congo	39 693	10 950	9 663	19 079	1 635	17 444
Djibouti	4 462		2 520	1 942	579	1 363
Dominica	2 946		44	2 902	1 120	1 782
Dominican Republic	18 458		779	17 680	8 547	9 133
Ecuador	32 226	9 900		22 326	11 148	11 177
Egypt	134 705	10 050	25 368	99 287	27 875	71 412
El Salvador	63 764	9 950	11 740	42 075	15 388	26 686
Equatorial Guinea	5 794			5 794	888	4 905
Eritrea	24 950	8 300	4 868	11 782	570	11 212
Ethiopia	131 357		37 238	94 119	14 220	79 899
Gabon	4 793			4 793	4 551	241
Gambia (The)	29 377	4 150	4 909	20 318	3 255	17 063
Georgia	16 468		9 498	6 970		6 970
Ghana	91 023		30 057	60 966	7 378	53 588
Grenada	3 250		2 500	750	108	641
Guatemala	64 926	11 350	30 295	23 281	11 728	11 553
Guinea-Bissau	5 117			5 117	732	4 385
Guinea	74 549		27 184	47 365	5 421	41 943
Guyana	12 144		1 974	10 170	4 844	5 326
Haiti	60 852	8 800	22 281	29 771	7 415	22 355
Honduras	66 281		12 833	53 448	6 859	46 589
India	406 778	68 500	69 936	268 342	68 498	199 844
Indonesia ²	109 678	14 300	12 282	83 097	34 050	49 047
Jamaica	2 253			2 253	2 182	71
Jordan	32 255		11 093	21 162	8 454	12 708
Kenya	62 161		35 084	27 077	4 880	22 197
Kyrgyzstan	7 469		643	6 827	78	6 748
Lao People's Democratic Republic	49 573	2 000	12 940	34 632	3 757	30 875
Lebanon	14 533			14 533	8 795	5 738

Cont'd

APPENDIX F

Statement of Loans¹

As at 31 December 2006 and 2005

1. IFAD: Statement of Outstanding Loans

Borrower or Guarantor	Approved Loans Less Cancellations	Loans Not Yet Effective	Effective Loans			
			Undisbursed Portion	Disbursed Portion	Repayments	Outstanding Loans
SDR Loans ¹	SDR'000	SDR'000	SDR'000	SDR'000	SDR'000	SDR'000
Lesotho	21 340		5 533	15 807	2 768	13 038
Liberia	10 180			10 180		10 180
Madagascar ²	77 017		20 050	56 967	8 585	48 382
Malawi ²	64 891		13 737	51 154	11 149	40 005
Maldives	8 544		2 580	5 963	1 104	4 859
Mali	78 365	7 700	14 275	56 390	8 902	47 487
Mauritania	41 467		19 166	22 301	4 535	17 766
Mauritius	8 200		2 966	5 234	1 093	4 141
Mexico	53 300		36 536	16 764	8 064	8 700
Mongolia	13 705		5 974	7 731	42	7 689
Morocco	64 609	11 250	19 184	34 175	18 654	15 520
Mozambique ²	95 150	13 850	20 017	61 282	7 717	53 565
Namibia	4 200			4 200	1 960	2 240
Nepal	72 562		20 670	51 892	13 274	38 618
Nicaragua	36 282		16 694	19 588	887	18 702
Niger	47 301	10 350	13 470	23 481	3 636	19 845
Nigeria	91 111	18 500	38 020	34 591	7 592	26 998
Pakistan ²	238 342		63 499	174 843	70 150	104 693
Panama	38 755		21 774	16 981	11 178	5 802
Papua New Guinea	5 688			5 688	4 146	1 542
Paraguay	19 808	7 850		11 958	9 202	2 756
Peru	45 900		12 546	33 353	14 421	18 933
Philippines	61 536		22 283	39 253	9 693	29 560
Republic of Moldova	25 200		17 057	8 143		8 143
Romania	12 400		877	11 523	2 480	9 043
Rwanda ²	84 816		28 235	56 580	7 612	48 968
Saint Lucia	1 242			1 242	553	689
Saint Vincent and the Grenadines	1 484			1 484	970	514
Samoa	1 908			1 908	435	1 473
Sao Tome and Principe	13 761		6 447	7 314	1 112	6 202
Senegal	62 903	4 100	15 577	43 226	3 164	40 062
Seychelles	824			824	743	81
Sierra Leone	26 500		5 849	20 651	4 632	16 019
Solomon Islands	2 519			2 519	301	2 218
Somalia	17 710			17 710	411	17 299
Sri Lanka	112 505	27 850	26 635	58 019	12 534	45 486
Sudan ²	129 500	16 800	32 664	80 035	18 058	61 977
Swaziland	16 353		8 343	8 010	2 890	5 120
Syrian Arab Republic	56 545		30 433	26 112	19 208	6 903
The former Yugoslav Republic of Macedonia	11 758		753	11 005	94	10 911
Togo	17 565			17 565	1 521	16 044
Tonga	4 837			4 837	887	3 950
Tunisia	43 949	10 900	12 793	20 256	8 524	11 732
Turkey	47 993	16 300	13 804	17 889	14 465	3 424
Uganda ²	122 870	18 550	35 427	68 893	13 084	55 809
United Republic of Tanzania	126 408	44 250	10 568	71 590	4 254	67 336
Uruguay	18 880		6 596	12 284	7 924	4 361
Venezuela (Bolivarian Republic of)	28 400		22 759	5 641	4 752	889
Viet Nam	94 050	17 550	22 138	54 362	1 335	53 027
Yemen ²	127 186	15 700	14 736	96 750	23 016	73 734
Zambia	79 004	16 250	4 351	58 402	8 328	50 075
Zimbabwe	32 176			32 176	15 605	16 571
Total	5 500 523	523 450	1 385 148	3 591 925	850 146	2 741 779
Fund for Gaza and the West Bank ³	5 800	-	4 060	1 740	-	1 740
US\$equivalent	8 280 807	787 202	2 089 191	5 404 414	1 183 673	4 220 741
Exchange adjustment on SDR loan repayments	(94 838)	-	-	(94 838)	-	(94 838)
Subtotal SDR Loans						
31 December 2006 US\$	8 185 969	787 202	2 089 191	5 309 576	1 183 673	4 125 903
Total Loans						
31 December 2006 US\$						
at nominal value	8 257 916	787 202	2 089 191	5 381 523	1 218 163	4 163 360
Fair value adjustment						(1 141 766)
31 December 2006 US\$ at fair value						3 021 594
31 December 2005 US\$						
at nominal value	7 544 030	758 679	1 936 173	4 849 178	1 134 643	3 714 535
Fair value adjustment						(1 061 863)
31 December 2005 US\$ at fair value						2 652 672

APPENDIX F

Statement of Loans¹

As at 31 December 2006 and 2005

2. IFAD: Summary of Loans approved at nominal value¹

	Approved Loans in SDR'000					Value in US\$'000				
	As at 1 January 2006	Loans Cancelled	Loans Fully Repaid	As at 31 December 2006	As at 1 January 2006	Loans Cancelled	Loans Fully Repaid	Movement in Exchange Rate SDR/US\$	As at 31 December 2006	
1978	US\$	68 530		68 530	68 530				68 530	
1979	SDR	201 486		201 486	287 386			15 624	303 010	
1980	SDR	187 228		187 228	267 049			14 518	281 567	
1981	SDR	188 716		188 716	269 171			14 633	283 805	
1982	SDR	103 110		103 110	147 069			7 995	155 064	
1983	SDR	143 589		143 589	204 805			11 134	215 940	
1984	SDR	131 907		131 907	188 143			10 228	198 371	
1985	SDR	72 039	(11 707)	60 332	102 751		(17 606)	5 586	90 732	
1986	SDR	59 259	(16 146)	43 113	84 523		(24 282)	4 595	64 836	
1987	SDR	87 891		87 891	125 362			6 815	132 177	
1988	SDR	80 306		80 306	114 543			6 227	120 770	
1989	SDR	108 137		108 137	154 239			8 385	162 624	
1990	SDR	106 578		106 578	152 015			8 264	160 280	
1991	SDR	137 984		127 804	196 811		(15 309)	10 700	192 202	
1992	SDR	151 007		151 007	215 386			11 709	227 095	
1993	SDR	169 010	(44)	168 966	241 064	(66)		13 105	254 103	
1994	SDR	183 312	(552)	182 760	261 463	(830)		14 214	274 848	
1995	SDR	232 479	(49)	232 430	331 592	(74)		18 027	349 545	
1996	SDR	245 887	(1 430)	244 457	350 716	(2 151)		19 067	367 632	
1997	SDR	279 209	(939)	275 228	398 244	(1 412)	(4 575)	21 651	413 908	
1998	SDR	284 658	(459)	284 199	406 016	(690)		22 073	427 399	
1999	SDR	315 700		315 700	450 292			24 480	474 772	
2000	SDR	312 250		312 250	445 372			24 213	469 584	
2001	SDR	306 600	(8 933)	297 667	437 313	(13 434)		23 775	447 653	
2002	SDR	271 800	(25 700)	246 100	387 677	(38 650)		21 076	370 103	
2003	SDR	285 850	(11 448)	274 402	407 716	(17 216)		22 166	412 666	
2004	SDR	292 000	(16 250)	275 750	416 488	(24 438)		22 642	414 692	
2005	SDR	324 810		324 810	463 286			25 187	488 473	
2006	SDR			350 400					526 957	
Total	SDR	5 262 802	(65 804)	(41 075)	5 506 323	7 575 022	(98 961)	(61 772)	408 091	8 349 338
Total	US\$	68 530		68 530						
Exchange adjustment on loans disbursed						(30 992)				(91 422)
Total						7 544 030				8 257 916

As at 31 December 2006 and 2005 (US\$'000)

3. IFAD: Maturity Structure of Outstanding Loans by period at nominal value

Period due	2006	2005
Less than 1 year	226 755	200 641
1-2 years	161 223	147 093
2-3 years	168 461	150 780
3-4 years	175 555	153 793
4-5 years	173 065	155 705
5-10 years	878 641	790 416
10-15 years	738 343	656 244
16-20 years	655 263	561 984
21-25 years	556 175	483 106
More than 25 years	429 880	414 773
Total	4 163 360	3 714 535

¹ Loans approved in 1978 were denominated in United States dollars and are repayable in the currencies in which withdrawals are made. Since 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 US\$/SDR rate of 1.50387/1 at 31 December 2006. Since the loans were valued at 31 December 2005 at the then prevailing rate of 1.42633/1, there is an increase in value in terms of United States dollars of US\$408 091 000, attributable to the movement in exchange rates from 31 December 2005 to 31 December 2006 (from 2004 to 2005, there was a decrease in value in terms of United States dollars of US\$621 746 000).

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.

³ See Appendix H, Note 2(e)(ii).

APPENDIX F

Statement of Loans¹

As at 31 December 2006 and 2005 (US\$'000)

4. IFAD: Maturity Structure of Outstanding Loans by currency at nominal value

Currency in which repayment due	2006	2005
US\$	3 550 598	3 160 799
Euro	499 807	442 440
GBP	112 955	111 296
Total	4 163 360	3 714 535

As at 31 December 2006 and 2005 (US\$'000)

5. IFAD: Maturity Structure of Outstanding Loans by interest rate type at nominal value

	2006	2005
Highly concessional	3 759 912	3 322 717
Intermediate terms	292 332	300 038
Ordinary terms	111 116	91 780
Total	4 163 360	3 714 535

As at 31 December 2006 and 2005

6. Special Programme for Africa (SPA): Statement of Loans at nominal value

Borrower or Guarantor	Approved Loans Less Cancellations	Undisbursed Portion	Disbursed Portion	Repayments	Outstanding Loans
SDR Loans	SDR'000	SDR'000	SDR'000	SDR'000	SDR'000
Angola	2 767	103	2 665	158	2 506
Burkina Faso	10 546		10 546	1 621	8 925
Burundi	4 494		4 494	357	4 137
Cape Verde	2 183		2 183	369	1 813
Chad	9 617		9 617	1 074	8 543
Comoros	2 289		2 289	33	2 256
Djibouti	114		114	14	100
Ethiopia	6 816		6 816	1 519	5 298
Gambia (The)	2 638		2 638	440	2 199
Ghana	22 321		22 321	3 486	18 835
Guinea-Bissau	2 126		2 126	80	2 047
Guinea	10 762		10 762	2 152	8 609
Kenya	12 387	995	11 392	1 628	9 764
Lesotho	7 481		7 481	1 220	6 261
Madagascar	1 098		1 098	55	1 043
Malawi	5 777		5 777	434	5 343
Mali	10 193		10 193	2 297	7 897
Mauritania	19 020		19 020	3 184	15 836
Mozambique	8 291		8 291	1 969	6 322
Niger	11 119		11 119	2 397	8 722
Senegal	23 234		23 234	3 519	19 715
Sierra Leone	1 505		1 505	38	1 468
Sudan	26 012	(55)	26 067	4 272	21 796
Uganda	8 124		8 124	1 828	6 296
United Republic of Tanzania	6 789		6 789	1 188	5 601
Zambia	8 607		8 607	1 932	6 675
Total	226 313	1 043	225 270	37 263	188 007
US\$ Equivalent¹	340 346	1 568	338 778	52 078	286 700
Exchange adjustment on SDR Loan Repayments	(3 962)		(3 962)		(3 962)
31 December 2006 US\$ at nominal value	336 384	1 568	334 816	52 078	282 738
Fair value adjustment					(113 704)
31 December 2006 US\$ at fair value					169 034
31 December 2005 US\$ at nominal value	321 504	3 160	318 344	43 855	274 489
Fair value adjustment					(111 495)
31 December 2005 US\$ at fair value					162 994

APPENDIX F

Statement of Loans¹

As at 31 December 2006 and 2005

7. SPA: Summary of Loans approved at nominal value¹

		Approved Loans in SDR'000			Value in US\$'000			
		At 1 January 2006	Loans Cancelled	At 31 December 2006	At 1 January 2006	Loans Cancelled	Exchange Rate Movement SDR/US\$	At 31 December 2006
1986	SDR	24 902		24 902	35 518		1 931	37 449
1987	SDR	41 292		41 292	58 896		3 202	62 098
1988	SDR	34 770		34 770	49 593		2 696	52 289
1989	SDR	25 756		25 756	36 737		1 997	38 734
1990	SDR	17 370		17 370	24 775		1 347	26 122
1991	SDR	18 246		18 246	26 025		1 415	27 440
1992	SDR	6 952		6 952	9 916		539	10 455
1993	SDR	34 570		34 570	49 308		2 681	51 989
1994	SDR	16 320		16 320	23 278		1 265	24 543
1995	SDR	6 135		6 135	8 751		476	9 227
Total	SDR	226 313	-	226 313	322 797	-	17 549	340 346

¹ Loans have been denominated in SDR and, for purposes of presentation in the balance sheet, the accumulated amount has been valued at the US\$/SDR rate of 1.50387/1 as at 31 December 2006. Since the loans were valued at 31 December 2005, at the then prevailing rate of 1.42633/1, there has been an increase in value in terms of United States dollars of US\$17 549 000, attributable to the movement in exchange rates from 31 December 2005 to 31 December 2006 (from 2004 to 2005 there was a decrease in value in terms of United States dollars of US\$38 228 000).

As at 31 December 2006 and 2005 (US\$'000)

8. SPA: Maturity Structure of Outstanding Loans by period at nominal value

Period due	2006	2005
Less than 1 year	10 287	9 476
1-2 years	8 861	8 404
2-3 years	8 861	8 404
3-4 years	8 861	8 404
4-5 years	8 861	8 404
5-10 years	44 306	42 022
10-15 years	44 306	42 022
16-20 years	43 614	41 546
21-25 years	43 357	41 121
More than 25 years	61 422	64 686
Total	282 738	274 489

As at 31 December 2006 and 2005 (US\$'000)

9. SPA: Maturity Structure of Outstanding Loans by currency at nominal value

Currency in which repayment due	2006	2005
US\$	170 698	156 712
Euro	112 040	117 777
Total	282 738	274 489

As at 31 December 2006 and 2005 (US\$'000)

10. SPA: Maturity Structure of Outstanding Loans by interest rate type at nominal value

	2006	2005
Highly concessional	282 738	274 489
Intermediate terms	-	-
Ordinary terms	-	-
Total	282 738	274 489

APPENDIX F1

Statement of Grants – IFAD-Only

For the years ended 31 December (US\$'000)

	Undisbursed as at 1 January	2006 movements			Exchange Rate	Undisbursed as at 31 December
		Effective	Disbursements	Cancellations		
Non-governmental organization/ Extended Cooperation Programme grants	782	-	(294)	(108)	-	380
Component grants	3 821	4 686	(809)	-	313	8 011
Research grants	43 783	25 742	(23 046)	(659)	5	45 825
Total 2006	48 386	30 428	(24 149)	(767)	318	54 216
Fair value adjustment						(4 849)
Total 2006 at fair value						49 367
Total 2005	36 048	35 568	(22 186)	(787)	(257)	48 386
Fair value adjustment						(6 176)
Total 2005 at fair value						42 210

APPENDIX G

Summary of the Debt Initiative for Heavily Indebted Poor Countries

At 31 December 2006, the cumulative position of the debt relief provided and estimated to be provided, under both the original and enhanced Debt Initiative for HIPC's, is as follows:

SDR'000	Debt Relief provided to 31 December 2006		Debt Relief to be provided as approved by the Executive Board		Total		
	Principal	Interest	Principal ¹	Interest	Principal	Interest	Total
Benin	3 066	1 166	1 494	486	4 560	1 652	6 212
Bolivia	5 900	1 890			5 900	1 890	7 790
Burundi			16 073	2 705	16 073	2 705	18 778
Burkina Faso	3 447	1 598	3 524	1 095	6 971	2 693	9 664
Cameroon	107	45	2 910	656	3 017	701	3 718
Chad			1 600	432	1 600	432	2 032
Congo				92		92	92
Democratic Republic of the Congo	1 504	245	5 894	2 164	7 398	2 409	9 807
Ethiopia	3 128	1 314	17 842	4 468	20 970	5 782	26 752
Gambia (The)			2 340	641	2 340	641	2 981
Ghana	3 033	1 489	12 516	3 494	15 549	4 983	20 532
Guinea			6 628	1 749	6 628	1 749	8 377
Guinea-Bissau			3 417	966	3 417	966	4 383
Guyana	1 498	279	39	9	1 537	288	1 825
Honduras	696	506	390	252	1 086	758	1 844
Madagascar	1 556	573	6 260	1 518	7 816	2 091	9 907
Malawi			20 087	4 305	20 087	4 305	24 392
Mali	5 428	2 173	796	248	6 224	2 421	8 645
Mauritania	3 352	1 229	5 145	1 357	8 497	2 586	11 083
Mozambique	5 699	2 317	6 200	1 450	11 899	3 767	15 666
Nicaragua	6 887	394	670	209	7 557	603	8 160
Niger	1 523	623	9 501	2 155	11 024	2 778	13 802
Rwanda	1 106	362	16 915	4 429	18 021	4 791	22 812
Sao Tome and Principe			4 631	760	4 631	760	5 391
Senegal	2 012	785	247	84	2 259	869	3 128
Sierra Leone			11 168	2 350	11 168	2 350	13 518
United Republic of Tanzania	4 434	2 152	8 291	2 104	12 725	4 256	16 981
Uganda	8 473	3 644	3 923	1 103	12 396	4 747	17 143
Zambia	2 128	722	17 282	4 250	19 410	4 972	24 382
31 December 2006 SDR	64 977	23 506	185 783	45 531	250 760	69 037	319 797
							Less future interest on debt relief not accrued (45 531)
							Total cumulative cost of debt relief as at 31 December 2006 (SDR'000) 274 266
31 December 2006 US\$	93 062	33 497	279 393	68 474	372 455	101 970	474 425
							Less future interest on debt relief not accrued (68 474)
							Total cumulative cost of debt relief as at 31 December 2006 405 951
Fair value adjustment			(95 989)				
31 December 2006 at fair value			183 404				
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 US\$	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 (US\$'000) 356 531
Fair value adjustment			(94 294)				
31 December 2005 at fair value			170 233				

¹ See Appendix H, Note 10(b).

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 co-financing. 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

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

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 financial statements 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.

The preparation of financial statements in conformity with IFRS requires use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 4.

(b) Area of Consolidation

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 (SPA)
- Other supplementary funds, including technical assistance grants, cofinancing, Associate Professional Officers and programmatic and thematic supplementary funds; the Belgian Survival Fund Joint Programme (BSF.JP); and the Global Environment Facility (GEF)
- IFAD's Debt Initiative for HIPCs Trust Fund
- IFAD's After-Service Medical Coverage Scheme Trust Fund

The main activities of the BSF.JP 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.

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.

Entities Housed at IFAD

Other entities are hosted by 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) (formerly called the Popular Coalition to Eradicate Hunger and Poverty) and the Global Mechanism of the United Nations Convention to Combat Desertification (GM).

(c) Translation and Conversion of Currencies

Items included in the Consolidated Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Consolidated Financial Statements are presented in United States dollars, which is IFAD's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or at the applicable exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Revenues and Expenses.

The results and financial position of the entities/funds that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate
- Income and expenses are translated at average exchange rates
- All resulting exchange differences are recognized as a separate component of equity.

A statement of IFAD's balance sheet is prepared in SDR (Appendix A1), 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 4 (b)(i).

(d) Equity

This comprises the following three elements:

- (i) Contributions (Equity)
- (ii) General Reserve
- (iii) Retained earnings

(i) Contributions (Equity)

(a) Background to contributions

The contributions to the Fund by each Member when due are payable in freely convertible currencies, except in the case of Category III Members up to the end of the Third Replenishment period who were permitted to 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.

A contribution to IFAD replenishment resources is recorded in full as equity and 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 subsequently measured at amortised cost using the effective interest method in accordance with IAS 39 (revised 2003).

(b) Provisions

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.

(ii) General Reserve

The general reserve may only be used for the purposes authorized by the Governing Council and 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.

(iii) Retained earnings

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 in the case of IFAD 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).

(e) Loans

(i) 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 signature, 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."

(ii) Loans to Non-Member States

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 (FGWB). 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.

(iii) Debt Initiative for Heavily Indebted Poor Countries (HIPC)

(a) Background to the HIPC Debt Initiative

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 IFAD 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.

(b) Impact of the HIPC Debt Initiative

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).

(c) Accumulated Allowance for the HIPC Debt Initiative

On approval of the Executive Board, a fair value allowance is established for the estimated impairment loss based on the principal component of the debt relief to be provided under the Debt Initiative for HIPCs framework. 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.

(iv) Measurement of loans

Loans are initially recognized 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).

(v) Accumulated Allowance for Impairment Losses

Delays in receiving loan payments result in present value losses to the Fund since it does not charge fees or additional interest on any overdue interest or loan charges. An allowance is established for such losses 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. The Fund has not written off any of its loans.

(vi) Non-Accrual Status

Income on loans is recognized following the accrual basis of accounting. 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.

(f) Investments

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.

(g) Cash and cash equivalents

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. 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.

(h) Contributions (non-equity)

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 effective. Grants effective 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 revenues 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. 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 E.

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 HIPCs Trust Fund and BSF.JP are recognized as income in the Statement of Revenues and Expenses and matched against related expenditures.

(i) 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 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).

Grants are recorded 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 when the underlying agreement is signed. 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.

(j) Employee schemes

(i) Pension obligations

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 for the United Nations Joint Staff Pension Fund (UNJSPF) 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 plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. IFAD, as well as other participating organizations, is not in the position 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.

(ii) After-Service Medical Coverage Scheme

IFAD participates in a multi-employer After-Service Medical Coverage Scheme (ASMCS) 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. Up until 2005, FAO engaged an actuary on a bi-annual basis, to determine the unfunded accrued liability pertaining to the scheme, of which IFAD was allocated its share, based principally on headcount. In 2006, an actuary has been engaged by the participating organizations through a joint tender to perform an independent valuation on an annual basis.

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 and current staff under this scheme.

(k) Provisions

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 entitlements 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.

(l) 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.

(m) Revenue recognition

Service charge income and income from other sources are recognized as revenues in the period in which the related expenditures are incurred.

(n) Plant and equipment

The cost of office furniture and equipment including software and capital leased assets is charged directly to expense 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. The costs relating to other leased assets are charged to expense over the life of the lease.

(o) 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:

- (i) 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.
- (ii) Provisions have been established for overdue promissory notes as per Note 2(d)(i)(b).
- (iii) As described in Note 4(b), 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 2003).
- (iv) 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 2006, as 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.

NOTE 3

FINANCIAL RISK MANAGEMENT

IFAD's activities expose it to a variety of financial risks; market risk, credit risk, currency risk, custodial risk and liquidity risk.

Financial risk management is carried out principally through the finance divisions in IFAD under policies approved by senior management and/or the (Audit Committee reporting to the) Executive Board.

(a) Market Risk

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. The risks associated with IFAD's investment portfolio are addressed through the provision of investment policies, which are implemented through guidelines and include custodial arrangements, minimum credit ratings, benchmarking investment performance and managing of the exposure to market risks by modifying the duration.

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 portfolios. Options and futures are held for managing market risk rather than for trading purposes. The Fund no longer invests in equities.

The market risk of the investment portfolio is monitored through its standard deviation and Value at Risk (VaR) on a quarterly basis. The VaR is calculated on a three-month horizon with a confidence level of 95% and is compared with the overall benchmark standard deviation and VaR.

(b) Credit Risk

(i) Investments

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) Loans

Because of the nature of its borrowers and guarantors, the Fund expects that each of its sovereign guaranteed loans will ultimately be repaid. Collectibility risk is covered by both the accumulated allowance for loan impairment losses and the accumulated allowance for the Debt Initiative for HIPCs. Loans with amounts overdue more than 180 days are placed in non-accrual status.

(iii) Contributions receivable

Because of the sovereign status of IFAD's donor contributions, the Fund expects that each of its contributions for which a legally binding instrument has been deposited will ultimately be received. Collectibility risk is covered by the provisions on contributions.

(c) 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 US\$.

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.

(d) 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. IFAD monitors the activities of the custodian closely and performs evaluation of its performance on a regular basis.

(e) Fair value estimation

The fair value of financial instruments traded in active markets (such as the Investment portfolios, excluding the held to maturity instruments), is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market (for example the Fund's loan portfolio and contribution receivables) is determined by using valuation techniques as described in Note 2 (e) (iv) above.

NOTE 4

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

(a) Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Fair value and amortised costs of loans, undisbursed grants and deferred revenues

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques as described in Note 2 (e) (iv).

(ii) HIPC

Significant judgements have been used in the computation of estimated losses for the Debt Initiative for HIPCs and overdue loan repayments. Principal assumptions underlying the computations include the exchange rate between SDR and US\$, timing of eligibility of debt relief, and the level of disbursements.

(b) Critical judgments in applying accounting policies

(i) Fair value accounting

Fair value accounting is required in order for IFAD to comply with International Financial Reporting Standards, however, 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 A1 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. 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 continue to be shown including data on a nominal value basis.

(ii) Impairment of financial assets

IFAD follows the guidance of IAS 39 to determine when a financial asset is impaired.

NOTE 5

CASH AND INVESTMENT BALANCES

(a) Analysis of Balances

	US\$ '000	
	2006	2005
Unrestricted cash	197 098	249 762
Cash subject to restriction (Note 5(b))	79	69
Total	197 177	249 831
Unrestricted investments	2 364 039	2 384 115
Investments subject to restriction (Note 5(b))	634	655
Total	2 364 673	2 384 770

(b) Cash and Investments Subject to Restriction

Currencies Not Freely Convertible: Cash and investments held by the Fund at 31 December 2006 in currencies not freely convertible amounted to US\$79 000 (2005 – US\$69 000) and US\$634 000 (2005 – US\$655 000), 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 2006, cash and investments at market value amounted to US\$2 504 596 000, excluding restricted and non-convertible currencies (2005 – US\$2 477 006 000), and comprised the following instruments:

	US\$ '000	
	2006	2005
Cash	197 098	249 762
Fixed-income instruments	1 776 085	2 173 120
Unrealized market-value (loss)/gain on forward contracts	(5 145)	2 303
Time deposits and other obligations of banks	592 515	208 372
Futures	586	306
Options	-	14
Total cash and investments	2 561 137	2 633 877
Receivables for investments sold	22 880	87 983
Payables for investments purchased	(79 429)	(244 854)
Total	2 504 596	2 477 006

Fixed income investments include US\$413.5 million in held to maturity investments as at 31 December 2006 (2005: US\$390.9 million). See Note 5 (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:

	US\$ '000	
	2006	2005
Euro	801 693	732 032
Japanese yen	263 865	327 251
Pound sterling	236 641	219 315
United States dollar	1 202 397	1 162 038
Others	-	36 370
Total	2 504 596	2 477 006

(e) Composition of the Investment Portfolio by Maturity

The composition of cash and investments by maturity at 31 December was as follows:

	US\$ '000	
	2006	2005
Due in one year or less	1 094 770	672 958
Due after one year through five years	1 104 639	1 182 698
Due from five to ten years	167 487	169 883
Due after ten years	137 700	451 467
Total	2 504 596	2 477 006

The average life to maturity of the fixed-income investments included in the consolidated investment portfolio at 31 December 2006 was 40 months (2005 – 81 months).

(f) Held to Maturity Investments

	US\$	US\$ '000	
		Euro	All Currencies
Cash	426	303	729
Corporate Bonds	50 658	69 212	119 870
Government Agencies	121 348	41 472	162 820
Government Bonds	20 225	58 667	78 892
Supranational	40 069	11 121	51 190
Total 2006	232 726	180 775	413 501
Total 2005	201 462	189 418	390 880

The maturity structure of held to maturity investments as at 31 December is as follows:

Period Due	US\$ '000	
	2006	2005
Less than one year	81 806	88 304
1-2 years	60 806	77 104
2-3 years	91 164	76 181
3-4 years	96 930	76 730
4-5 years	82 795	72 561
	413 501	390 880

All investments due in less than one year have a maturity of more than 3 months from the date of purchase.

NOTE 6

CONTRIBUTORS' PROMISSORY NOTES AND RECEIVABLES

	US\$ '000	
	2006	2005
Promissory notes to be encashed		
Replenishment contributions	331 291	298 614
BSF contributions	27 093	24 236
Total	358 384	322 850
Fair value adjustment	(20 580)	(15 254)
Promissory notes to be encashed at fair value	337 804	307 596
Contributions receivable		
Replenishment contributions	347 022	213 520
BSF contributions	31 299	12 958
Supplementary contributions	20 616	15 377
Total	398 937	241 855
Fair value adjustment	(32 279)	(11 425)
Contributions receivable at fair value	366 658	230 430

(a) Initial, First, Second, Third, Fourth and Fifth Replenishment Contributions

These contributions have been fully paid except as detailed in Note 7 and in the matrix below:

Contributions not paid/encashed at 31 December 2006

	US\$ '000	
	Replenishment	Amount
Argentina	Fifth	1 500
Australia ¹	Fifth	562
Switzerland ¹	Fifth	599
United Kingdom of Great Britain and Northern Ireland ^{1,2}	Fifth	19 241

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 2006.

(b) Sixth Replenishment

Details of contributions and payments made for the Sixth Replenishment are shown in Appendix E.

(c) Seventh Replenishment

Details of contributions and payments made for the Seventh Replenishment are shown in Appendix E. The Seventh Replenishment became effective on 22 December 2006.

(d) Special Programme for Africa (SPA)

Details of contributions to the SPA under the First and Second Phases are shown in Appendix E.

NOTE 7

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(d)(i)(b), the Fund has established provisions as follows:

	US\$ '000	
	2006	2005
Balance at beginning of the year	169 359	176 292
Total movements	1	(6 933)
Balance at end of year	169 360	169 359
Analysed as:		
Promissory notes of contributors (a)	80 898	80 898
Amounts receivable from contributors (b)	88 462	88 461
Total	169 360	169 359

(a) Provisions against Promissory Notes

As at 31 December 2006, all IFAD replenishment contributions up to and including the Sixth Replenishment, deposited in the form of promissory notes, have been drawn down to the extent of 100% (31 December 2005 – 100% up to the Fifth Replenishment and 65% of Sixth Replenishment).

As at 31 December 2006 and 2005, all First and Second Phase SPA contributions have been fully drawn down.

In accordance with the policy referred to in Note 2 (d)(i)(b), the Fund has established provisions against promissory notes as indicated hereunder.

IFAD	US\$ '000	
	2006	2005
(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
	2	2
(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	80 888
SPA		
First Phase		
Mauritania	10	10
Total SPA	10	10
Grand Total	80 898	80 898

(b) Provisions against Amounts Receivable from Contributors

In accordance with the policy referred to in Note 2 (d)(i)(b) the Fund has established provisions against certain of these amounts as indicated hereunder.

	US\$ '000	
	2006	2005
(i) Initial Contributions		
Comoros	10	9
Iran (Islamic Republic of)	83 167	83 167
	83 177	83 176
(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
Sao Tome and Principe	10	10
	2 410	2 410
(iv) Fourth Replenishment		
Kenya	504	504
	504	504
Total	88 462	88 461

NOTE 8

OTHER RECEIVABLES

	US\$ '000	
	2006	2005
Receivables for investments sold	22 880	87 983
Miscellaneous	21 832	19 481
Total	44 712	107 464

The amounts above are expected to be received within one year of the balance-sheet date.

NOTE 9

LOANS

(a) Accumulated Allowance for Impairment Losses

An analysis of the accumulated allowance for loan impairment losses is shown below:

	US\$ '000	
	2006	2005
Balance at beginning of year	140 634	114 060
Net increase in allowance	20 488	35 872
Revaluation	8 040	(9 298)
Balance at end of year at nominal value	169 162	140 634
Fair value adjustment	(113 554)	(89 354)
	55 608	51 280

(b) Non-Accrual Status

For loans with overdue amounts in non-accrual status, had these amounts been recognized as income, income from loans as reported in the Statement of Revenues and Expenses for the year 2006 would have been greater by US\$2 933 000 (2005 – US\$2 935 000). The corresponding figures relating to SPA were US\$77 000 (2005 – US\$58 000). The Member States concerned are shown below:

(i) Borrowers in Non-Accrual Status – IFAD

	31 December 2006			In Arrears Since
	US\$ '000	Principal Outstanding	Principal Overdue	
Central African Republic	32 011	4 839	310	May 2001
Comoros	1 954	101	19	Mar 2005
Cuba	12 495	12 495	490	Sep 1989
Democratic Republic of the Congo	22 314	4 232	253	Feb 1993
Equatorial Guinea	1 962	35	22	Apr 2005
Guinea-Bissau	6 595	1 625	66	Nov 1995
Liberia	15 309	11 543	437	Nov 1995
Seychelles	123	-	-	Jan 2002
Sierra Leone	24 014	3 309	249	Mar 1998
Solomon Islands	3 336	576	33	Apr 2001
Somalia	26 015	12 381	256	Jan 1991
Togo	24 129	3 718	225	Sep 2000
Zimbabwe	24 920	9 659	573	Oct 2001
Total	195 177	64 513	2 933	

(ii) Borrowers in Non-Accrual Status – SPA

	31 December 2006			In Arrears Since
	US\$ '000	Principal Outstanding	Principal Overdue	
Guinea-Bissau	3 078	680	30	Dec 1995
Sierra Leone	2 207	141	22	Mar 1998
Comoros	3 392	183	25	Mar 2005
Total	8 677	1 004	77	

The income from loans reported in the Statement of Revenues and Expenses for 2006 includes US\$247 000 (2005 – US\$31 000) in respect of income received relating to prior years.

Details of loans approved and disbursed and of loan repayments appear in Appendix F.

(c) Further Analysis of Loan Balances

The following balances are all shown at nominal value.

	US\$ '000	
	2006	2005
IFAD approved loans less cancellations and adjustment for movement in value of total SDR loans in terms of US\$ (Appendix F)		
US\$'000		
2006 – US\$8 257 916		
2005 – US\$7 544 030		
Effective loans	7 470 714	6 785 351
Less: Undisbursed balance of effective loans	(2 089 191)	(1 936 172)
Repayments	(1 218 163)	(1 134 643)
Interest/principal receivable	19 197	13 827
Loans outstanding at nominal value	4 182 557	3 728 363
Fair value adjustment	(1 141 766)	(1 061 863)
Loans outstanding at fair value	3 040 791	2 666 500

SPA approved loans less cancellations and adjustment for movements in value of total SDR loans in terms of US\$ (Appendix F)		
US\$ '000		
2006 – US\$336 384		
2005 – US\$321 504		
Effective loans	336 384	321 504
Less: Undisbursed balance of effective loans	(1 568)	(3 160)
Repayments	(52 078)	(43 855)
Interest/principal receivable	925	787
Loans outstanding at nominal value	283 663	275 276
Fair value adjustment	(113 704)	(111 494)
Loans outstanding at fair value	169 959	163 782

Total approved loans less cancellations and adjustment for movements in value of SDR loans in terms of US\$		
US\$ '000		
2006 – US\$8 594 300		
2005 – US\$7 865 534		
Effective loans	7 807 098	7 106 855
Less: Undisbursed balance of effective loans	(2 090 759)	(1 939 332)
Repayments	(1 270 241)	(1 178 498)
Interest/principal receivable	20 122	14 614
Loans outstanding at nominal value	4 466 220	4 003 639
Fair value adjustment	(1 255 470)	(1 173 357)
Loans outstanding at fair value	3 210 750	2 830 282

NOTE 10

DEBT INITIATIVE FOR HEAVILY INDEBTED POOR COUNTRIES

(a) Impact of the Debt Initiative for HIPCs

IFAD has funded the Debt Initiative in the amount of US\$69 700 000 during the period 1998-2006. Details of funding from external donors on a cumulative basis are found in Appendix E.

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 the Central African Republic, the Comoros, Côte d'Ivoire, Liberia, Somalia, the Sudan and Togo. Authorization for IFAD's share of this debt relief is expected to be given by the Executive Board in 2007-2009. At the time of preparation

of the 2006 financial statements, the estimate of IFAD's share of the overall debt relief for these countries, principal and interest, was US\$200 920 000 (2005 – US\$179 029 000).

Gross investment income amounted to US\$1 085 000 (2005 – US\$1 430 000) from Debt Initiative trust fund balances.

The total cumulative cost of debt relief derives from the following sources:

	US\$ '000		
	2006	Movement	2005
IFAD contributions 1998-2006	69 670	10 000	59 670
Total contributions from external sources (Appendix E)	71 524	8 596	62 928
Cumulative investment income	5 091	1 083	4 008
Short fall between debt relief approved and funds available	228 044	17 775	210 269
Charge to Statement of Revenues and Expenses		37 454	
Cumulative net exchange rate movements	31 622	11 966	19 656
Total (Appendix G)	405 951	49 420	356 531

(b) Accumulated Allowance for the Debt Initiative for HIPCs

The balances for the years ended 31 December are summarized below:

	US\$ '000	
	2006	2005
Balance at beginning of year	264 527	240 112
Repayments of principal	(25 515)	(19 459)
Change in provision	28 419	64 768
Exchange rate movements	11 962	(20 894)
Balance at end of year	279 393	264 527
Fair value adjustment	(95 989)	(94 294)
Fair value equivalent	183 404	170 233

NOTE 11

PAYABLES AND LIABILITIES

	US\$ '000	
	2006	2005
Payables for investments purchased	(79 429)	(244 854)
ASMCS liability	(32 922)	(27 919)
Other payables and accrued liabilities	(56 629)	(47 065)
Total	(168 980)	(319 838)

Of the total above, approximately US\$64.8 million (2005 – US\$58.0 million) is estimated to be payable in more than one year from the balance-sheet date.

NOTE 12

DEFERRED REVENUES

	US\$ '000	
	2006	2005
Deferred contributions	(106 841)	(67 898)
Deferred income	(3 692)	(3 488)
Total	(110 533)	(71 736)
Fair value adjustment	7 213	5 405
Deferred revenues at fair value	(103 320)	(65 981)

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(h).

Deferred income includes amounts relating to service charges received for which the related costs have not yet been

incurred.

**NOTE 13
EQUITY**

An analysis of equity as at 31 December is shown below:
IFAD only in nominal value terms

	US\$ '000	
	2006	2005
Equity		
Contributions		
Regular	5 152 116	4 788 408
Provisions	(169 360)	(169 359)
Net regular	4 982 756	4 619 049
Special	20 348	20 348
Total Net Contributions	5 003 104	4 639 397
General Reserve (Note 2(d)(ii))	95 000	95 000
Fully committed retained earnings (Note 2(d)(iii))	1 743 494	1 524 479
Total Equity	6 841 598	6 258 876

**NOTE 14
NET FOREIGN EXCHANGE GAINS/LOSSES**

The following rates of 1 unit of SDR in terms of US\$ as at 31 December were used:

Year	US\$
2006	1.50387
2005	1.42633
2004	1.54979

The movement in the account for foreign exchange rates is explained as follows:

	US\$ '000	
	2006	2005
Opening balance at 1 January	534 250	939 470
Exchange movements for the year on:		
Cash and investments	81 323	(165 559)
Equities	-	(1 074)
Held to maturity investments	21 142	(20 705)
Net receivables/payables	(2 316)	818
Loans and grants outstanding	147 502	(216 684)
Promissory notes and Members' receivables	19 110	(40 641)
Member States' contributions	(16 821)	38 625
Total movements in the year	249 940	(405 220)
Closing balance at 31 December	784 190	534 250

The movement on this account excludes the gain/loss related directly to operations, which instead is included in Total Foreign Exchange Rate Movements.

**NOTE 15
INCOME FROM CASH AND INVESTMENTS**

(a) Investment Management

During the third quarter of 2006, IFAD implemented a number of tactical short-term measures intended to protect the investment portfolio from unfavourable market movements and to lock-in positive returns for the remainder of 2006. As part of these measures, US\$449 million of the externally managed diversified fixed-interest and inflation-indexed bond portfolios was liquidated and reinvested in money market instruments.

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 2006, funds under external management amounted to US\$1 393.1 million (2005 – US\$2 042.1 million), representing some 59% (2005 – 82.9%) of total cash and investments.

(b) Derivative Instruments

The Fund's investment guidelines authorize the use of the following types of derivative instruments:

(c) Futures

Future contracts open at year-end were as follows:

	31 December	
	2006	2005
Number of contracts open:		
Buy	564	547
Sell	266	438
Net unrealized gains/(losses) of open contracts (US\$ '000)	595	(544)
Maturity range of open contracts	67 to 442 days	67 to 352 days

The underlying instruments of future contracts open at 31 December 2006 were government bonds and currencies.

(d) 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	
	2006	2005
Number of contracts open:		
Buy	627	-
Sell	561	323
Market value of open contracts (US\$ '000)	-	14
Net unrealized losses of open contracts (US\$ '000)	(7)	(141)
Maturity range of open options	78 to 353 days	170 to 261 days

The underlying instruments of option contracts open at 31 December 2006 were money market indices.

(e) Covered Forwards

The unrealized market-value loss on forward contracts at 31 December 2006 amounted to US\$5 145 000 (2005 – gain of US\$2 303 000). The maturity of forward contracts at 31 December 2006 ranged from 5 to 79 days (31 December 2005 – 4 to 79 days).

The underlying instruments of forward contracts open at 31 December 2006 were currencies.

(f) Income from Cash and Investments

The gross income from cash and investments for the year ended 31 December 2006 amounted to US\$66 379 000 (2005 – gross income of US\$ 74 653 000). This figure is gross of direct charges against investment income of US\$4 134 000 (2005 – US\$3 513 000), which are included in expenses.

	US\$ '000	
	2006	2005
Interest from fixed-income investments	92 008	82 028
Dividend income from equities	-	755
Net (loss)/income from futures and options	(301)	2 218
Realized capital loss from fixed-income securities	(26 895)	(9 645)
Realized capital gain from equities	-	4 496
Unrealized loss from fixed-income securities	(5 463)	(11 543)
Income from securities lending and commission recapture	640	802
Interest income from banks and non-convertible currencies	6 390	5 542
Total	66 379	74 653

The above figures include income from the HTM portfolio of US\$14.4 million (2005 – US\$10.2 million).

The above figures include income for the consolidated entities, as follows:

	US\$ '000	
	2006	2005
IFAD	61 975	71 693
ASMCS Trust Fund	1 106	545
Debt Initiative for HIPC's Trust Fund	1 085	1 430
BSF.JP	290	305
Other supplementary funds	3 644	1 755
Less: income deferred/reclassified	(1 721)	(1 075)
Total	66 379	74 653

The annual rate of return on consolidated cash and investments in 2006 was positive 2.7% gross of expenses and positive 2.6% net of expenses (2005 – positive 3.1% gross of expenses, positive 2.9% net of expenses). The annual rate of return on IFAD cash and investments in 2006 was 2.57% positive gross of expenses and 2.46% positive net of expenses (2005 – 3.1% positive gross of expenses, 2.95% positive net of expenses).

NOTE 16

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:

	US\$ '000	
	2006	2005
Service charges	415	332
Host Government income	7 794	8 613
Income from other sources	1 434	847
Total	9 643	9 792

NOTE 17

CONTRIBUTIONS INCOME

	US\$ '000	
	2006	2005
Supplementary Funds	12 425	13 541
BSF.JP	5 307	4 236
HIPC Debt Initiative	8 595	2 931
Total	26 327	20 708

NOTE 18

OPERATING EXPENSES

An analysis of IFAD operating expenses by principal funding source is shown in Appendix B1.

The Programme Development Financing Facility (PDFF) 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 other funding sources including the Action Plan, are classified in the accounts in accordance with the underlying nature of the expense.

NOTE 19

STAFF NUMBERS AND RETIREMENT AND MEDICAL SCHEMES

(a) Staff Numbers

Employees that are on IFAD's payroll are part of the retirement and medical systems offered by IFAD. These schemes include participation in the United Nations Joint Staff Pension Fund (UNJSPF) and in the After-Service Medical Coverage Scheme administered by FAO.

The number of staff on the payroll of the Fund and other consolidated entities by principal budget source as at 31 December was as follows:

	Professional		General Service	Total
	2006	2005		
IFAD admin. budget	174	263		437
IFAD PDFF	17	38		55
IFAD other sources	13	20		33
BSF.JP	1	2		3
APO	16	-		16
Programmatic funds	10	2		12
Total 2006	231	325		556
Total 2005	229	284		513

The above figures exclude 53 staff on temporary contracts at daily rates as at 31 December 2006 (56 staff as at 31 December 2005).

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

The latest actuarial valuation for the UNJSPF was prepared as of 31 December 2005. This valuation revealed an actuarial surplus, amounting to 1.29% of pensionable remuneration. 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 2006 amounted to US\$7 283 000 (2005 – US\$6 798 000).

(c) After-Service Medical Coverage Scheme

The latest actuarial valuation for the After-Service Medical Coverage Scheme was carried out as at 31 December 2006. The methodology used was the projected unit-credit-cost method with service prorates. The principal actuarial assumptions used were as follows: discount rate, 4.5%; expected salary increases, 3.0%; medical cost increases, 5.0%; and inflation, 2.5%; exchange rate Euro:US\$1.22. The results determined IFAD's liability as at 31 December 2006 to be some US\$32.9 million. The 2006 and 2005 financial statements include a provision and related assets constituted as follows as at 31 December:

	US\$ '000	
	2006	2005 ¹
Past service liability		
Total provision brought forward	(27.9)	(15.0)
Interest cost	(1.1)	(1.1)
Current service charge	(1.6)	(1.6)
Reclassification/current service charge from non-IFAD entities	(0.4)	-
Reclassification of investment income	-	(0.9)
Actuarial losses	(1.9)	(9.3)
Provision carried forward	(32.9)	(27.9)
Plan assets		
Total assets brought forward	27.9	15.0
Interest earned on balances	1.1	0.5
Contributions	3.0	2.8
Actuarial losses	0.9	9.6
Total assets at 31 December	32.9	27.9

¹ Reclassified to conform to the current year presentation.

IFAD provides for the full annual current service costs of this medical coverage, including its eligible retirees. In 2006, such costs included within staff salaries and benefits in the financial statements amounted to US\$3.0 million (2005 restated – US\$2.9 million).

NOTE 20**DIRECT BANK AND INVESTMENT COSTS**

	US\$ '000	
	2006	2005
Investment management fees	(3 098)	(3 890)
Net other charges	(540)	(765)
Tax recoverable received	12	1 548
Total	(3 626)	(3 107)

In 2005, IFAD received reimbursement of taxes withheld on investment income in prior years. For more details see Note 23(b).

NOTE 21**ADJUSTMENT FOR CHANGE IN FAIR VALUE**

An analysis of the movement in fair value is shown below:

	US\$ '000	
	2006	2005
Loans outstanding	(19 326)	42 985
Accumulated allowance for loan impairment losses	19 342	17 231
Accumulated allowance for HIPC Debt Initiative	(3 430)	12 110
Net loans outstanding	(3 414)	72 326
Contributors' promissory notes	(4 309)	(1 470)
Contributions receivable	(19 174)	(913)
Contributions	22 572	2 682
Undisbursed grants	(1 867)	(805)
Deferred revenues	911	(299)
Total	(5 281)	71 521

NOTE 22**GRANTS**

Grants include annual funding for entities housed at IFAD, i.e. the International Land Coalition and Global Mechanism as follows:

	Cumulative	US\$ '000	
		2006	2005
ILC	8 915	1 700	638
GM	7 550	1 250	-
Total	16 465	2 950	638

NOTE 23**CONTINGENCIES****(a) Contingent Liabilities**

IFAD has contingent liabilities in respect of debt relief announced by the World Bank/International Monetary Fund for eleven countries. See Note 10 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 (US\$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 20).

NOTE 24**DATE OF AUTHORIZATION FOR ISSUE OF FINANCIAL STATEMENTS**

The financial statements are authorized for issue following the recommendation of the Audit Committee in March 2007 and endorsement by the Executive Board in April 2007. The 2006 financial statements will be submitted to the Governing Council for formal approval at its next session in February 2008. The 2005 financial statements were approved by the Governing Council at its Thirtieth Session in February 2007.

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 2006. 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 as at 31 December 2006, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Rome, 28 February 2007

PricewaterhouseCoopers SpA



Oliver Galea
(Partner)

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Cover:

Stanislaus Njovu works in his rice fields in the United Republic of Tanzania. When prices are low, Njovu can store his harvest in a local warehouse and wait to sell when prices are higher.

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to overcome poverty

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