



Annual report 2007

Enabling poor rural people to overcome poverty



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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, 1978-2007^{a, b, c}

TABLE 1

		2003	2004	2005	2006	2007	1978-2007
Operational activities^{d, e}							
Loan and DSF grant approvals							
Number		25	24	32	31	40	788
Amount	US\$ million	403.6	408.7	499.3	515.0	563.1	9 979.7
Grant approvals							
Number		70	87	66	109	77	2 057
Amount	US\$ million	20.3	33.3	36.6	41.8	35.7	610.4
Total IFAD loan and grant operations^e	US\$ million	424.0	442.0	535.9	556.8	598.8	10 590.1
Cofinancing	US\$ million	124.9	167.2	118.7	108.3	427.3	7 482.2
Multilateral		124.5	69.8	72.1	67.3	401.2	5 935.1
Bilateral		0.0	8.6	38.0	31.8	17.4	1 227.4
NGO		0.0	0.0	1.6	0.6	1.0	26.8
Other ^f		0.3	88.8	6.9	8.6	7.8	292.8
Domestic contributions	US\$ million	184.1	296.6	414.8	282.7	280.9	9 323.8
Total programme and project cost^g	US\$ million	712.5	875.6	1 018.1	910.8	1 275.2	26 839.1
Programmes and projects							
Number of effective programmes and projects under implementation		197	193	183	186	197	
Number of programmes and projects completed		28	26	32	25	25	525
Number of programmes and projects in the pipeline		54	47	61	56	58	
Number of approved programmes and projects initiated by IFAD		24	24	29	25	29	621
Number of recipient countries/territories		115	115	115	115	115	115
Loan disbursements	US\$ million	288.4	313.7	343.5	387.5	399.1	6 347.3
Loan repayments^h	US\$ million	140.1	171.7	157.5	148.5	175.1	
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		163	163	164	165	164	
Professional staff – at end of period ⁱ		132	143	149.5	203	227	
Operating expenses ^j	US\$ million	49.1	57.0	63.6	68.2	81.0	

Sources: Project and Portfolio Management System, IFAD financial statements for 1978-2007, IFAD's Accounting System.

^a IFAD loans and debt sustainability framework (DSF) grants for investment programmes and projects 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 programme or project presented to the Executive Board. Any discrepancy in totals is the result of rounding.

^b 2005 figures include a loan on highly concessional terms approved for Indonesia made up of unused proceeds of a loan approved in 1997 on intermediary terms. 2005 figures also 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 additional loans approved to cover financing gaps for the tsunami programmes (for a total of US\$35.0 million).

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

^d Programmes and projects may be funded by more than one loan and DSF grant. Therefore the number of loans and DSF grants for investment programmes and projects approved in a year may not match the number of programmes and projects approved. (See page 58 for more information on the DSF.)

^e Excludes fully cancelled programmes and projects. Excludes the Programme Development Financing Facility (PDFF).

^f Includes financing under basket or similar funding arrangements, financing from private-sector resources and financing that was not confirmed at the time of Executive Board approval.

^g Includes DSF grants and component grants for investment programmes and projects.

^h Loan repayments include repayments on behalf of Heavily Indebted Poor Countries (HIPC) Debt Initiative countries.

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

^j Operating expenses relate solely to the administrative budgets of IFAD and its Office of Evaluation.

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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 programme
DSF	debt sustainability framework
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
GM	Global Mechanism
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
ILC	International Land Coalition
IMI	Initiative for Mainstreaming Innovation
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

President's foreword



2007 was a landmark year for IFAD. It was the year in which IFAD completed 30 years at the frontline of eliminating rural poverty and hunger. It was also the year in which the importance of agriculture for development found new recognition. For IFAD, it was a year that reaffirmed the importance of our mandate and underscored its urgency.

During 2007, IFAD achieved a programme of work of US\$598.8 million, the highest in its history. The level of loan disbursements, at US\$399.1 million, was also a record. Partners contributed US\$1.25 to IFAD projects for every dollar of IFAD's own resources.

IFAD is both an international financial institution and a United Nations specialized agency. It is the only such organization dedicated exclusively to reducing rural poverty in developing countries. In the years since our first loan was approved in 1978, we have empowered more than 300 million poor rural people in Africa, Asia and Latin America to grow more food, better manage their land and other natural resources, learn new skills, start small businesses, build strong organizations and gain a voice in the decisions that affect their lives.

In recent years, the overall number of people living in extreme poverty has declined significantly, but progress is extremely uneven. A good deal of this progress is due to the impressive record of poverty reduction in China and other Asian countries. Elsewhere, progress is slow, and in some areas of sub-Saharan Africa the number of people living in abject poverty continues to rise. Today, nearly one billion people still suffer from desperate poverty and hunger. About 75 per cent of them live in rural areas and depend on agriculture and related activities for their livelihoods. These are the men, women and children we must reach if we are to achieve the Millennium Development Goals.

In 2007, there was a strong revival in interest in agricultural development, following the release of the World Bank's *World Development Report 2008: Agriculture for Development*. The report, to which IFAD contributed both intellectually and financially, reinforced what we at IFAD have known all along: that agricultural development is extremely effective in overcoming poverty. The report stated, unequivocally, that agriculture must be placed at the centre of the development agenda. For the world's poorest people, growth originating in agriculture is up to four times more effective in raising incomes than growth originating outside the sector.

Unfortunately, despite the growing consensus on the importance of agriculture for growth and poverty reduction, actual support to the sector remains disappointingly low. Government spending on agriculture in most developing countries has declined. This is reflected in the pattern of overseas development assistance to agriculture, which fell from 18 per cent in 1979 to 3.5 per cent in 2004.

In the past year, new elements have emerged that are making the challenge of overcoming poverty and hunger – and IFAD's work – even more crucial. Rising commodity prices and the increasing demand for biofuels are bringing risks as well as opportunities to the poorest rural populations. Some may benefit from these developments, but rising prices will deprive others of their basic means of survival, and expanding biofuel plantations will compete with food crops.

Climate change is an even bigger concern. Agriculture is the main source of livelihood for most poor rural people, and the human activity most directly affected by climate variability. Climate change will hit the poorest and most vulnerable people hardest, imperilling their homes and sources of livelihood. I believe we have an economic, social and moral imperative to help poor rural people respond to these challenges.

Because we have stuck firm to our focus on agricultural development at a time when some donors and governments turned their attention elsewhere, we are well placed to help the world's poorest people respond to the challenges of our changing world.

IFAD's comparative advantage lies in our experience and our track record. The decision to create IFAD was taken in the wake of the food shortages and rising prices that struck Africa and Asia in the preceding years. We work mainly in marginal, rainfed areas, which is why adaptation to climate variability and strengthening resilience to environmental stress have always been part of our work.

In 2007, we implemented reforms throughout the institution that will set the stage for IFAD to be even more effective in the years ahead. The deliverables under IFAD's Action Plan for improving its development effectiveness were completed on time and on budget. The Action Plan agenda is already shaping IFAD's daily operations, making us more focused, more effective and better able to monitor our results.

We also presented the first consolidated report on our development effectiveness. It found substantial improvement in IFAD's programme and project performance since the independent external evaluation in 2003. IFAD's relevance continues to be high, and there have been improvements in effectiveness and efficiency, as well as in innovation and impact on rural poverty.

Underlying all the reforms is our commitment to work effectively, and in partnership. We are living up to the principles of the Paris Declaration on Aid Effectiveness and performing well on the declaration's partnership commitments. We are also an active participant in the eight One UN pilot countries, and we are strengthening our collaboration with the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP), our sister agencies in Rome. We are developing strategic and operational partnerships with institutions such as the African Development Bank, the World Bank, the International Food Policy Research Institute and the OPEC Fund for International Development.

I am also happy to note that in 2008 IFAD will expand its programme of work for a sixth consecutive year. In December, the Executive Board approved a 10 per cent increase in IFAD's programme of work for 2008 to reach US\$650 million.

At the Governing Council in February, we plan to launch negotiations on the Eighth Replenishment of IFAD's Resources. This replenishment will set our course in the run-up to 2015, and will be decisive in IFAD's ability to contribute to meeting the Millennium Development Goals. Together with our partners, we will continue to work to enable millions of poor rural people to lift themselves out of poverty.



LENNART BÅGE
President of IFAD





Programme of work for 2007

Village chief Feng Jancang works with farmers to maintain a terraced field near Linfang Village, Zhaisuo Township, Huinin County, Gansu Province, China. An IFAD-supported programme is working with villagers in remote mountain areas to boost food security and incomes.

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IFAD's programme of work continued five years of uninterrupted growth in 2007. The Executive Board approved new loans and grants for a total of US\$598.8 million. Disbursements also reached a record high of US\$399.1 million.

In April, the Executive Board approved IFAD's debt sustainability framework (DSF), replacing highly concessional loans with grant financing for poor countries that are unable to sustain debt (see page 58).

During the year, the Board approved 27 loans and 13 DSF grants in support of 35 investment programmes and projects. Over 90 per cent of the total amount approved was in the form of DSF grants and highly concessional loans.

At the end of the year, IFAD was financing a total of 197 effective programmes and projects in 80 countries and one territory. IFAD's investment in these activities was worth a total of US\$3.2 billion.

In December, the Executive Board approved IFAD's proposed results-based programme of work for 2008 for a total of US\$650.0 million, representing a 10 per cent increase over the proposed programme of work for 2007. This target comprises a financing programme for investment programmes and projects (loans and DSF grants) and a grant programme.

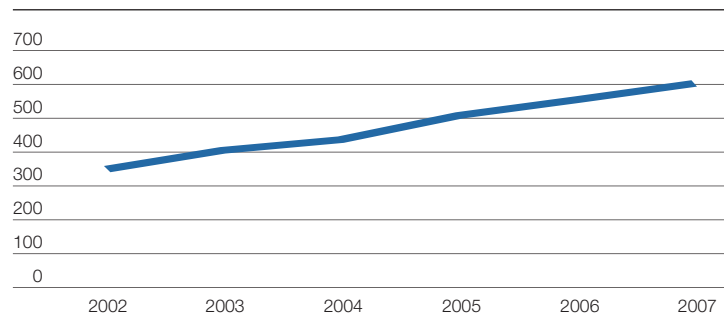
Western and Central Africa

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

Portfolio management highlights

- 45 ongoing programmes and projects in 18 countries in the region at the end of 2007
- US\$578.6 million invested by IFAD in the region's ongoing portfolio
- 7 new programmes and projects in Burkina Faso, Gabon, Ghana, Guinea, Guinea-Bissau, Nigeria and Sierra Leone; 2 large grants also approved
- 4 new results-based country strategic opportunities programmes (COSOPs) for Burkina Faso, Cameroon, Mali and Mauritania

CHART 1
IFAD-approved loans and grants, 2002-2007^a
(amounts in US\$ million)



Source: Project and Portfolio Management System.

^a 2005 figures include a loan on highly concessional terms approved for Indonesia made up of unused proceeds of a loan approved in 1997 on intermediary terms. 2005 figures also 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 additional loans approved to cover financing gaps for the tsunami programmes (for a total of US\$35.0 million).

Overview

Western and Central Africa is one of the poorest regions in the world and is struggling to meet the Millennium Development Goals (MDGs). Only Cape Verde and Ghana look likely to reach the first MDG targets on hunger and poverty by 2015. Hence, the most important challenge in the region remains the high level of persistent chronic food insecurity and extreme poverty. Some 80 per cent of the population lives on less than US\$2 a day, and about 50 per cent on less than US\$1.

The region is also undergoing a rapid transformation that involves high rates of urbanization and migration. Yet, on average, more than 50 per cent of the population and more than 70 per cent of poor people are still living in rural areas. Agriculture remains the largest employer, and recent studies show that growth in the agricultural sector is a key factor in reducing poverty.

Overall economic growth has been robust. Growth in agricultural production in many countries has averaged more than 4 per cent. And with increased stability in the region, future prospects look good. However, population growth continues at a rapid pace constituting a challenge and also an opportunity as urban markets for agricultural products expand.

Despite positive trends, few countries have reached the 7 per cent national growth rate needed to lift Africa out of poverty by 2015. Although the number of violent conflicts in the region has diminished, and although stability has increased in the wake of elections that are undisputed and more transparent, the course of political progress is not smooth. Governance challenges continue to affect development interventions, while management capacity is often weak and transparency is lacking.

Activities

IFAD's goal in the region is to enable poor rural people to overcome poverty by:

- strengthening their capacities and their organizations and building sustainable institutions
- improving equitable access to productive natural resources and technologies
- increasing their access to financial services and markets

IFAD also works to reduce vulnerability to major threats to livelihoods and to address the causes of food insecurity. It focuses on improving the quality, results and impact of the programmes and projects it supports in the region. The organization made substantial investments in improving the quality of monitoring and supervision during the year and will directly supervise 12 projects in 2008.

Strengthening the capacity of poor rural people and their organizations

IFAD supports civil society in playing an increasingly important role in development policymaking and programming in the region.

In 2007, IFAD successfully completed the regional capacity-building programme for the Network of Farmers' and Agricultural Producers' Organisations of West Africa (ROPPA). ROPPA, supported by IFAD, also played a major role in the development of national and regional agricultural policies. IFAD continued to work with the Réseau Agricultures Paysannes et Mondialisation en Afrique network supporting farmers' organizations in the region. A regional consultation between IFAD and farmers' organizations was held in Cotonou, Benin, in March to prepare for the 2008 session of the Farmers' Forum.

Strengthening producers' organizations and civil society capacity was an important part of IFAD's work in countries emerging from instability. The newly approved activities in Guinea-Bissau and Sierra Leone (see pages 95 and 96) are key examples of this approach. At the country level, farmers' organizations continued to be involved in the development of the results-based COSOPs. IFAD developed mechanisms to increase their role in monitoring and evaluation.

Improving equitable access to productive natural resources and technologies

In Aguié, the Niger, IFAD supported a successful programme that fostered natural tree regeneration on more than 100,000 hectares of land. In the Tahoua region of the country, IFAD promoted the traditional *tassa* soil and water conservation technique.

The organization began work on an overview on climate change and IFAD's activities in the region, focusing on the key challenges facing the region and its farmers, on the impacts of climate change on rural livelihoods and on opportunities to support adaptation. IFAD also awarded a second grant to the West Africa Rice Development Association to boost smallholders' access to the improved New Rice for Africa (NERICA) rice variety (see page 111).

Increasing access to financial services and markets

The Agricultural Commodity Chain Support Project in Burkina Faso will start work in 2008. It will improve poor rural people's access to profitable markets, supporting five commodity chains: cowpea, sesame, goats and sheep, poultry and onions.

IFAD completed a stocktaking exercise evaluating successful financial services associations piloted in Benin. In Sierra Leone 30 associations are being established in the context of the Rural Finance and Community Improvement Programme. IFAD, the United Nations Development Programme (UNDP) and the United Nations Capital Development Fund developed a joint concept note on rural finance. It will be the basis for work in Maradi, the Niger, as part of the Strengthening Local Institutions and Promoting Local Development Programme.

Reducing vulnerability to major threats to livelihoods

The Agricultural and Rural Rehabilitation and Development Initiative Project started work in the Niger in 2007. The project is investing more than US\$36 million in vulnerable rural areas over a period of seven years, and it has established an innovative coordination framework with other donors and development actors in the area.

In the Central African Republic, where programmes have been suspended because of instability and arrears, IFAD met with the World Bank and the International Monetary Fund to resolve problems and make it possible to establish a new programme.

IFAD supported the development of the Sahel Agricultural and Rural Development Initiative (SARDI) initiated by the Permanent Interstate Committee for Drought Control in the Sahel, the Economic Community of West African States and the West African Economic and Monetary Union, with the participation of representatives of the private sector and ROPPA.

Policy and partnerships

In October IFAD took part in the Seventh Partnership Meeting on Rural Development in Western and Central Africa in Tunis, Tunisia, hosted by the African Development Bank (AfDB). The meeting focused on climate change and agriculture, transboundary agricultural water management, and knowledge management and innovation. It proposed FIDAfrique as the main forum for sharing information among donors in the region. IFAD and AfDB also agreed final details of a partnership agreement.

Following the 2006 United Nations MDG Africa Working Group Fertilizer Summit, IFAD prepared a grant to support the African Fertilizer Financing Mechanism. The AfDB coordinates the mechanism, which will become operational in 2008.

Under its strategic partnership with the United Nations Industrial Development Organization (UNIDO), IFAD took part in the high-level interactive forum in Vienna, Austria, in December. UNIDO participated in the design of the Rural Microenterprise Development Programme in Nigeria (see page 96). IFAD also contributes to the United Nations MDG Africa Working Group on Agriculture and Food Security.

The pilot phase of the Support to African Agriculture Project, a joint initiative with the participation of the Organisation for Economic Co-operation and Development (OECD) and France, was completed in 2007. The results of studies on the impact of agricultural policies on agricultural development and poverty reduction in Cameroon, Ghana and Mali were shared at the Global Forum on Agriculture in Rome, jointly organized by IFAD, FAO, the World Bank and OECD (see page 63).

The grant-funded Support Programme to the Poverty Reduction Strategy Process in the region was launched at a workshop in Senegal in October. Country teams and government representatives from Cameroon, Ghana and Senegal attended. IFAD also worked with the private sector, including farmers' organizations, and with public-private sector funds such as the African Enterprise Challenge Fund. Through these partnerships, IFAD harnessed private sector investment in pro-poor agricultural development.

Learning and sharing

Increasingly, knowledge management and innovation have become integral parts of country programmes and operations in the region. Thematic working groups backed by e-forums served as platforms for knowledge-sharing and pre-workshop consultations.

The Hub: Supporting Rural Development in Western and Central Africa enabled IFAD to foster stakeholders' engagement in regional integration and policy processes, and also to support knowledge management and capacity-building. The United Nations Development Fund for Women joined France and IFAD in funding the Hub. The Hub contributed to building regional capacity to analyse and negotiate the proposed Economic Partnership Agreements, and it launched strategic studies on land and trade agreements.

The grant-funded FIDAfrique network (www.fidafrique.org) continued to strengthen its role as an instrument for knowledge management and sharing innovation.

In June IFAD launched the Scouting and Sharing Innovations Initiative in Western and Central Africa. IFAD is implementing the initiative in partnership with the Technical Centre for Agricultural and Rural Cooperation, the West Africa Rural Foundation, OECD Sahel and the West Africa Club, the United Nations Development Fund for Women and FIDAfrique. More than 75 innovations were documented in the region. In December, IFAD launched the Programme for Support of IFAD-funded Projects Monitoring and Evaluation System in Western and Central Africa. The West Africa Rural Foundation coordinates the programme.

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

Portfolio management highlights

- 42 ongoing programmes and projects in 15 countries in the region at the end of 2007
- US\$682.3 million invested by IFAD in the region's ongoing portfolio
- 9 new programmes and projects in Angola, Burundi, the Comoros, Ethiopia, Kenya, Lesotho, Madagascar, Malawi and Uganda
- 3 new results-based country strategic opportunities programmes (COSOPs) for Kenya, Rwanda and the United Republic of Tanzania

Overview

Rates of economic growth vary considerably across the region. One-third of the countries have projected growth rates of over 5 per cent. But it is likely that only Mozambique and the United Republic of Tanzania will achieve growth rates of over 7 per cent, which is the level required in Africa to realize the Millennium Development Goals. The proportion of people living on less than US\$1 a day is declining only marginally, while the absolute number continues to increase. About 70 per cent of the population in the region, or some 230 million people, live in rural areas and more than half of them live on less than US\$1 per day.

In 2007, crop prospects improved in several countries in the region. But in East Africa heavy rains and floods in several countries caused the death of a number of people and displaced thousands. The severe weather also destroyed and damaged crops, making serious localized food shortages likely. In the region, Ethiopia and Uganda were hit the hardest. Supporting vulnerable groups as they worked to re-establish their capacity to produce food was a priority for IFAD throughout the year.

Activities

IFAD's work in the region revolves around principles of engagement set out in the Strategic Framework 2007-2010. These include:

- targeting
- empowering poor rural people
- supporting innovation, learning and scaling up
- establishing effective partnerships
- ensuring sustainability

These principles guide both the grant portfolio and the investment portfolio in the region.

Targeting

IFAD's target group is rural people living in poverty and food insecurity in developing countries. Within this group, the organization strives to reach extremely poor men and women who have the potential to take advantage of improved access to assets and of opportunities for agricultural production and rural income-generating activities.

In Malawi, the ongoing Rural Livelihoods Support Programme focuses on improving the livelihoods and quality of life of poor and extremely poor people in the country's southern districts. In 2007, building on this programme and on the need to

further define the target group, IFAD designed the Rural Livelihoods and Economic Enhancement Programme (see page 99). The new programme's goal is to improve the incomes of economically active poor rural households that produce and market selected agricultural and livestock commodities, by supporting their integration into an emerging commercial sector across the country.

Empowering poor rural people

Empowering poor rural men and women is a core principle of engagement. It is the basis of IFAD's work at the country level and is a prerequisite for sustainable economic development. In Eastern and Southern Africa, the Farmers Field Schools Programme develops and replicates a low-cost, sustainable model for farmer education and empowerment. It works with smallholders to improve their livelihoods by fostering participation, self-confidence, dialogue, joint decision-making and self-determination. At the schools, farmers work together to come up with solutions to farming problems. The programme is ongoing in Kenya, Uganda and the United Republic of Tanzania.

In Mauritius, the ongoing Rural Diversification Programme works to stimulate diversified and sustainable economic development in low-income households. More than 15,000 poor farmers, artisanal fishers and microentrepreneurs in the remote northern and eastern regions of Mauritius Island and on the Island of Rodrigues have taken part in the programme.

Supporting innovation, learning and scaling up

IFAD supports innovation in combination with learning and knowledge-sharing among projects, poor rural people and their organizations, and partner organizations. During the year, IFAD continued to support regional thematic networks and workshops on issues such as water, managing for impact and rural finance. The organization supported a regional implementation workshop in Swaziland and stepped up its participation in thematic working groups with development partners at the country level.

In the last quarter of 2007, IFAD developed a knowledge management action plan for Eastern and Southern Africa to implement the strategic objectives of the IFAD Strategy for Knowledge Management (see page 58). The plan focuses on the need to integrate knowledge management processes into project design and implementation in order to systematically document project impact and illustrate and share experiences and lessons learned.

In the United Republic of Tanzania, the Agricultural Marketing Systems Development Programme strengthened farmers' participation in innovative supply chains. The programme featured a link to the Rural Financial Services Programme through a warehouse receipt system. Under the system, farmers can deposit their produce in a warehouse at harvest time when prices are low, and sell later when prices rise. They can use the produce as collateral to obtain credit for investments in other activities. In the same country, the First Mile Project facilitates learning among local groups to improve market linkages. The project encourages people in isolated rural communities to use mobile phones, e-mail and the Internet to share market information, local experiences and good practices. Set up in 2005, the project has successfully linked farmers' groups with other actors along selected supply chains.

Establishing effective partnerships

Partnerships are fundamental to IFAD's work. Establishing effective partnerships with governments and organizations of all kinds is one of IFAD's core principles of engagement.

The World Bank and the AfDB remain IFAD's most important partners in Eastern and Southern Africa in terms of volume of cofinancing. IFAD has developed and will continue to develop strategic partnerships with other United Nations agencies, with governmental organizations and NGOs, including farmers' organizations, and with civil society organizations, in a number of areas. At the regional level, IFAD supports several agricultural research organizations, including the International Maize and Wheat Improvement Center and the Association for Strengthening Agricultural Research in Eastern and Southern Africa. IFAD is also working with the Alliance for a Green Revolution in Africa, which is supported by the Rockefeller Foundation and the Bill & Melinda Gates Foundation, on development of fertilizer procurement and distribution networks, and market development initiatives.

The Paris harmonization and alignment agenda guides much of IFAD's work with partners in the region. The organization uses various instruments to coordinate programme and project activities with those of other agencies, to streamline them and to align them with government systems and priorities. IFAD works with governments and partners to draw up results-based COSOPs. Sector-wide approaches (SWAPs) are being applied in Mozambique, Uganda and the United Republic of Tanzania. IFAD takes part in the One UN pilot initiatives in Mozambique, Rwanda and the United Republic of Tanzania (see page 62).

Ensuring sustainability

One of the greatest challenges facing IFAD is ensuring that institutions established or strengthened during the life of a project are sustainable and have a lasting impact on rural poverty. IFAD has had noteworthy success in building sustainable institutions in the region.

The Kenya Women Finance Trust, a microfinance institution established by IFAD in partnership with the Belgian Survival Fund, has grown steadily over the years in significance and impact. In 2007, the trust had 46 rural branches in eight regions of Kenya, compared with just 24 branches in four regions in 1998. At the end of the year, more than 100,000 low-income Kenyan women were running small businesses with loans from the trust, compared with fewer than 29,000 in 2000. At the regional level, the IFAD-supported Africa Rural and Agricultural Credit Association (AFRACA) works to improve poor rural people's access to financial services. AFRACA has successfully built a sustainable source of revenue that has a membership base of central and regional banks, development and commercial banks, and microfinance institutions. Starting in 2007, IFAD supported the association with a new round of funding.

Asia and the Pacific

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

Portfolio management highlights

- 44 ongoing programmes and projects in 15 countries in the region at the end of 2007
- US\$891.5 million invested by IFAD in the region's ongoing portfolio

- 8 new programmes and projects for Bangladesh, Cambodia, China, Maldives, Nepal, Pakistan and Viet Nam
- 1 new results-based country strategic opportunities programme (COSOP) for Cambodia

Overview

In 2007, as in 2006, the overall economic growth rate of developing countries in Asia was more than 8 per cent, and growth in China and India was well above that rate. High growth was facilitated by steady expansion of global output and trade, modest inflation, low interest rates, and the favourable impact on productivity of earlier reforms. At the same time there were formidable economic, social and environmental challenges. Vulnerability to natural disasters and the incidence of livestock diseases such as avian flu persisted. The rate of employment creation did not match the growing numbers of young workers entering the labour market. An estimated 500 million workers, or about 30 per cent of developing Asia's total labour force, were either unemployed or underemployed. Rising income disparity blunted the poverty-reducing impact of economic growth and led to social conflict in many countries.

There is a wide disparity among borrowers in the region. Soon countries like India and Viet Nam may no longer be eligible for highly concessional lending rates. But under IFAD's newly adopted Debt Sustainability Framework (see page 58) nine countries in the region became eligible for 100 per cent grant financing. They are Afghanistan, Bhutan, Cambodia, Kyrgyzstan, Lao People's Democratic Republic, Myanmar, Nepal, Solomon Islands and Tonga. And four countries became eligible for 50 per cent grant financing. They are Mongolia, Samoa, Tajikistan and Timor Leste.

Activities

During 2007 activities in the region were aligned with the objectives of IFAD's Strategic Framework for 2007-2010 (see page 2).

Natural resources and improved natural resource management and conservation practices

The IFAD-supported West Guangxi Poverty Alleviation Project in China is working to improve natural resource management. It has extended the country's programme for the production and use of biogas, which converts human and animal waste into a mixture of methane and carbon dioxide that can be used for lighting and cooking. More than 23,000 biogas tanks have been installed, saving 56,600 tons of firewood in the project area every year. This is the equivalent to the recovery of 7,470 hectares of forest. Contributing to knowledge management efforts to share the project's experience, IFAD and the BBC co-produced a 30-minute documentary that was broadcast on BBC World's *Earth report*.

In preparation for the International Year of Planet Earth in 2008, the 2007 issues of IFAD's electronic newsletter for Asia and the Pacific focused on themes related to natural resources and conservation. Articles prepared for the newsletter *Making a difference in Asia and the Pacific*, produced by IFAD and its partners, shared knowledge and experiences with more than 3,000 of the newsletter's readers in government, civil society and NGOs on themes such as bio-energy, water and forestry.

Improved agricultural technologies and effective production services

In March IFAD held a regional workshop to put pro-poor technology on policymakers' agendas. The workshop was held in Seoul, Republic of Korea, in partnership with

the National Agricultural Cooperative Federation and the Government. More than 50 representatives from national and international research organizations, governments and regional development agencies took part in the workshop. Ongoing IFAD-funded activities support a wide range of pro-poor technologies, from solar energy in India to technologies that stabilize shifting cultivation in the Lao People's Democratic Republic and technologies for managing coastal fisheries resources in the Philippines.

A broad range of financial services

Projects such as the Livelihoods Improvement Project in the Himalayas in India introduced innovative approaches to financial services. The Himalayan project set up social venture capital companies that provided capital and business services to small-scale entrepreneurs.

IFAD played a prominent role in the Second World Congress on Agricultural and Rural Finance sponsored by the Asia-Pacific Rural and Agricultural Credit Association and the Bank for Agriculture and Agricultural Cooperatives of Thailand. At the congress, the organization presented the results of rural financial service provision in the Microfinance for Marginal and Small Farmers Project in Bangladesh, together with results from similar experiences of other IFAD-supported projects in China, India, Indonesia, Pakistan and the Philippines.

In 2007, IFAD issued an occasional paper entitled *A methodology for assessment of the impact of microfinance on empowerment and vulnerability*. IFAD is already using the methodology to improve its understanding of how microfinance affects the poorest people.

Transparent and competitive markets for agricultural inputs and produce

The Matale Regional Economic Advancement Project in Sri Lanka, which closed in 2007, shows how IFAD-supported projects can improve poor rural people's participation in input and produce markets. Investments in increasing the availability of water during dry seasons enabled farmers to produce higher-value crops. A total of 85 per cent of the households involved in the project expanded the area they cultivated by 0.2 to 1.2 hectares and increased their outputs of higher-value crops. At the close of the project, women participants reported that they were now able to use for marketing activities the two hours they previously had to spend collecting water.

Opportunities for rural, off-farm employment and enterprise development

Several projects in the region have created opportunities for off-farm employment and enterprise development. In 2007, the Western Uplands Poverty Alleviation Project in Nepal took an innovative approach to this activity. It signed a four-year memorandum of understanding with a private firm that provides assistance in identifying, harvesting and marketing organic plants that yield essential oils for export. Under the agreement, the firm shares the cost of a processing facility and arranges for organic certification. The activity has led to the development of household-level enterprises that supply outputs for processing. It has created employment in processing and better marketing options for producers.

IFAD also approved a grant of US\$870,000 to the International Labour Organization for the Skills Enhancement for Employment Project in Nepal. The project will work to reintegrate young people affected by the recent conflict, including ex-combatants, into their communities. It will provide training in subsectors where there are job opportunities for rural, off-farm employment and enterprise development and will also take into account employment opportunities abroad.

Local and national policy and programming processes

Activities such as the Rural Poverty Reduction Project in Prey Veng and Svay Rieng in Cambodia have been successful in negotiating new ways to empower local communities. The project helped the government establish new procedures to implement its decentralization policies, channelling funds through the national treasury to the provinces where local councils open accounts for infrastructure development.

Other, higher-level efforts helped make national policy and programming more effective in reaching poor rural people in the region. IFAD took part in the One UN pilot initiatives in Pakistan and Viet Nam, which included a joint programming mission with FAO and WFP in Pakistan. In addition, IFAD provided training in financial administration and management for government staff who plan and implement rural poverty programmes in South East Asia.

In partnership with the International Development Research Centre, IFAD provided training in moderation skills for national stakeholders who facilitate rural poverty reduction programmes in 12 countries. The training activities were part of the programme for Knowledge Networking for Rural Development in the Asia/Pacific Region (ENRAP). ENRAP also contributed to IFAD's policy dialogue with the network's members, including partners, programmes and projects across the region, through an e-discussion on the sustainability of poor rural people's organizations. It sponsored the discussion with partners across the region to review the conclusions of IFAD-funded research done by the Asian NGO Coalition (ANGOC) in 2006. The study found that many IFAD programmes and projects had successfully formed or strengthened community-based organizations, but that few had progressed to develop federations of those organizations, which are generally needed to ensure their sustainability. The programmes and projects that had developed federations were predominantly in South Asia. The topic was selected for further debate at IFAD's yearly knowledge-sharing meeting with the World Bank South Asia Division, which was held in Bangkok, Thailand, in November.

Latin America and the Caribbean

32 countries: Antigua and Barbuda, Argentina, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, 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

Portfolio management highlights

- 28 ongoing programmes and projects in 17 countries in the region at the end of 2007
- US\$502.7 million invested by IFAD in the region's ongoing portfolio
- 5 new projects in El Salvador, Guyana, Honduras, Nicaragua and Peru
- 4 country strategic opportunities programmes (COSOPs) for Bolivia, Honduras, Mexico and Panama

Overview

Despite continued rapid economic growth in Latin America and the Caribbean, poverty persisted at high levels during 2007, particularly in rural areas. According to an estimate of the Economic Commission for Latin America and the Caribbean of the United Nations, poverty affected more than 54 per cent of the rural population. Income inequality in the region remains among the highest in the world, and is one of several

factors that make it more difficult to meet the challenge of reducing rural poverty. The other factors include institutional weaknesses, climate change and inadequate levels of social expenditure. Unequal levels of development across the region continue to drive large numbers of people to migrate.

Yet the changing international context offers opportunities to reduce poverty in the region. The negotiation of free trade agreements by many countries, the growing demand for agricultural products and the emergence of niche markets such as organics and fair trade offer small farmers new outlets for their produce. Although it is not easy for poor rural people to take advantage of these opportunities, several IFAD-supported programmes and projects have successfully helped smallholders improve the quality of their products as a first step towards reaching new domestic and foreign markets.

The region as a whole is on track to meet the first MDG. But some countries, including Argentina, Bolivia, Honduras, Nicaragua, Paraguay and Uruguay, look set to fall short.

The majority of borrowers in the region are classified as middle income countries, which are eligible for IFAD loans on ordinary and intermediate terms. The specificity of their development agendas has led to calls for new instruments of international cooperation to meet their special needs and enable them to take advantage of their opportunities. The calls were repeated at the Intergovernmental Conference on Middle Income Countries, held in Madrid, Spain, in March and at the International Conference on Development Cooperation with Middle Income Countries in San Salvador, El Salvador, in October.

Activities

IFAD's priorities in Latin America and the Caribbean take into account the specific features of rural poverty in the region and build on the organization's experience. IFAD's main priorities in the region are to:

- empower poor rural people and promote demand-driven participatory approaches to development
- enable poor rural people to take advantage of market opportunities
- support indigenous populations
- support gender mainstreaming
- promote policy dialogue, engaging direct stakeholders, governments and the donor community
- build partnerships and coalitions
- learn from experience and share and disseminate knowledge

IFAD is committed also to promoting innovation in the region: scouting for successful innovations, replicating them and scaling them up.

Empowering poor rural people

IFAD works to strengthen the economic and social assets of poor rural people. The Rural Microenterprise Development Programme (PADEMER) in Colombia, which completed its work in June 2007, is a good example of this approach. The programme helped increase the assets of rural microenterprises and the families participating in them. About 21,000 families of microentrepreneurs who received technical assistance saw their earnings rise by an average of 23 per cent. The microenterprises developed by the programme created more than 43,000 jobs, significantly exceeding the target of 25,000. The Colombian Government has identified PADEMER as a 'flagship programme' in microenterprise development.

Market access as a tool for poverty reduction

IFAD's commitment to promoting market access continued in 2007. In November, it organized the Regional Workshop on Market Access for the Rural Poor in Guatemala. The participants included representatives of governments, IFAD's Regional Unit for Technical Assistance (RUTA), the private sector, IFAD-supported programmes and projects and rural organizations linked to them.

In the Dominican Republic, the ongoing South Western Region Small Farmers Project – Phase II (PROPELUR) has successfully promoted the production of high-quality coffee. It has also supported the creation of strategic export partnerships with fair trade organizations. In Guatemala, the ongoing Programme for Rural Development and Reconstruction in the Quiché Department (PRODERQUI) has established commercial agreements between small farmers' organizations and national exporters.

Supporting indigenous peoples

IFAD continued its advocacy work to support indigenous peoples in the region. It also promoted innovative activities such as strengthening indigenous tourism in the Andean and Amazon regions, and opening new partnerships for market access and rural poverty reduction. These activities increase the value of indigenous peoples' ecological and cultural heritage, strengthen their access to land and enable them to generate additional sources of income. Participants in the IFAD-supported project Strengthening Indigenous Tourism in the Andean and Amazon Region built facilities to increase communities' income from tourism.

During the year, IFAD completed a desk review of its investment portfolio in the region as it relates to indigenous peoples. The review showed that about 38 per cent of ongoing programmes and projects are working with indigenous peoples to some extent, and that about 22 per cent of IFAD's regional loan portfolio is related to indigenous peoples. The review assessed IFAD's approaches to their development and made recommendations for future work.

Gender mainstreaming

IFAD continued to make the empowerment of poor rural women one of its main priorities, and the organization supported a regional competition called Women Against Poverty, held in Bolivia in November. More than 100 groups of women from five Andean countries participated in the event. The participants learned from each other, developed their self-esteem and self-reliance and won cash prizes to be spent on their small rural businesses. IFAD organized the competition in partnership with other cooperation institutions, such as the Andean Development Corporation and the German Agency for Technical Cooperation.

Policy and partnerships

During 2007, IFAD continued to support RUTA, a unique joint effort of the Central American countries and seven partner agencies that work to achieve sustainable rural development and poverty reduction.

IFAD also continued to work with the Inter-American Development Bank (IDB) within the framework of the IDB-IFAD Programme for Poverty Reduction in Latin America and the Caribbean. As part of this programme, work started under two new projects in Ecuador and Haiti. During the year IFAD signed cooperation agreements with:

- the Center for International Forestry Research, to provide specialized support for developing expertise in natural resource and community-based forestry issues

- the Economic and Social Development Bank of Venezuela (BANDES), to provide cofinancing
- the Government of Brazil, to strengthen family agriculture through establishment of a multi-donor trust fund

Innovation, learning and knowledge-sharing

IFAD continued to support FIDAMERICA, an Internet-based network that facilitates learning, knowledge management, innovation and communication between IFAD-supported rural development programmes and projects. IFAD and FIDAMERICA also created new inter-institutional learning and knowledge-sharing communities of practice through partnerships with consortia formed by a broad range of relevant institutions – government institutions, academia, civil society, the private sector and others. The consortia carried out various activities such as linking communities to emerging markets in Guatemala and promoting small rural producers' access to markets in the Dominican Republic.

IFAD continued to implement the regional programme Promoting Market Access for Small-scale Producers, supported by the Initiative for Mainstreaming Innovation (IMI) (see page 45). The programme's key outputs were:

- an assessment of IFAD best practices in strengthening market access in the region and a stocktaking exercise of service providers with expertise in market access issues
- support for implementation of the Learning Route on Market Access in Ecuador and Peru. A learning route is an innovative alternative to top-down learning. It is a programme that takes participants to a number of communities so they can directly observe and share the communities' development experiences, problems and solutions.

Four new IMI projects were approved in the region during the year:

- Lessons arising from innovations and young talents in the rural world
- Strengthening access to markets for small poor agricultural producers in Latin America: Technical assistance for self-management
- El Salvador – Building rural businesses by leveraging migrants' remittances
- Searching for healthy alternatives to tobacco cultivation

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, Libyan Arab Jamahiriya, Malta, Moldova, Morocco, Oman, Qatar, Romania, Saudi Arabia, Somalia, The Sudan, Syrian Arab Republic, The former Yugoslav Republic of Macedonia, Tunisia, Turkey, United Arab Emirates and Yemen

Portfolio management highlights

- 38 ongoing programmes and projects in 15 countries and Gaza and the West Bank in the two regions at the end of 2007
- US\$550.5 million invested by IFAD in the regions' ongoing portfolios
- 6 new programmes and projects in Armenia, Azerbaijan, Djibouti, Morocco, the Syrian Arab Republic and Yemen
- 3 results-based country strategic opportunities programmes (COSOPs) during the year, for Jordan, Moldova and Yemen

Overview

A single division in IFAD covers two distinct regions: the Near East and North Africa (NENA) and Central and Eastern Europe and the Newly Independent States (CEN).

In the NENA region in 2007, increased job creation and declining unemployment accompanied high economic growth. Yet low labour productivity rates and high levels of youth unemployment remain serious concerns. The region's longer-term growth trends will hinge on its ability to sustain reform efforts to achieve:

- greater openness to trade and outward orientation
- a better business and regulatory environment to attract private-sector investment and promote the growth of small and medium-sized enterprises
- improved governance at the local and national levels

The NENA region is one of the most water-scarce regions in the world. The annual average availability of water in the region is 1,200 cubic metres per person, compared to a world average of about 7,000 cubic metres. Although agriculture and the rural economy are important in the NENA countries, agriculture's relative contribution to overall GDP in most countries is low and has been declining. Yet agriculture is by far the biggest user of water, consuming an average of 85 per cent of all available water resources. Improved management of water resources will become increasingly important in the future in mitigating the impact of water scarcity on the region's rural economies.

Countries in the CEN region face the difficult tasks of reforming their financial sectors, developing trade links outside the former Soviet Union, and building effective institutions. Romania joined the European Union in 2007 and no longer borrows from IFAD. The former Yugoslav Republic of Macedonia is a candidate for European Union accession in the near future, and in 2007 Albania signed a stabilization and association agreement, which is the main pre-candidate status instrument. In Armenia, Georgia and Moldova, migrant remittances, mainly from Russia and the European Union, give a major boost to national economies.

Activities in the Near East and North Africa

The four priorities that guide IFAD's work in the NENA region are:

- expanding poor rural people's access to rural finance
- tackling youth unemployment in rural areas
- linking small growers of non-traditional crops with domestic and international markets
- improving management of land and water resources and reducing vulnerability to climate change

Assisting countries in conflict is also an important axis of IFAD's work in the region.

Expanding poor rural people's access to rural finance

During the year, IFAD substantially revised its approach to rural finance in the region and continued to build strategic partnerships with leading organizations. IFAD's new approach to rural finance is characterized by a move away from the traditional state-owned bank credit-line towards alternative models and instruments to bring financial services to poor rural people. Examples include:

- supporting village credit funds in The Sudan and the Syrian Arab Republic
- working with intermediary institutions, such as the Social Fund for Development in Egypt and Yemen, that can provide wholesale financial services to rural microfinance institutions and NGOs

- expanding the outreach of existing microfinance institutions to previously unserved rural areas, for example in Morocco
- working with the National Bank of Egypt to establish a microfinance service company delivering financial services directly to the poor rural people, in partnership with ACCION International

Tackling youth unemployment in rural areas

IFAD-supported operations in NENA increasingly address rural unemployment, particularly among young people. The newly approved North-Eastern Region Rural Development Project in the Syrian Arab Republic and the newly effective Upper Egypt Rural Development Project will create sustained employment for poor smallholders, tenant farmers, landless people and unemployed young people in the project areas. Both projects will work to increase the incomes of the target groups through activities to develop the private sector, such as marketing, developing small enterprises and microenterprises and improving access to financial services. IFAD is also addressing rural unemployment in Morocco and Yemen through activities that promote small and micro enterprises to generate employment opportunities.

Linking small growers of non-traditional crops with domestic and international markets

Investments in non-traditional crops represent a promising economic development opportunity for IFAD-supported interventions in the NENA region. The crops include fruits, vegetables, herbs and medicinal and aromatic plants. They have greater water-use efficiency, give higher economic returns and have a greater potential to add value through processing and marketing.

In partnership with the International Center for Agricultural Research in the Dry Areas (ICARDA), IFAD held two regional workshops on non-traditional crops in Aleppo, the Syrian Arab Republic. The first focused on developing domestic and export marketing of horticultural commodities to address rural unemployment and reduce poverty in the NENA region. The second focused on promoting the production and export of herbs and medicinal and aromatic plants cultivated by small-scale growers. Both workshops paved the way for a more detailed value-chain analysis of selected commodities that are relevant to poor rural people. Projects approved during the year for Morocco and the Syrian Arab Republic include activities promoting non-traditional crops for smallholders (see pages 107 and 108).

Managing land and water resources and reducing vulnerability to climate change

Throughout 2007, IFAD continued to support sustainable natural resource management by empowering community-based resource management groups. In Morocco, the Rural Development Project for Taourirt-Taforalt improved land use and productivity by applying techniques such as rangeland resting, reseeding, small-scale irrigation and derocking. Progress was noteworthy and encouraged local farmers to join water users' associations. Twenty associations were formed. In The Sudan, projects in North and South Kordofan and in western Sudan work to empower rural communities to better manage natural resources and adapt to more extreme climatic variations.

Assisting countries in conflict

During 2007, with the collaboration of FAO, IFAD conducted an assessment of war damage and its impact on poor rural people in Lebanon, and an assessment of livelihoods and gender in southern Sudan. The assessments will serve as the basis for IFAD-supported programmes in the countries in 2008. In Iraq, IFAD provided a grant of US\$1.2 million to improve the livelihoods of small producers through integrated pest management and organic fertilization. In Gaza and the West Bank, IFAD's programme continued to support women's groups, small farmers and communities affected by the separation wall.

Activities in Central and Eastern Europe and the Newly Independent States

IFAD has three closely interlinked priorities in the CEN region:

- establishing market linkages for poor rural smallholders
- developing the non-farm rural economy through support to small and medium-sized enterprises
- promoting rural financial services

IFAD continued to support the establishment of competitive and financially sustainable agrifood supply chains in Albania, Bosnia and Herzegovina, and The former Yugoslav Republic of Macedonia through the Facility for Farmers' Access to Markets Programme, which is financed by the Government of Italy. In Moldova, IFAD supports the establishment of market linkages by raising awareness of the importance of higher quality standards in production, processing and packaging. In Armenia, the Rural Areas Economic Development Programme is refinancing on-farm and off-farm enterprises through the Rural Finance Facility. In countries like Albania, Armenia and Moldova, IFAD is working with private financial institutions and banks to deliver financial services to target groups.

Policy, partnerships and knowledge management

The President headed an IFAD delegation that visited Kuwait and the United Arab Emirates in February to step up cooperation with governments and regional development institutions (see page 73). New opportunities for technical and operational partnership emerged during a visit to IFAD headquarters by a high-level delegation from Saudi Arabia in February. The dialogue identified a number of areas for further cooperation, including capacity-building.

During 2007, KariaNet, the knowledge-management network in NENA, organized several face-to-face regional events and training sessions for project staff in video documentation. Nine KariaNet members now operate a local area network (LAN) or wide area network (WAN) and six have websites.

IFAD launched a quarterly newsletter, *Rural echoes in the Near East and North Africa*. It also produced thematic studies and reviews for the purpose of guiding staff and country-level partners in the design and implementation of country programmes. They include:

- Impact of trade liberalization on agriculture in the Near East and North Africa, with the International Food Policy Research Institute (IFPRI)
- Status of rural poverty in the Near East and North Africa, with FAO
- IFAD thematic priorities in the Near East and North Africa
- Guiding framework for rural finance in the Near East and North Africa
- Approaches for the promotion of high value crops and plant products for poverty reduction in the Near East and North Africa

- Mobilizing migrants' savings for employment generation in Armenia and Moldova
- Framework for mobilizing migrants' savings and remittances for productive investments in rural development in the CEN

IFAD organized several knowledge-sharing activities, including:

- a regional programme implementation workshop held in Amman, Jordan, focusing on monitoring and evaluation systems and rural finance operations in the Mashreq countries
- the first steering committee meeting for the Programme for Capacity-building in Managing for Results and Impact held in Amman, Jordan
- the Morocco Country Programme Evaluation workshop held in Marrakech, Morocco in June

Quality enhancement and assurance

Under IFAD's Action Plan for Improving its Development Effectiveness (see page 42) the organization developed a quality enhancement system that features a strengthened internal review process during project design. The review process now includes quality enhancement guidelines for design work in countries, peer review and management review. The guidelines include six key success factors. IFAD piloted the new quality enhancement system in 21 new project designs between March and September. Feedback regarding the pilot phase was positive, and the organization is now mainstreaming the system.

IFAD also developed a separate quality assurance system for project review after design. The quality assurance system draws on similar experiences and requirements in comparable institutions. In IFAD, the system will provide the last internal check of the quality and readiness of a project before IFAD negotiates it with the country's government and presents it to the Executive Board. The Office of the Vice-President will be responsible for the quality assurance system, and it will operate 'at arm's length' from the Programme Management Department, which is responsible for project development. IFAD will pilot the new quality assurance review process in February 2008 on a number of projects to be submitted to the Executive Board in April 2008.

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 2007 the unit developed the IFAD/GEF-4 engagement strategy, following the implementation of GEF-4 corporate policies and strategies. These shift interventions addressing environmental degradation from project-based initiatives to programme-based approaches, and introduce a new and more efficient and effective project cycle.

In June the GEF Council recognized that IFAD had developed the capacity to work in other GEF areas of intervention outside land degradation. The council broadened the organization's comparative advantage to include:

- sustainable forest management
- biodiversity, with particular focus on production landscapes and seascapes
- climate change, with particular focus on biomass for energy

IFAD's GEF Unit continued to develop a diversified and growing portfolio of programmes and projects. At year-end, the value of the current portfolio of six project grants was US\$25.8 million. The portfolio directly cofinanced IFAD loans and associated investments of approximately US\$200.0 million. Despite the suspension of the GEF pipeline in 2006 and early 2007, two project grants worth US\$3.0 million were being formulated and 11 preparatory grants worth US\$2.8 million were under implementation, formulating project grants worth a total of US\$55.8 million. IFAD's GEF Unit was directly executing three of the 11 preparatory grants, which are related to the following programmatic approaches.

- Through the Strategic Investment Program for Sustainable Land Management in Sub-Saharan Africa – a regional partnership led by the World Bank and GEF – IFAD secured US\$25.2 million under the GEF-4 land degradation window and the biodiversity and climate change Resource Allocation Framework. This will support activities in six countries: the Comoros, Eritrea, Ethiopia, Mauritania, the Niger and Swaziland. At the request of the country, in Mauritania IFAD was appointed lead agency in the development of the Country Strategic Investment Framework and the Sustainable Land Management country framework, along the principles of TerrAfrica. In addition, IFAD was developing a US\$4.5 million grant for The Gambia in collaboration with AfDB.
- Through the UNDP Country Programme Partnership in Burkina Faso, IFAD secured a US\$2.0 million grant to address land degradation.
- In the Asia and Pacific region, IFAD secured grants through two programmes. It secured a biodiversity-land degradation grant associated with the Asian Development Bank programme, the GEF Partnership on Land Degradation in Dryland Ecosystems. The US\$4.9 million grant includes a US\$2.9 million biodiversity resource allocation framework allocation. The second grant secured in this region was for US\$4.9 million in four countries of South East Asia under the GEF Strategic Forestry Management framework. This regional grant also contains biodiversity and climate change components, financed by US\$2.2 million under the biodiversity and climate change Resource Allocation Framework.

During 2007, the GEF Chief Executive Officer appointed IFAD as the lead agency for MENARID, a multi-agency regional programming framework on integrated natural resource management in the Middle East and North Africa region.

The IFAD GEF Unit was actively engaged in climate change activities in 2007. In May the unit organized the inter-agency IFAD/GEF Adaptation to Climate Change Workshop in collaboration with the GEF Secretariat. The workshop explored ways of accessing funding under the GEF-managed programmes. The unit identified five new opportunities to support the implementation of the National Adaptation Programmes of Action under the GEF-managed Least Developed Country Fund.

The unit contributed to defining IFAD's position and policy on climate change through:

- participation in the IFAD brainstorming round-table meeting on climate change and in international conferences, not only to define IFAD's position but also to promote its comparative advantage in the climate change arena
- active membership in IFAD's climate change policy reference group and the multi-agency GEF Adaptation Task Force

The GEF Unit produced two fact sheets.

- *IFAD: A key player in adaptation to climate change* was presented at the eighth session of the Conference of the Parties (COP 8) to the United Nations Convention to Combat Desertification in Madrid, Spain. It explains the GEF adaptation to climate change programme and highlights IFAD's comparative advantage, expertise and role as they relate to adaptation.
- *IFAD/GEF partnership on climate change: Fighting a global challenge at the local level* is a technical paper on climate change that the unit presented at the United Nations Framework Convention on Climate Change Thirteenth Conference of Parties in Bali, Indonesia (see page 63).

During the year IFAD's GEF Unit continued to build strong partnerships with other United Nations agencies, including the Global Mechanism, the United Nations Environment Programme and the United Nations Industrial Development Organization, and with other multilateral bodies such as the Asian Development Bank, the AfDB, the World Bank and the European Commission. The unit also took part in GEF consultations ensuring IFAD's upstream presence in the GEF arena through membership in various task forces and in the GEF Executive Committee.

Country presence

In 2007, the Office of Evaluation completed a corporate-level evaluation of IFAD's three-year Field Presence Pilot Programme. On the basis of the findings of the evaluation, the Executive Board approved the integration of the programme into IFAD's regular planning and budgeting processes. The programme will be renamed the IFAD Country Presence Programme to better reflect its scope.

The Executive Board agreed that IFAD's country presence would continue to focus on 15 countries, including three in each region. Some changes from the countries covered by the Field Presence Pilot Programme were made in order to make more strategic use of this limited resource. In response to the evaluation findings, IFAD will increase the number of country programme managers outposted within the 15 initiatives.

IFAD set up an interdepartmental coordination committee to ensure that the organization promptly addresses issues related to the country presence programme. The organization will carry out a self-assessment of the programme in 2010, and it will develop IFAD's country presence policy on the basis of the results.

Performance-based allocation system

The performance-based allocation system (PBAS) allocates IFAD's loan and country grant resources, including grants under the new Debt Sustainability Framework (see page 58), to country programmes. The system bases allocations on population, per capita gross national income (GNI) and country performance, which includes broad policy framework, rural development policy and the performance of IFAD's portfolio. Under the PBAS, IFAD makes annual resource allocations in three-year cycles and administers them within a six-year time frame.

The first allocation exercise covered the period 2005 to 2007. The current exercise covers 2007 to 2009, the same period as the Seventh Replenishment. During 2006, the regional divisions identified the 'active' countries for 2007-2009. Active countries are Member States in which IFAD expects to conduct lending or country grant operations

during the allocation period. On the basis of the identification, the organization decided on final country scores and allocations for 2007 and set provisional figures for 2008 and 2009, making an overall country allocation for the three-year allocation period.

All loans and country-specific grants presented to the Executive Board for approval in 2007 were within the performance-based allocation system for the countries. For the overall programme of work in 2007, projections show that about 96 per cent of resources available for commitment would be allocated according to performance-based allocation system guidelines. For sub-Saharan Africa IFAD has allocated a share of about 45 per cent of its resources (subject to the final list of programmes and projects to be submitted to the Executive Board).

Learning and knowledge-sharing

Communication

IFAD stepped up its media and advocacy outreach in 2007, raising awareness about rural poverty and successful approaches in the fight against it. The organization obtained wide press coverage around the world with the publication of more than 500 articles and reports. Global broadcasters distributed documentaries and short television features created by IFAD to audiences in nearly 200 countries and territories.

Advocacy highlights included participation in the eighth session of the Conference of the Parties (COP 8) of the United Nations Convention to Combat Desertification, the African Development Bank annual meeting, the African Green Revolution Conference 2007, the United Nations Climate Change Conference, in Bali, Indonesia, the Web2forDev 2007 conference and the Global Forum on International Migration and Development. During the United Nations Conference to Combat Desertification COP 8 in Madrid, Spain, in September, IFAD sponsored a session for the training of environmental journalists from the developing world on issues of land degradation and desertification.

A press event at the Dubai Press Club was attended by regional and international media representatives, who were briefed on IFAD's activities in the Middle East and North Africa. The briefing was covered by most of the major regional news organizations including CNBC Arabiya, Asharq Alawsat, CNN Arabic, BBC Arabic and Al-Hayat.

In October press conferences were organized in Washington D.C. and Rome for the release of an IFAD-supported study on migrants' remittances worldwide (see page 72). The study received extensive coverage in media outlets including the Financial Times, the Washington Post, the Guardian, the Miami Herald, Reuters, the Hindustan Times, Il Sole 24 Ore, the Gulf News, Jeune Afrique and La Prensa Libre.

An interview with IFAD's President on the impact of climate change on the poor was broadcast on BBC World. Germany's Deutsche Welle television also interviewed the President to coincide with a discussion forum of development experts on climate change organized by the German Federal Ministry for Economic Cooperation and Development and InWEnt.

In May, IFAD's Vice-President delivered a public lecture on African agriculture at the University of Tokyo. The lecture also covered New Rice for Africa (NERICA), of which Japan is a strong supporter. The event was covered in the Mainichi Shimbun, the Japan Journal, the Japan Times and the Journal of International Development. The Vice-President also gave a lecture on New Challenges in Combating Rural Poverty at Bioforsk, the Norwegian Institute for Agricultural and Environmental Research.

In China, the Vice-Minister of Finance Li Yong and the President of IFAD launched a book commemorating 26 years of IFAD's partnership with the country. It was reported in the major Chinese newspapers including the China Daily, People's Daily and the Xinhua News Agency. Media outreach in Italy was also well covered by national press.

IFAD created long and short videos highlighting the impact of programmes and projects it supports in Bolivia, China, El Salvador, Jordan, Madagascar, the United Republic of Tanzania and Yemen.

The organization continued to build partnerships with media NGOs such as the Television Trust for the Environment (TVE), the AllAfrica Foundation and Dev.tv. It managed a small grant programme supporting work by these organizations to raise global awareness about rural poverty issues on television, radio and the Internet. One successful outcome of this programme was a debate called *Failing the farmer?* produced by TVE for BBC World. The debate featured 14 panellists – among them the leaders of small farmers' organizations from around the world and representatives from the European Union, the World Trade Organization, Oxfam and IFAD – who considered some of the most salient issues confronting small farmers today. With support from TVE, replica debates were broadcast in Malawi, New Zealand and the Philippines.

IFAD worked to forge new broadcasting partnerships in 2007, the most notable being with Deutsche Welle Television (DW-TV), which reaches a potential audience of 240 million households worldwide. IFAD also continued to build an effective corporate video programme. The organization's video productions were screened and distributed at nearly two dozen international events, workshops and presentations. IFAD's documentary films continued to receive international recognition during the year. Jurors at the Columbus International Film and Video Festival gave IFAD's documentary *Cash flow fever* an honourable mention at its fifty-fifth annual festival – the oldest and largest of its kind in North America. The IFAD documentary *Villages on the front line: Jordan* was selected by jurors for screening at the We the Peoples film festival in London, and at the Stories from the Field United Nations film festival in New York.

Learning notes

Learning notes cover key issues in programme and project design and implementation. They provide concise reminders of core issues, key tasks, sources of information and examples of good practice for designing, implementing and evaluating pro-poor investment projects. Learning notes are part of IFAD's wider framework for institutional learning and knowledge management. They are used systematically by those involved in the design, implementation and supervision of investment projects.

Twenty learning notes are available on IFAD's website and intranet. They cover a wide range of topics such as project targeting, pro-poor institutional transformation, technology change, environment and natural resource management, rural finance, and sustainability. New learning notes include one on reconciling IFAD's quality enhancement requirements with projects designed in cooperation with cofinanciers, and another on marketing and poor rural people. These were developed in 2007, and will be published in 2008.

Technical advisory notes

Technical advisory notes are tools for promoting pro-poor technologies and sharing knowledge. They bridge the gap between research and practice by providing information for inclusion in the design of programmes and projects. IFAD has been expanding dissemination of IFAD-financed grants results by developing an improved technical advisory note format. In 2007, 55 notes were available and IFAD was developing nine

additional notes in the new format, adopting a consultative process. The organization is applying the same approach to learning and knowledge-sharing from non-technical grants, which focus on subjects such as capacity-building and methodological research. The grant agreement includes a standard clause to ensure that all new grants provide information on results in a manner that corresponds to the new format.

IFAD's Technical Advisory Division

Human and social assets

In the area of human and social assets, during the year the Technical Advisory Division continued to support the application of the IFAD Targeting Policy approved in 2006. Use of a checklist on targeting to improve design and compliance with policy is now a systematic feature of project review. Technical Advisory Division members working in the area of human and social assets provided practical guidance and backstopping to design and mid-term review missions when they carried out target group and poverty analysis and assessed targeting performance.

The interdepartmental thematic group on gender organized a major workshop in May 2007 (see page 64). Members of the Technical Advisory Division who were involved in the area of human and social assets continued to spearhead IFAD's collaboration with the World Bank and FAO on production of the Gender in Agricultural Livelihoods Sourcebook, leading to the production of the module on rural finance in 2007. In relation to food security and nutrition, IFAD, FAO and WFP jointly organized the 2007 annual session of the United Nations Standing Committee on Nutrition, which had the theme of Working Together to Achieve Freedom from Child Hunger. Technical Advisory Division members involved in the area of human and social assets also contributed to the development of guidelines for measuring second-level results for loan projects as part of the IFAD results and impact management system.

Productive assets and technology

In 2007, members of IFAD's Technical Advisory Division involved in the area of productive assets and technology focused on four major activities:

- Supporting country programme managers and their design and implementation agendas in the areas of land and water, farming systems, rural infrastructure and environmental issues; and in rural water and sustainable sanitation, following a multiple use system concept that builds upon IFAD loan and Belgian Survival Fund (BSF) grant experiences.
- Developing funding proposals for projects financed by the Initiative for Mainstreaming Innovation (IMI) (see page 45) on communities of practice, community mapping and climate change adaptation. Funding proposals were also developed for climate change in Egypt, in collaboration with the United Nations Country Team and Spain; eco-sanitation and agriculture, in collaboration with the Bill & Melinda Gates Foundation; restoring neglected indigenous land and water knowledge, in collaboration with Spain; and work on rural water, health and sanitation issues, in collaboration with Italy.
- Performing knowledge management through: continuation of ongoing IMI projects; further development of IFAD-wide thematic databases; elaboration of learning notes on several related themes – such as Roads, travel and transportation; Mainstreaming UNCCD objectives; Water fees; Rural water, health and sanitation; and Land tenure – and the contribution of information and backstopping to the Rural Poverty Portal and IFAD's Intranet.

- Further developing corporate products such as operational statements relating to the environment and natural resource management, updating of IFAD's environmental assessment procedures, quality enhancement and assurance and management of grants related to productive assets and technology.

Financial services and access to markets

In 2007, members of the Technical Advisory Division involved in the area of financial services and access to markets worked on the following initiatives:

- increasing poor smallholders' access to insurance by supporting the efforts of the Microfinance Centre and the MicroInsurance Centre to design and test a standard partnership framework between microfinance providers and private insurers
- developing and piloting an index-based weather insurance product in rural China to reduce the vulnerability of poor farmers, in collaboration with WFP
- building the capacity of rural finance institutions that use participatory approaches, through support to the Participatory Microfinance Group for Africa
- enhancing the financial sustainability and social impact of IFAD's rural finance partners in collaboration with the Imp-Act Consortium
- supporting the International Conference on Rural Finance Research, which was held at FAO in March and which brought together over 300 participants
- organizing training sessions for IFAD staff on rural and agricultural finance, in partnership with Development Alternatives, Inc. and the United States Agency for International Development
- updating and revising the *IFAD decision tools for rural finance*
- mainstreaming value chain development to assist poor rural people through an IMI-financed study
- preparing and finalizing a learning note on marketing and poor rural people (see page 34)
- working on an IFAD-supported report entitled *Sending Money Home*, presented to the International Forum on Remittances held in Washington D.C. (see page 72)

IFAD evaluation activities in 2007

Overview of the fifth Annual Report on the Results and Impact of IFAD Operations

In 2007 the Office of Evaluation prepared the fifth Annual Report on the Results and Impact of IFAD Operations (ARRI). The report synthesizes results and impacts from the 15 IFAD-funded projects evaluated by the Office in 2006. It also draws on the conclusions of three corporate-level and three country programme evaluations. Building on a similar presentation of data in previous ARRIs, this year's report includes a five-year block analysis of IFAD's results and impact for the period from 2002 to 2006, based on the set of ratings for the 73 projects evaluated by the Office of Evaluation since 2002.

The 2007 ARRI presents the following key results:

- Eighty per cent of the projects evaluated in 2006 showed satisfactory overall achievement.
- Sustainability continues to remain a challenge, with a need for improvement in this area in 47 per cent of the projects evaluated in 2007. The report recommends that IFAD develop a specific approach for increasing sustainability in the operations it supports.

- IFAD's performance in introducing innovations in areas such as on-farm and off-farm technologies, institutions and social engineering has been satisfactory on the whole. But past performance in replicating and scaling up successful innovations has been weak.
- Relevance of projects to the needs of poor rural people and to the policies and strategies of governments and of IFAD remains a strong point, as does positive impact on human assets, institutions, environment and agricultural productivity. IFAD-funded projects have made their strongest contributions in the impact domains of physical and human assets, followed by those of food security and financial assets.
- The 2007 ARRI identified weaknesses to be addressed by IFAD. These included difficulties in reaching poorer groups and in promoting gender equity. Corporate and country evaluations also show that there is scope for improving non-project activities such as policy dialogue, partnership-building and knowledge management.

This year's ARRI provided a comprehensive account of the results and impact of IFAD operations evaluated in the period from 2002 to 2006. It also devoted more attention than previous reports to the key themes of sustainability and innovation, harvesting the knowledge generated in the evaluations of the 73 projects. The ARRI also highlighted three themes that emerge repeatedly in evaluations and that IFAD needs to address energetically in the future:

- country context
- monitoring and evaluation
- weaker impact areas such as marketing

IFAD management responded to the report. They noted that the 2006 ARRI had introduced a number of changes that have improved the quality of the report and made it more relevant to the needs of IFAD-supported operations.

Most of the ARRI's findings are in line with IFAD management's portfolio performance report 2006/07. Management appreciated the emphasis the report placed on learning, particularly in connection with sustainability and innovation. And they found that the consolidation of data over the period from 2002 to 2006 gave more robust and reliable results for the five-year period than previous ARRIs had been able to do.

Management noted that in some cases the ARRI applied current standards to projects that were designed in the past to different standards. Care should be taken in assessing such projects.

Management also agreed with the ARRI finding that sustainability requires 'concerted attention'. Management had already identified sustainability as a key measure of performance both in the Action Plan and in the Results Measurement Framework (see page 44). It also agreed with the ARRI that all development agencies face the challenge of sustainability. Both the ARRI and the portfolio performance report found some improvement in IFAD's performance in the area of sustainability, but management recognizes that further improvement is a top priority.

Management agreed with the conclusion drawn by a statistical review carried out by the Office of Evaluation that analysis of trends year by year in the ARRI is unreliable because of the limited number of evaluations conducted in any given year.

Evaluation activities in 2007

In 2007, the Office of Evaluation carried out its fourth work programme. It completed the corporate level evaluations of IFAD's Field Presence Pilot Programme and IFAD Rural Finance Policy. It also started a joint evaluation with AfDB.

The Field Presence Pilot Programme and IFAD Rural Finance Policy evaluations produced far-reaching results and recommendations. The former found that IFAD's performance was better in countries where the organization had some form of field presence. This was particularly true of implementation support, policy dialogue, partnerships and knowledge management. The evaluation concluded that the key question is not whether field presence is needed, but rather what form of country presence is most appropriate for an organization like IFAD in order to maximize its development effectiveness.

The evaluation of the IFAD Rural Finance Policy concluded that the policy's introduction in 2000 was a useful step in systematizing rural finance activities. It noted that IFAD was a leader in terms of the volume of rural finance provided, but that it could improve the performance of its operations by ensuring better project design. The evaluation also found that a number of rural finance operations are not aligned with the policy. It noted that the policy itself is largely well designed, but that there is room for improvement. IFAD could more closely define the target group, focus more strongly on women and develop clear standards and targets for outreach and demand-driven financial services.

During the year the Office of Evaluation started working with the AfDB on a joint evaluation. This will assess the results of AfDB's and IFAD's policies and operations in agriculture and rural development in Africa. On 16 July in Tunis, Tunisia, AfDB and IFAD signed a memorandum of understanding capturing the broad scope and the administrative and financial arrangements related to the joint evaluation. An inception report was prepared in December and desk work started immediately. After preparation of an interim report early in 2008, the team of consultants working on the evaluation will visit a number of countries.

The Evaluation Committee held four sessions during the year. The committee discussed project evaluations undertaken in Colombia, the Philippines and the United Republic of Tanzania. It also discussed other key documents such as the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) and the IFAD Innovation Strategy (see page 57). This year the Evaluation Committee annual field trip visited Mali. Eight Committee members and five Executive Board members made the trip. They visited IFAD-funded projects in the country and took part in the national round-table workshop for the country programme evaluation.

During the year, the Office of Evaluation continued working on its new evaluation manual, which will be issued in 2008. This will set out country programme and project evaluation methodologies and processes that build on experience and it will further align IFAD's independent and self-evaluation methodologies. Office of Evaluation staff, evaluation consultants and other professionals engaged in evaluation activities will use the manual.





Major corporate initiatives in 2007

Mohammed Hourri spreads out olives harvested on his farm in Jordan. An IFAD-supported project in Karak and Tafilah improved the management of natural resources and helped farmers diversify and increase their incomes.

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IFAD's Action Plan for Improving its Development Effectiveness

IFAD's Action Plan for Improving its Development Effectiveness is the principal vehicle for change and renewal in the organization over the period from 2007 to 2009. It addresses the three critical areas of IFAD's development performance – relevance, effectiveness and efficiency. Its targets are that, by 2009:

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

During 2007, three Action Plan working groups focused on prioritized sets of issues. The first group was responsible for a broad agenda related to organizational effectiveness and human resource management. The agenda incorporated:

- IFAD's results measurement framework for reporting on progress achieved against the Strategic Framework 2007-2010
- the Report on IFAD's Development Effectiveness
- the results-based programme of work and budget for 2008
- a range of initiatives relative to the management of human and financial resources and their alignment with strategic priorities, and relative to cultural change within the organization

The second working group focused on improving IFAD's engagement at the country level. It developed new guidelines for project design, and it established a new quality enhancement system that uses internal and external reviewers during the project design process. The working group made proposals for an 'arm's-length' quality assurance process that will assess a project's quality prior to its presentation to the Executive Board. It developed guidelines for direct IFAD supervision of projects and trained staff to use them. It also supported IFAD's involvement in the aid effectiveness and One UN agendas. The third group worked on knowledge management and innovation.

Throughout 2007, the Action Plan remained on track. The Executive Board approved or reviewed seven major deliverables:

- the IFAD Strategy for Knowledge Management (see page 58)
- the IFAD Innovation Strategy (see page 57)
- the corporate-level evaluation of the Field Presence Pilot Programme (see page 32)
- the Results Measurement Framework for monitoring IFAD's achievements against its Strategic Framework 2007-2010 (see page 44)
- the strategic priorities for a results-based programme of work
- the programme of work and budget
- the Report on IFAD's Development Effectiveness (see page 43)

IFAD management approved more than 30 other deliverables during the year, and work started on mainstreaming them into the day-to-day work of the line units. Good progress was made and the results of the Action Plan agenda have already started to shape IFAD's business processes and systems and consequently its country programmes.

Work done under the Action Plan has contributed to making IFAD an organization that is focused on its strategic objectives, that has systems and tools that are aligned with those objectives and are coherent and mutually supportive, and that is able to report on its progress in achieving those objectives. All of this is starting to have a measurably positive impact on IFAD's development effectiveness.

Report on IFAD's Development Effectiveness

In 2007, the organization produced the first Report on IFAD's Development Effectiveness, as part of the Action Plan reform process (see page 42).

The purpose of the report was to provide a synthesis of results in three broad areas:

- the relevance of IFAD's operations to the areas defined by its mandate (reduction of rural poverty and food insecurity) and to the changing framework of international development assistance
- the effectiveness of IFAD-supported operations in generating development results that support national and global efforts to reduce rural poverty and fulfil MDG1
- IFAD's effectiveness and efficiency in delivering those results through improved internal performance management

The report drew on a number of sources from across the organization, in particular the portfolio performance report 2006/07, the 2007 ARRI (see page 36) and the new corporate planning and performance management system (see page 44). It provided up-to-date reporting on recent results at the corporate and country levels. It also reported on recent initiatives that relate to the broader international harmonization and alignment agenda. The report presented some important findings.

It found that IFAD's mandate to reduce rural poverty and food insecurity remains highly relevant. IFAD is also playing an active part in harmonization and alignment initiatives at the country, regional and international levels.

IFAD's programmes scored well in terms of relevance to rural poverty, partners' priorities and its own Strategic Framework. It also performed well in terms of project effectiveness and efficiency, and in terms of introducing and scaling up innovations. Performance with respect to sustainability improved, but will require continued attention.

Overall, results reported from 2005 to 2006 were positive as compared to baseline results from 2003, and they reflected IFAD's more direct involvement in project supervision and implementation support. This increased notably in 2007 and will continue to do so in 2008.

A review of seven IFAD country programme evaluations conducted between 2003 and 2007 found that projects were strong on relevance to country needs and approaches and broadly successful in terms of effectiveness and impact. They were less successful in terms of project efficiency, as far as this could be measured. The review also found weaknesses with regard to engagement in policy dialogue, the development of strategic partnerships beyond direct cofinancing, and investment in broader lesson-learning and knowledge management. IFAD is addressing these shortcomings by implementing various reforms introduced under the Action Plan, including results-based country strategic opportunities programmes (COSOPs) and the new knowledge management and innovation strategies.

The report analysed progress made with the new corporate planning and performance management system (see page 44). It also found that IFAD's policy of devoting a greater portion of financial resources to field operations within an overall framework of increased efficiency was showing results. In 2008, the proportion of the budget devoted to operations is set to increase further, from 57 per cent in 2007 to 61 per cent.

Results Measurement Framework

The Results Measurement Framework will enable IFAD management to report to the Executive Board on the organization's progress in achieving the goals and objectives and applying the key principles of engagement defined in the Strategic Framework 2007-2010. The Executive Board approved the framework in September, and it is a key element of IFAD's managing for development results agenda.

In line with best practice in comparable institutions, the results framework uses only six indicators, drawn from the Strategic Framework, to assess the quality, performance and impact of IFAD country programmes and projects. They will be assessed at three points: when they are designed ('at entry'), during implementation, and at completion. The assessment uses a six-point scale to evaluate the success of IFAD-supported programmes and projects in achieving the results measured by the indicators. The organization has set targets to be achieved by 2010 for each of the six indicators, and at each of the three assessment points.

The Results Measurement Framework will draw on existing data sources wherever possible. But one new reporting tool is a partner/client survey that will be sent annually to a subset of IFAD's key partners in all member countries in which IFAD has an ongoing COSOP. In addition to providing important information on programme and project performance, the survey will also reflect IFAD's commitment to mutual accountability, one of the indicators of progress under the Paris Agenda on Aid Effectiveness.

IFAD will fully implement the Results Measurement Framework in 2008. Preliminary and limited results collected during 2007 show major improvements in performance compared to achievements cited in the 2005 Independent External Evaluation of IFAD, and strong progress towards the 2010 targets.

For the ongoing project portfolio, performance compared satisfactorily with the targets set for empowerment of poor rural people and gender equity, but was slightly lower than that set for sustainability (77 per cent as opposed to 80 per cent). For the completed project portfolio, results were also generally positive. Performance in terms of effectiveness was close to the 2010 target of 80 per cent. Performance against the composite indicator for poverty impact met the target of 70 per cent. Completed projects also reached targets for innovation, learning and scaling up, but sustainability remained a challenge. Compared with a 2010 target of 80 per cent, 63 per cent of projects had satisfactory ratings for sustainability. But this was a significant improvement over satisfactory sustainability ratings of 48 per cent in 2006.

Corporate planning and performance management system

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

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

The corporate planning and performance management system is strengthening the focus on results at all levels and across all units. At its core is a set of corporate management results. These are derived from IFAD's Strategic Framework 2007-2010 and respond to recommendations made in the 2005 Independent External Evaluation of IFAD and various annual reports on the results and impact of IFAD's operations. The corporate management results are applied across the organization, according to their relevance to each division's programme of work.

The corporate planning and performance management system also comprises:

- key performance indicators for tracking progress towards the corporate management results¹
- management plans to track departmental and divisional contribution to corporate management results and lower-level management results
- processes for managing risks to the achievement of corporate management results

The system includes quarterly reviews at senior management, departmental and divisional levels of progress towards corporate management results and of risks. The system has links to the budget through the results-based programme of work and budget, and to the personal performance plans and assessments of all staff members.

The experience was positive in 2007, the first year of implementation. Staff and management conducted quarterly reviews on schedule at all levels. The mainstreaming of risk management into regular business planning and monitoring activities has supported more proactive decision-making. The system appears to be successful in building a results-oriented culture within the organization, as intended.

Initiative for Mainstreaming Innovation

During 2007, the Initiative for Mainstreaming Innovation (IMI) fine-tuned its activities to fit the four objectives of the new IMI Implementation Strategy: innovative operations, partnership development, learning and sharing, and cultural and organizational change. Senior management approved the strategy in December 2006.

Innovative operations

In January 2007 the IMI's competitive bidding process was opened up to include project managers and partners in the field to expand scouting for innovative ideas. The IMI approved 15 proposals in 2007, bringing the total number of IMI-funded projects to 28.

Partnership development

The IMI funded a strategic partnership with the International Food Policy Research Institute (IFPRI) to provide IFAD with strong academic, research-oriented support and increase its effectiveness in addressing global challenges (see page 75).

1/ Some of the key performance indicators are drawn from the Common Performance Assessment System implemented by the five main multilateral development banks (AfDB, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank and the World Bank).

Learning and sharing

The Initiative for Mainstreaming Innovation published research reports emerging from completed IMI projects. It began to draw up a 'challenge map' that reflects the current challenges and opportunities facing poor rural people. It designed and tested a pilot project on scouting for innovation in India, and it began work on developing a guide for country programme managers on integrating scouting exercises into all field operations.

Cultural and organizational change

The IMI contributed to the deliverables of the Action Plan (see page 42) through direct budget funding for the Innovation Strategy (see page 57). It also supported workshops on creative problem-solving skills. And it funded 19 staff members to live and work with rural communities in three project areas in Madagascar as part of the Field Immersion Programme. During the immersion programme, staff scouted for practical solutions and innovations used by the local people. The IMI submitted its second progress report on the main phase to the December 2007 Executive Board.





Resource mobilization in 2007

Bazirete Visetia makes *divayi*, a local banana wine that she bottles and sells in Remera, Musanze District, Rwanda. She takes part in an IFAD-supported project that promotes small and micro enterprises, helping them improve their management and create jobs.

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IFAD's operations are financed by several sources, including its initial capital, investment income, loan reflows and contributions from Member States and multilateral institutions. These contributions come through regular replenishments, held every three years, and in the form of supplementary funds. Some Member States also support IFAD's commitment to the Debt Initiative for Heavily Indebted Poor Countries (HIPC).

Seventh Replenishment (2007-2009)

The Seventh Replenishment of IFAD's Resources is currently ongoing and will last until 31 December 2009. Over this period, IFAD's programme of work will increase by 33 per cent. The target level for donor contributions was set at US\$720 million, making it the largest replenishment since the first one in 1981.

At the end of 2007, pledges of contributions for the Seventh Replenishment amounted to US\$642 million, or 89 per cent of the US\$720 million target. IFAD had received instruments of contribution from Member States in an amount corresponding to US\$541 million (88 per cent of original pledges). Payments amounting to US\$314 million (49 per cent of pledges) had been received.

Eighth Replenishment (2010-2012)

The Consultation on the Eighth Replenishment of IFAD's Resources is scheduled to begin in February 2008 after the session of the Governing Council. The replenishment will mobilize resources for the period 2010-2012. Replenishment negotiations will review progress on implementing the conclusions of the Seventh Replenishment, including the Action Plan.

Financing the Debt Initiative for Heavily Indebted Poor Countries

The World Bank and the International Monetary Fund jointly launched the Debt Initiative for Heavily Indebted Poor Countries (HIPC) in 1996. The initiative's principal objective is to reduce the external debt of the world's poorest, most heavily indebted countries to sustainable levels, so that debt-service burdens do not put poverty reduction, adjustment and reform efforts at risk. IFAD is fully committed to the HIPC Debt Initiative and continues to commit the required debt relief to all eligible countries. Highly indebted poor countries become eligible for the HIPC Debt Initiative when they reach their decision point. This means that they meet the following requirements:

- they have a track record of macroeconomic stability
- they have developed a Poverty Reduction Strategy paper through a participatory process
- they have cleared their arrears

To mitigate the impact of debt relief on IFAD's resources that are available for commitment to new loans and grants, Member States have supported the organization's formal access to the World Bank-administered HIPC Trust Fund by earmarking contributions for IFAD. This will result in approximately US\$282 million in additional donor funding to IFAD. On 31 October 2007, the World Bank HIPC Trust Fund transferred the first tranche of US\$104.1 million to IFAD's HIPC Trust Fund. This amount relates to those countries that had already reached completion point by November 2006.

As of 31 December 2007, IFAD had committed the required debt relief to all 30 countries that had reached their decision point. IFAD's total commitments amount to about US\$337.7 million in net-present-value terms, or US\$509.2 million of debt service relief in nominal terms.

During the year, the Executive Board approved IFAD's contributions to debt relief for Haiti in the amount of SDR 2.2 million (US\$3.1 million) in September 2005 net-present-value terms. It also approved a top-up of the debt relief for Sao Tome and Principe in the amount of SDR 268,000 (US\$383,000) in December 2005 net-present-value terms.

Supplementary funds

Supplementary funds are extra-budgetary resources that Member States and multilateral entities provide voluntarily. They finance specific programmes or activities, and IFAD administers them within the framework of partnership agreements with the donors. The supplementary funds listed here 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.

In 2007 IFAD managed agreements for which funds had already been received with Denmark, the European Union, Finland, France, Ireland, Italy, Japan, Luxembourg, Norway, Portugal and Switzerland. In addition, in November, the organization signed a partnership agreement with Spain establishing the legal and strategic framework through which supplementary funds will be mobilized and IFAD and Spain's common development goals will be pursued.

In November IFAD also signed a contribution agreement with the European Commission establishing the legal framework and procedures for IFAD's administration of the 2007 European Community contribution to the Consultative Group on International Agriculture Research (CGIAR). The contribution is worth €45 million (see page 71).

During the year IFAD received about US\$74.4 million in supplementary funds for thematic and technical assistance initiatives, including €42.7 million received under the 2007 European Community contribution to the CGIAR's Agreement.

TABLE 2
Supplementary funds for thematic and technical assistance and cofinancing received in 2007 – summary
(amounts in US\$ thousands)

Donor	Thematic and technical assistance	Cofinancing (excluding parallel cofinancing)
European Commission	62 657	
United Kingdom	2 546	5 827
Italy	4 541	
Spain	2 829	
Norway		1 506
Luxembourg	1 110	
Canada		1 058
Finland	546	
Netherlands		637
African Development Bank	150	
Total	74 379	9 028

In addition, IFAD received approximately US\$9 million to cofinance four IFAD-supported programmes in Bangladesh, India, Mozambique and Sri Lanka (Tables 2 and 3). These amounts include resource flows through IFAD and exclude parallel cofinancing for IFAD programmes and projects.

During the year IFAD allocated US\$15.8 million in supplementary funds in the following geographic and thematic areas:

- 46 percent (US\$7.2 million) to improve poor rural people's access to, and management of natural resources – in particular land and water – while ensuring improved access to markets and the development of non-farm enterprises mainly in India and Sri Lanka
- 28 per cent (US\$4.5 million) to broaden the range of financial rural services in Burkina Faso, Islamic Republic of Iran, Mozambique and Viet Nam, and to establish the Financing Facility for Remittances (see page 72)
- 13 per cent (US\$2.0 million) to provide support to the development of local and national policy and programming processes, mainly in Rwanda
- 9 per cent (US\$1.4 million) to stimulate transparent and competitive markets, in part by introducing sustainable modern technologies (as in the First Mile Project in the United Republic of Tanzania and in the Market Infrastructure Development Project in Charland Regions, Bangladesh)
- 4 per cent (US\$700,000) in support of activities such as mainstreaming gender equality in IFAD-supported projects, networking with representatives of civil society, and improving IFAD's development effectiveness

TABLE 3
Supplementary funds for thematic and technical assistance received by IFAD in 2007

European Commission CGIAR €42 750 000 (US\$62 656 541)	Prefinancing payment under the contribution agreement signed in November 2007 for the administration of €45 million by IFAD in favour of the CGIAR. The aim of the initiative is to promote pro-poor agricultural and rural innovation through the delivery of global and international public goods in the area of agricultural research.
United Kingdom DFID Rwanda II £1 000 000 (US\$1 977 200)	First tranche under the partnership agreement signed in March 2007 for a contribution of £3.0 million over three years to the institutional component of the Support Project to the Strategic Plan for the Transformation of Agriculture in Rwanda.
United Kingdom DFID Institutional Strategy £287 500 (US\$568 445)	Fourth and fifth tranches under the 2005 memorandum of understanding to finance activities related to IFAD's Institutional Strategy, particularly knowledge management, development effectiveness, and improvement of country-level impact and partnerships.
United Kingdom DFID India Orissa £3 000 000 (US\$5 826 900)	Second tranche under the cofinancing agreement signed in March 2005 for a contribution of £7.9 million over five years to assist the Orissa Tribal Empowerment and Livelihoods Programme.
Italy Partnership agreement €3 000 000 (US\$4 230 450)	Voluntary contribution under the 2006-2011 renewed partnership agreement to support activities related to rural finance, partnership-building with Italian NGOs, innovative income-generating activities that are environmentally and economically sustainable, and studies and reports on rural poverty.
Italy Viet Nam Gia Lai US\$310 515	First instalment of the administrative agreement for US\$1.6 million, signed in December 2005 to support the Pilot Project for Poverty Reduction in Ia Pa District, Gia Lai Province, Viet Nam.
Spain Financing Facility for Remittances €2 000 000 (US\$2 829 100)	Contribution to support the Financing Facility for Remittances – a multi-donor initiative under the programme Promoting Innovative Migrant Remittance Systems. The related administrative agreement is expected to be signed in 2008.
Norway Mozambique Sofala NOK 9 000 000 (US\$1 506 372)	Penultimate tranche under the cofinancing agreement signed in December 2002 for an overall contribution of US\$5.8 million to assist the Sofala Bank Artisanal Fisheries Project in Mozambique.
Luxembourg Migrant Remittances System in Africa €850 000 (US\$1 110 371)	Contribution under the partnership agreement signed in December 2006 for €850,000 in support of the multi-donor Financing Facility for Remittances (see page 72).
Canada CIDA Sri Lanka CAD 1 200 000 (US\$1 058 201)	Contribution under the cofinancing agreement signed in March 2007 for CAD1.2 million to support the two-year Post-Tsunami Coastal Rehabilitation and Resource Management Programme in Sri Lanka.
Netherlands Bangladesh Charlands US\$316 389 US\$195 494 US\$125 000	Second and third tranches under an arrangement signed in July 2006 for a contribution of US\$5.9 million over seven years to support the Bangladesh Market Infrastructure Development Project in Charland Regions. Second tranche under the same arrangement for a service provider appointed in support of the project.
Finland Partnership agreement €400 000 (US\$545 540)	Second tranche under the partnership agreement signed in June 2006 for €1.2 million over three years to support activities related to IFAD's Action Plan, particularly knowledge management, development effectiveness and gender.
African Development Bank US\$150 000	Contribution provided under the memorandum of understanding signed in Tunis in July to support the joint evaluation of the two organizations' agriculture and rural development policies and operations in Africa (see page 38).

Source: IFAD donor statements for 2007.





Policy development and dialogue

Alejandrina Huamán cooks on an improved stove in her home in Andarapa-Andahuaylas, Peru. Through a community-owned project supported by IFAD, she has learned how to prepare terraces and now runs a small farm with a vegetable garden.

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Policy development

Policy process in IFAD

IFAD corporate policies guide the organization in achieving the objectives defined by its Strategic Framework 2007-2010. In 2007 the President issued a bulletin clarifying and formalizing the process that IFAD has developed over the past few years to produce corporate policies. The formalization of this process enables IFAD to issue policy products that have full corporate ownership.

The key elements of the policy process are:

- governance by the Operational Strategy Committee Policy Board, which is chaired by the President
- an annual policy work programme
- dissemination to staff and partners through a communication plan for each corporate policy developed
- affirmation of the mandatory nature of approved policies, calling for application, monitoring, assessment and evaluation

The process is mainstreamed throughout the organization in part through the policy reference groups.

Policy reference groups

In 2007, IFAD set up four policy reference groups to deal with four policy themes: climate change, land, indigenous peoples and engagement with farmers' organizations. In each of these areas, IFAD has started work on the development of a corporate policy.

In the area of climate change, IFAD defined its opportunities to support its clients in adaptation and mitigation, and to ensure flows of resources and technologies in their favour.

IFAD addresses land issues from the perspective of poor rural people and their livelihoods and in direct relationship with investments for pro-poor sustainable development. The organization does not address land issues in general nor does it take a normative and prescriptive approach.

The policy on working with farmers' organizations will take the form of guidelines for IFAD's engagement with the organizations and ways of working with them.

The policy reference group on indigenous peoples provided inputs for the paper developed for the 2020 Vision Conference in Beijing (see page 60). During 2008, it will continue to work on issues related to indigenous peoples.

Policy Forum

The Policy Forum held two sessions in 2007.

- The first session focused on IFAD's contribution to the World Bank's *World Development Report 2008: Agriculture for Development* (see page 75). Participants discussed the report's findings and recommendations, IFAD's engagement with its launch, and links to the organization's planned publication on rural poverty (see page 59). Guest participants were Ravi Kanbur of Cornell University, and Kostas Stamoulis of FAO.
- The second session drew on the work of a policy reference group on climate change, and participants discussed issues and options relevant to IFAD's work. It

was agreed that IFAD will engage in policy dialogue and international debates to help bring together the climate change and MDG agendas. In addition, IFAD will:

- address climate change in country strategic opportunities programmes (COSOPs), project design and implementation
- engage with partners to build poor rural people's capacity for mitigation and adaptation
- develop a corporate policy on climate change
- promote participation of poor rural and indigenous peoples in relevant forums
- develop partnerships with other UN agencies, especially FAO and the United Nations Environment Programme (UNEP), and with regional bodies such as the Permanent Interstate Committee for Drought Control in the Sahel and the Economic Community of West African States

Policy seminars

Policy seminars build awareness about the complexity of rural poverty and stimulate discussion about effective development initiatives. There were three seminars in 2007.

- Victoria Tauli-Corpuz of the UN Permanent Forum on Indigenous Issues gave a presentation on the Declaration on the Rights of Indigenous Peoples, focusing particularly on aspects relevant to development with indigenous peoples.
- Ravi Kanbur of Cornell University led a seminar entitled Q-squared: Combining Qualitative and Quantitative Methods in Poverty Analysis. Kanbur put forward the idea that in order to design effective policies to reduce poverty, policymakers must make the best use of both qualitative and quantitative analytical tools.
- FAO and IFAD jointly organized a policy seminar entitled Economic Partnership Agreements between European and African, Caribbean and Pacific countries: Implications for Smallholder Farmers. More than 40 participants represented governments, development agencies and farmers' organizations. Ibrahima Coulibaly of Coordination Nationale des Organisations Paysannes du Mali gave the main presentation on the subject of the views of farmers' organizations with respect to Economic Partnership Agreements.
- Michel Griffon of the French National Research Agency led a seminar entitled Future Agriculture, Equity, Sustainability – Towards the Doubly Green Revolution. Griffon spoke about projected food needs for 2050 in a global context affected by climate change and rising food prices. He presented the concept of the 'doubly green revolution', based on ecologically intensive production systems, as an effective solution for the future of smallholder farmers.

IFAD Innovation Strategy

In September the Executive Board approved the IFAD Innovation Strategy. The strategy will improve IFAD's capacity to work with partners to find and promote new and better ways to enable poor rural people to overcome poverty. It will also systematically mainstream innovation in IFAD's processes and in its country programme work, and it will manage the risks inherent in innovation. The strategy is one of the deliverables of IFAD's Action Plan (see page 42) and is the result of a broad process of consultation both inside and outside the organization. It builds on IFAD's experience and on best practices from the worlds of development and business.

IFAD defines innovation as 'a process that adds value or solves a problem in new ways'. The strategy further specifies that innovative products, ideas or approaches are new to their context, useful and cost-effective, and are able to 'stick' after pilot testing.

The strategy is based on four clusters of activities:

- building capabilities and understanding challenges requiring innovation
- nurturing partnerships and facilitating innovation networks
- embedding rigorous innovation processes into IFAD core business
- facilitating a more supportive organizational environment for innovation

The whole organization will contribute to implementation of the strategy during the time frame of the Strategic Framework 2007-2010. IFAD will set up an Innovation Services Group to facilitate its innovation efforts and advise management.

IFAD Strategy for Knowledge Management

In April, the Executive Board approved the IFAD Strategy for Knowledge Management. The strategy will enable IFAD to become a knowledge-based organization and deliver high-quality service by systematically learning from the experience of the programmes and projects it supports, as well as from poor rural people and partners. The strategy will provide IFAD with the framework and tools that it needs to maximize its development effectiveness in the context of the dramatic changes that are transforming the profiles of world agriculture and rural poverty.

The strategy has four strategic components. It will:

- strengthen knowledge-sharing and learning processes
- equip IFAD with a more supportive knowledge-sharing and learning infrastructure
- foster partnership for broader knowledge-sharing and learning
- promote a supportive knowledge-sharing and learning culture

Implementation of the strategy will enable IFAD to find and share innovative ways to reduce poverty. By sharing information and knowledge IFAD will promote good practice, support the scaling up of innovations and influence policies, positioning the fight against rural poverty as a national, regional and global priority.

The strategy is one of the deliverables of IFAD's Action Plan (see page 42), and it is the result of a broad process of consultation both inside and outside the organization. It builds on IFAD's experience and on best practices of other development institutions. The strategy is being implemented under the leadership of IFAD's Vice-President. A core team has been set up to provide guidance and oversee the work of the resource group responsible for putting the strategy into practice. IFAD is now mainstreaming knowledge management into its business processes.

Debt sustainability framework

In April, the Executive Board approved IFAD's debt sustainability framework (DSF), replacing loans with grants for those poor countries that are unable to sustain debt. IFAD's DSF is part of a unified effort by multilateral financial institutions to ensure that essential financial assistance does not cause undue financial hardship for those countries most in need.

Poor countries with low debt sustainability ('red light' countries) now receive assistance on 100 per cent grant terms; poor countries with medium debt sustainability ('yellow light' countries) receive assistance on 50-50 grant/loan terms; poor countries with high debt sustainability ('green light' countries) receive assistance on 100 per cent

loan terms. The ratings are determined using the country debt sustainability analyses of the World Bank and International Monetary Fund. Previously, poor countries received financial assistance from IFAD in the form of highly concessional loans.

In 2007, 17.6 per cent of the total value of approved financing for investment programmes and projects was in the form of DSF grants. Thirteen grants were approved for a total value of US\$99.2 million (Table 8).

Rural employment and livelihoods

Recognizing the importance of rural development in achievement of the first Millennium Development Goal, IFAD chose rural employment and livelihoods as the overarching theme of its 2007 Governing Council. The world's poorest countries often struggle with high rates of unemployment and underemployment in rural areas. The prospect of higher incomes and better standards of living in some urban areas has encouraged large numbers of poor rural people to migrate to nearby cities or to other countries in search of work. Those who remain in rural areas are facing new challenges created by rapid globalization, growing competition and the social and demographic changes caused by migration.

Three roundtables were organized around this theme during the Governing Council, on the topics of:

- Migration and rural employment
- Rural employment promotion through the value chain approach
- Generating remunerative livelihood opportunities for rural youth

Rural Poverty Report

To mark the thirtieth anniversary of the establishment of the organization, in 2007 IFAD started work on a new Rural Poverty Report. The report will illustrate some of the most innovative and effective responses to the challenges that poor rural people face in their fight to overcome poverty. It will focus on particular challenges affecting the achievement of the Millennium Development Goal of eradicating extreme poverty and hunger in a rapidly evolving context of climate change, growing resource scarcity and structural changes in agricultural markets and in rural societies. Poor rural people will be the narrators of the report, presenting their own perspectives on current and future challenges through their participation in regional consultations.

IFAD will prepare the Rural Poverty Report in collaboration with some of its main partners. The launch of the publication is planned for early 2009.

International policy dialogue and advocacy

IFAD engages in international policy dialogue and advocacy in three main areas:

- taking part in, coordinating and, where possible, leading policy discussions to raise the profile of the issues of rural poverty and food security, shaping core messages to reflect these issues and promoting policy coherence among partner agencies in these areas
- fostering participation and advocacy by representatives of poor rural men and women in international policy discussions so that their views are taken into account in policymaking
- supporting knowledge-sharing about rural poverty and food security among researchers, policymakers and civil society groups to improve policymaking and reduce rural poverty more effectively

IFAD and indigenous peoples

The year 2007 was a milestone for indigenous peoples. On 13 September, after 24 years of negotiations, the United Nations General Assembly adopted the United Nations Declaration on the Rights of Indigenous Peoples. The declaration addresses both individual and collective rights and sets minimum standards for the survival, dignity, well-being and rights of the world's indigenous peoples.

For IFAD, 2007 was the first year of its management of the Indigenous Peoples Assistance Facility, which was transferred from the World Bank in 2006. The facility provides small grants of US\$10,000 to US\$30,000 to microprojects designed and implemented by indigenous peoples' communities and organizations. A board with a majority of indigenous members manages the facility. In response to the first call for grant proposals, indigenous communities and organizations from 86 countries around the world submitted more than 1,000 applications.

As part of its advocacy work to support indigenous peoples, IFAD continued its close partnership with the Inter-Agency Support Group for the United Nations Permanent Forum on Indigenous Issues, taking part in annual sessions in May and September.

IFAD funded a study on the successes and failures of the First Decade of Indigenous Peoples, which was completed in 2007. The most significant achievements of the decade were raising awareness about indigenous peoples' issues and exerting pressure on UN agencies and member states to address their marginalization.

In October IFAD championed indigenous peoples' needs and perspectives at the 2020 Vision Conference in Beijing, China. The Chinese State Council Leading Group Office on Poverty Alleviation and Development and the International Food Policy Research Institute (IFPRI) organized the conference, entitled Taking Action for the World's Poor and Hungry People. IFAD's President shared the organization's experience in working with indigenous peoples and rural minorities, and IFAD prepared a paper entitled *Policies and lessons for reaching indigenous peoples in development programmes* for the conference.

The Multilateral Financial Institutions Working Group on Environment hosted by IFAD in November dedicated a special session to indigenous peoples (see page 65). The session examined existing policies in multilateral financial institutions regarding indigenous peoples; indigenous leaders' perspectives on free, prior and informed consent; and the subject of indigenous peoples and climate change. Members of the United Nations Permanent Forum on Indigenous Issues took part in the session, which included an overview of the Declaration on the Rights of Indigenous Peoples.

Enhancing IFAD's engagement in poverty reduction strategies and related country processes

During 2007 IFAD continued to engage in national and international policy support processes including poverty reduction strategies (PRSs) and poverty and social impact analysis. The organization disseminated a set of guiding principles and entry points, entitled *Enhancing IFAD engagement in country-led approaches to poverty reduction*.

In Benin, IFAD introduced analytical tools to assess the extent to which PRS public priorities reflect rural themes. IFAD also supported the efforts of an interministerial working group to make the poverty reduction strategy operational at the sector level. The findings of this exercise will influence the design and management of the IFAD country programme and the formulation of the United Nations Development Assistance Framework.

In Bolivia, following a review of the rural dimensions of the National Development Plan, the government and IFAD organized a national workshop that brought together

domestic stakeholders and external donors. The participants identified entry points for strengthening policy processes in the sector, and partnership opportunities linked to the country strategic opportunities programme (COSOP).

In Cambodia, IFAD is promoting rationalization of the delivery of productive support services to poor rural people, in connection with agricultural extension, financial services and market linkages. This is part of IFAD's contribution to evidence-based policymaking, in the context of the COSOP.

In the context of the Honduras COSOP design, IFAD was involved in joint consultations for a poverty and social impact analysis (PSIA) of a national agricultural input supply scheme. This is a follow-up to IFAD-supported regional capacity-building activities and IFAD-hosted international consultations on PSIA and agricultural policies in countries that have a poverty reduction strategy.

In several countries in Eastern and Southern Africa, IFAD has actively engaged in sector-wide approaches (SWAps) (see page 20) and joint assistance strategy (JAS) processes.

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

United Nations system

IFAD continues to work to build synergies among United Nations system organizations and to strengthen harmonization of practices and policies. In 2007, IFAD's interaction with the United Nations system focused on three areas:

- contributing to the development of system-wide policies and norms by engaging in the key interagency coordinating bodies of the United Nations
- participating in the One UN pilot project in eight countries
- contributing to policy dialogue and advocacy at the international level in support of rural poverty reduction

Contributing to system-wide policies and norms

IFAD contributes to United Nations system-wide norms and policies through its membership in:

- the Chief Executives Board for Coordination, the apex institution of the United Nations family of organizations
- the High-level Committee on Programmes of the Chief Executives Board, the main venue for policy coordination within the United Nations system
- the United Nations Development Group, the coordinating body for operational activities

United Nations High-level Committee on Programmes

At the request of the Secretary-General of the United Nations, IFAD's President continued to chair the High-level Committee on Programmes (HLCP) in 2007. Under his leadership, the HLCP addressed a number of global policy issues, including climate change and development in Africa. The committee worked to strengthen United Nations coordination on climate change and to develop an inventory of United Nations system activities to combat global warming. Under the leadership of the International Labour Organization, HLCP members also worked to develop and implement the Toolkit for Mainstreaming Employment and Decent Work. The HLCP addressed the issue of 'aid for trade' and considered establishing a cluster to deal with trade and productive capacity in the United Nations.

The committee addressed the issue of fostering harmonization among development initiatives in Africa. It discussed how to continue supporting national development strategies based on the MDGs and how to support the scaling up of MDG-related investments. The HLCP worked with the United Nations Evaluation Group to develop a process for evaluating progress in the One UN pilot countries.

United Nations Development Group

The United Nations Development Group (UNDG) brings together 28 United Nations agencies and five observers to improve the effectiveness of United Nations operations at country level. In 2007 IFAD was engaged in UNDG's work in support of the One UN pilot countries, especially in the harmonization and alignment of policies and procedures among United Nations system organizations. IFAD took part in the UNDG review of the role of United Nations country teams in national development processes, and particularly in poverty reduction strategies. It also participated in the development of the UNDG guidelines to mainstream indigenous peoples' issues in common United Nations programming.

Participation in the Delivering as One UN pilot countries

The Delivering as One UN pilot project was launched in 2007 to improve coherence and coordination among United Nations organizations at country level. The countries that asked to participate as pilots were Albania, Cape Verde, Mozambique, Pakistan, Rwanda, the United Republic of Tanzania, Uruguay and Viet Nam. IFAD plays an active role in the initiative. The project's aim is to assist pilot countries in achieving national development and poverty reduction goals by enhancing coherence and coordination among UN agencies.

At headquarters, IFAD established a working group to determine the best ways to engage in the pilots and to capture insights from the field. The organization also consulted with FAO and WFP on how to establish more systematic cooperation within the pilots and how to harmonize business practices.

Within the pilots, IFAD works with the United Nations country team to formulate a coherent United Nations country programme linking IFAD's operations to the United Nations Development Assistance Framework. In some countries, IFAD's participation in the development of the Delivering as One UN pilot project has given IFAD opportunities for policy dialogue at country level.

Contributing to policy dialogue and advocacy at international level

IFAD engaged in a select number of international United Nations forums to share knowledge and lessons learned from its operational activities. It also took part in policy dialogue sessions with a specific focus on rural poverty reduction and the empowerment of poor rural people.

United Nations Economic and Social Council

As in previous years, IFAD, FAO and WFP participated jointly in the 2007 High-Level Segment of the United Nations Economic and Social Council. The theme was Strengthening Efforts to Eradicate Poverty and Hunger, including through the Global Partnership for Development. As a result of the concerted efforts of the three agencies, the issues of rural poverty reduction and agricultural development received significant attention and were also reflected in the key outcome document, the Ministerial

Declaration. The Declaration reaffirmed the prevalence of extreme poverty in rural areas and the significance of the agricultural sector for poor people's livelihoods. It also called for an increase in productive investments in rural and agricultural development.

High-level Dialogue of the General Assembly on Financing for Development

IFAD, FAO and WFP participated jointly in the third High-level Dialogue of the General Assembly on Financing for Development. IFAD's President delivered a statement on behalf of the three agencies. He underscored the role of agriculture in reducing poverty in a sustainable way, the effects of climate change on agriculture and food security, and the need for heightened attention to the sector in national development strategies and donor initiatives.

United Nations General Assembly

IFAD contributed to selected debates at the sixty-second session of the United Nations General Assembly. The organization delivered statements on indigenous peoples, the situation of rural women, and the implementation of the United Nations Convention to Combat Desertification. IFAD shared its operational experience to build awareness among UN member states and contribute to an enabling environment for rural poverty reduction at the global level.

United Nations Climate Change Conference

IFAD took part in the United Nations Climate Change Conference 2007 in Bali, Indonesia, in December. Discussions focused on capacity-building, reducing carbon emissions through reforestation and avoided deforestation, and reviewing the financial mechanisms for mitigation and adaptation. The conference adopted the 'Bali roadmap', which charts the course for a new negotiating process to be concluded by 2009 that will ultimately lead to a post-2012 international agreement on climate change. The meeting took ground-breaking decisions that form core elements of the road map. They include the launch of the Adaptation Fund, which will have a total value of US\$6 billion. The World Bank will act as trustee and GEF will be secretariat.

FAO, IFAD and WFP delivered a joint statement to the summit. The statement called for action on mitigation and adaptation strategies that involve and are appropriate for poor rural people.

IFAD and FAO jointly organized a side event on the theme of Climate Change and Land Degradation: Securing Finance for Rural Poor for Adaptation and Mitigation. WFP, the Global Mechanism and a number of NGOs participated as panellists.

Global and regional policy forums

Global Forum on Agriculture

IFAD co-sponsored the 2007 Global Forum on Agriculture of the Organisation for Economic Co-operation and Development (OECD), jointly with FAO and World Bank. The Italian Ministry of Economy and Finance hosted the forum in Rome in November. It was the first time that a city other than Paris was the venue for the OECD-initiated policy dialogue.

About 100 invited participants from 24 countries, representing national governments, international donors, development agencies, regional organizations, civil society and the private sector, met to discuss African agricultural development and poverty reduction. The forum addressed specific questions related to market and trade developments, international and domestic policy reforms and governance issues related to African agricultural development, and to sub-Saharan Africa in particular. The aim of the forum

was to identify specific areas in which cooperative efforts could help achieve common development goals. The World Bank's newly released *World Development Report 2008: Agriculture for Development* (see page 75) and new joint analytical work by the OECD, IFAD and FAO provided key inputs for discussion.

IFAD played a substantial role in the joint organization of the forum. In collaboration with the OECD, the organization also provided technical inputs for discussion on the findings of the Support for African Agriculture Project – a joint initiative funded by IFAD, the OECD and the French Ministry of Foreign Affairs.

Web2forDev 2007

IFAD was one of the sponsors and organizers of the Web2forDev 2007 conference held in September at FAO headquarters in Rome. The theme of the conference was Participatory Web for Development: Networking, Collaborating and Exchanging Knowledge in Agriculture, Rural Development and Natural Resources Management. Web2forDev was the first conference of its kind because it brought together development workers and leading Web 2.0 practitioners. Other sponsors included the Technical Centre for Agricultural and Rural Cooperation, CGIAR, FAO, the German Agency for Technical Cooperation and the International Institute for Communication and Development.

It was the first conference to:

- explore the ways in which international development stakeholders can take advantage of the technical and organizational opportunities provided by Web 2.0 methods, approaches and applications
- examine how development actors and especially those from developing countries obtain access to and use the new tools
- discuss how the new tools can improve the way individuals and institutions communicate and apply knowledge to development problems

The conference theme and proceedings were in line with IFAD's approach to information and communication technologies (ICTs), which is expressed as 'Focus on people and not technology'. The conference concluded that while Web 2.0 has enormous potential, development workers should remember their primary clients: the poor people who live in harsh and remote areas. The event was an integral part of e-Agriculture Week, a series of consultations and events that took place during September in Rome.

Workshop on gender mainstreaming and women's empowerment

In May, IFAD organized an international workshop on gender mainstreaming and women's empowerment. The workshop, entitled *Looking for New Directions*, focused on three topics:

- Looking Back – findings of review and self-evaluation processes
- Looking Beyond – gender mainstreaming in the international context
- Looking Forward – innovative ways to increase women's economic empowerment, role and decision-making and well-being, in the context of IFAD's Strategic Framework 2007-2010

Participants, who came from IFAD headquarters, IFAD-supported projects and programmes and partner organizations, discussed innovative ways to increase women's empowerment and to better respond to needs for gender training and knowledge management at the field level.

Forum on International Migration

IFAD supported the organization of the first meeting of the Global Forum on Migration and Development held in Brussels, Belgium, in July. The forum is an informal, multilateral, state-led process designed to enhance the positive impact of migration on development and vice versa. It fosters international cooperation and promotes new policy ideas in the field of migration and of its interrelation with development. The forum also explicitly confirmed the growing recognition that international migration is a normal and crucial part of the development process.

IFAD took part in the organization of the Round Table on Remittances and Other Diaspora Resources: Increasing the Micro-impact of Remittances on Development. UNDP, IFAD and the governments of Mexico, Norway and Senegal jointly prepared a concept note document.

Multilateral Financial Institutions – Working Group on Environment

In November, IFAD hosted a meeting of the Multilateral Financial Institutions Working Group on Environment. The working group promotes greater cooperation and harmonization among multilateral and bilateral financial institutions on environmental protection and sustainable development. IFAD has been a member since the group started work in 1998.

At this year's meeting, members of the group discussed current key environmental issues, including adaptation to climate change, carbon finance, the country system pilot programme and operational and compliance issues. At a special pre-meeting, participants discussed the update of IFAD's Environmental Assessment Procedures and other topics. A special session focused on priority issues related to indigenous peoples (see page 60).

Other policy arenas

In 2007, IFAD's North American Liaison Office continued its work with the United States NGO Working Group on IFAD and Rural Poverty. In February, IFAD facilitated a discussion between United States NGO leaders and the authors of the World Bank's *World Development Report 2008: Agriculture for Development*. This is the first world development report to focus on agriculture in 25 years. The discussion provided an opportunity for key members of the United States NGO community to provide feedback and input to the draft report.

In a letter to the United States Congress signed by 30 organizations, the working group expressed its support for IFAD and urged greater investment in agriculture and rural development programmes, including full funding for the second United States contribution to IFAD's Seventh Replenishment. In a separate letter to the United States Congress, members of the NGO community called for "increased funding for agencies such as the International Fund for Agricultural Development that concentrate on improving developing country farmers' ability to feed their nations and to promote sustainable agricultural practices".





Partnerships

In the Ilelele region of the Niger, crescent-shaped excavations, called *half moons*, catch rainwater and protect seedlings from erosion. An IFAD-supported project is scaling up such techniques to improve soil fertility and boost agropastoral production in the plain of Aguié.

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IFAD was established as a global partnership and partnerships have always been fundamental to its work. The organization focuses on building strategic and selective partnerships that multiply its impact on rural poverty.

IFAD's key partners include developing country governments, development organizations, NGOs and the private sector, and poor rural people and their organizations. As a signatory to the Paris Declaration on Aid Effectiveness (see page 74), IFAD works with other donors and partners to fulfil its partnership commitments: country ownership, donor-partner alignment, inter-agency harmonization, managing for results and mutual accountability. IFAD is working more systematically through partnerships at the same time as it improves its own ways of working to become a better partner for others.

In 2007 IFAD forged ahead with the Farmers' Forum, the framework for its partnership with farmers' organizations around the world (see page 76). It played an active role in the Delivering as One UN pilot project, which was launched in 2007 to improve coherence and coordination among United Nations organizations at country level (see page 62). It also focused particular attention on improving cooperation with the Rome-based United Nations agencies FAO and WFP (see page 77). In partnership with the World Bank, IFAD was one of the contributors to the *World Development Report 2008: Agriculture for Development* (see page 75).

Belgian Survival Fund

The Belgian Survival Fund (BSF) was created in 1983 by the Belgian Parliament to support populations threatened by famine. The Joint Programme with IFAD (BSFJP) started work the following year. In 2005 the independent external evaluation of IFAD highlighted the partnership as very relevant to the organization's work. The improvements in basic social services made through BSF grants mean that the increased incomes resulting from agricultural loan projects also translate into improved food and nutritional security for poor farmers and their families. During 2007, the BSFJP continued to play its catalytic and advocacy role to strengthen IFAD's work to reduce poverty.

During the year, work in the field focused on supporting the implementation of 12 ongoing projects and the design of two new IFAD/BSFJP projects. The Belgian Government approved BSF cofinancing of €2.7 million (US\$3.7 million) for the IFAD-supported Kidal Integrated Rural Development Programme in Mali. The grant will be used to give poor rural people better access to social infrastructure and to services like health and education. A BSF grant agreement of €4.6 million (US\$6.2 million) was also signed for the Agricultural and Rural Rehabilitation and Development Initiative Project in the Niger to improve access to drinking water and support the national school feeding programme. Through the BSFJP, by the end of 2007, Belgium had contributed about €146 million (US\$193 million) in grants to IFAD-supported projects.

In 2007, the BSFJP intensified its innovative approach to project design by using the comprehensive participatory planning and evaluation approach in projects in Burundi and Somalia. The approach ensures the participation of poor rural people in both the planning and evaluation of projects. Building on previous successful experiences, the BSFJP finalized the formulation of its component of the IFAD-supported Transitional Programme of Post-conflict Reconstruction in Burundi. This was done following an inclusive baseline survey conducted by local institutions under the guidance of the Prince Leopold Institute of Tropical Medicine in Antwerp, Belgium. A grant of around €4.5 million (US\$6.3 million) was approved and will be signed in early 2008 to fund poverty reduction and improvement in the health and nutrition of vulnerable rural populations in the province of Bujumbura Rural, Burundi.

The BSFJP took a similar approach in formulating the consolidation phase of the North-western Integrated Community Development Project in Somalia, taking into account the recommendations of an independent evaluation of the ongoing phase of the project. The consolidation phase will focus on ensuring sustainable impact when the project closes. Experiences in Burundi and Somalia show that impact assessments undertaken by qualified and well-trained local staff are an affordable, simple and efficient means of generating information. The participatory approach ensured that indicators were relevant and that they built capacity, empowered project and local government staff, and laid the foundation for monitoring and evaluation systems.

With years of experience in financing programmes in the rural water, sanitation, health and nutrition sectors, the BSFJP is in a good position to share relevant knowledge. Work continued on the thematic water and health review begun in 2006. This will identify key findings and lessons learned from development initiatives, and it will make recommendations on the overall strategic orientation of future programmes. It will also build understanding of the interdependence of IFAD-supported economic development programmes and BSF-funded social programmes. The final paper will be issued in 2008. It will be presented in a technical workshop on the theme of Harvesting IFAD-BSF Synergies and will be a starting point for discussions about a new IFAD/BSF strategy for a possible follow-up phase of the BSF.

During the year, the independent external overall evaluation of the BSF, undertaken by the ADE-HIVA consortium of Belgium, continued its work and presented a first desk review report to all BSF partners. The evaluation team also made field visits to IFAD-BSF projects in Ethiopia, Mali, the Niger, Uganda and the United Republic of Tanzania to add to the preliminary findings. The desk review report indicated two main conclusions.

- The BSF's holistic and participatory approaches for tackling food insecurity remain valid.
- Although real impact resulting from BSF work is visible in many domains and sectors, improved monitoring and evaluation mechanisms could quantify such impact.

A final report is expected at the beginning of 2008 and will be submitted to the Belgian Parliament. The conclusions of the evaluation will serve as a starting point for the resource mobilization exercise required to initiate a possible follow-up phase of the BSF.

Global Mechanism

IFAD hosts the Global Mechanism (GM), a subsidiary body of the United Nations Convention to Combat Desertification (UNCCD). Since 1999 the GM has been working to increase cooperation with IFAD. In recent years, it has focused entirely on providing financial advisory services to country Parties to the UNCCD, in response to the international community's call for harmonization and alignment at the national level. In September 2007, the GM attended the Eighth Session of the Conference of the Parties (COP 8) to the UNCCD. COP 8 adopted the ten-year Strategic Plan and Framework to Enhance the Implementation of the Convention, setting the stage for the GM's work over the next decade.

Outside the formal sessions, the GM organized side events on several topics, including:

- channelling climate change funding into UNCCD implementation
- strengthening women's capacity to invest in sustainable land management
- promoting the GM's engagement approach at country level

All the GM side events aimed to build a common understanding among UNCCD stakeholders on how to approach financial resource mobilization. The GM stressed the need for more financing for sustainable land management within the United Nations reform process known as Delivering as One. It also called for improved collaborative arrangements within the United Nations system, such as the hosting agreement between the GM and IFAD, to increase efficiency and effectiveness.

IFAD's Strategic Framework 2007-2010 contains clear points of convergence both with the GM's results-based management framework and engagement strategy and with the UNCCD Ten-Year Strategic Plan. This provides grounds for increased cooperation between IFAD and the GM to enhance the integration of IFAD investments into countries' overall development programmes, as advocated in the GM's integrated financing strategy.

The GM collaborated with the policy reference group on climate change, supporting the development of IFAD's position on the issue. At the operational level, the GM and IFAD started work on their first pilot initiative in Viet Nam, ensuring that the COSOP reflected the linkages between climate change and land degradation. They also identified financial opportunities offered by mitigation and adaptation mechanisms that could support UNCCD implementation and at the same time complement IFAD investments, so that the benefits reach poor rural people. At the regional level, the GM is working with IFAD in the Asia and the Pacific and the Latin America and the Caribbean regions to design approaches to access climate change funding for rural poverty reduction and rehabilitation of degraded lands.

At COP 8, the World Bank was one of the international financial institutions that expressed interest in adopting an innovative methodology developed by the GM to review investments in sustainable land management. IFAD pilot-tested the methodology in a joint review with the GM of the relevance of IFAD's portfolio to UNCCD objectives. The outcomes of this review were positive, showing increasing investments by IFAD in sustainable land management.

The GM's report to COP 8 contains a comprehensive review of activities in 2007. The report is available on the GM website (www.global-mechanism.org).

International Land Coalition

The International Land Coalition (ILC) is a global alliance that promotes secure and equitable access to land for poor women and men. The ILC supports poor people's rights to land through advocacy, dialogue and capacity-building. In particular, it works to increase opportunities for poor families and communities to negotiate collectively and secure their land rights.

An autonomous coalition of civil society and intergovernmental organizations, the ILC works through partnerships with rural people's associations, NGOs, governments and international agencies in more than 40 countries worldwide. IFAD hosts the ILC secretariat.

In 2007 the ILC launched a series of web and print publications called Knowledge for Change. The series provides high-quality analysis of themes related to land access. Four documents have been published. They draw on practical, community-based knowledge and experience from across the ILC network. The documents treated:

- access to common property
- pastoralist tenure systems and livelihoods
- participatory mapping
- the land rights of indigenous peoples and their neighbours

ILC members in Asia and Latin America started campaigns to monitor poor people's land tenure security and government adherence to international commitments regarding land access.

In Africa, the ILC worked with IFAD and the Belgian Survival Fund on the Collaborative Action on Land Issues initiative. The programme uses action research to gather evidence supporting poor families' efforts to claim and protect their land rights. It supports existing community organizations by strengthening their members' ability to use evidence-based research to defend their rights in negotiations with policymakers at the local and national levels.

The ILC's third Biennial Assembly of Members took place in Uganda in April. The Uganda Land Alliance was its host. Members reviewed progress and approved a new strategic framework for the five-year period ending in 2011. The framework will transform the ILC into a member-led coalition working through decentralized regional offices, and it will improve the Coalition's relevance and effectiveness at the country level. During the year, ILC members and partners took part in regional planning meetings in Africa and Latin America, and they took the first steps towards decentralization in Asia.

During 2007, the Canadian International Development Agency, the European Commission, the International Development Research Centre, IFAD, the Swiss Agency for Development and Cooperation, the Netherlands Ministry of Development Cooperation and the World Bank made contributions in support of the ILC's work.

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

IFAD's investment in agricultural research and development led by the Consultative Group on International Agricultural Research (CGIAR) continues to focus on adaptive research to generate and field-test sustainable agricultural technologies and enable poor rural people to adopt them. In 2007, IFAD approved grants worth a total of US\$11.6 million for 12 CGIAR-led programmes.

In 2007, the European Commission (EC) entered into a strategic partnership with IFAD to support the CGIAR. The EC made an annual contribution of about €43 million to all 15 CGIAR centres, and it transferred the funds through IFAD. The organization now houses the Secretariat of the Alliance Executive of CGIAR Centres.

IFAD also continued to support the Global Forum on Agricultural Research (GFAR), which promotes worldwide collaborative research partnerships. IFAD chairs the donor support group of the GFAR and is on its steering committee, working to build cost-effective research partnerships and strategic alliances to reduce rural poverty.

Consultative Group to Assist the Poor

The Consultative Group to Assist the Poor (CGAP) works to build inclusive financial systems that serve poor people. It is an important technical partner and strategic resource for IFAD in rural finance. The CGAP is a consortium of 33 funding organizations that engage in microfinance. It encourages and promotes innovative ideas, products and technology to expand access to finance. IFAD works closely with the CGAP in many areas, collaborating in the Rural Pro-Poor Innovation Challenge initiative, participating in CGAP-led training workshops, and undergoing the Microfinance Donor Peer Reviews. IFAD continued to work with the CGAP in 2007, drawing on the group's expertise in consultations throughout project cycles. The CGAP further strengthened the collaboration by contributing to the IFAD-led Financing Facility for Remittances and participating in its Steering Committee (see page 72).

Financing Facility for Remittances

The US\$10-million Financing Facility for Remittances was launched in February to reduce rural poverty and promote development. The facility is a partnership among IFAD, the European Union, the Inter-American Development Bank (IDB), the Consultative Group to Assist the Poor, the Governments of Luxembourg and Spain, and the United Nations Capital Development Fund. It supports the development of innovative, cost-effective and easily accessible remittance services that enable migrant workers to send money home to their families and communities. An IFAD-supported report entitled *Sending money home* was presented to the International Forum on Remittances held in Washington D.C. in October. The study is the first attempt to map global flows in remittances. It found that in 2006 migrant workers worldwide sent home more than US\$300 billion in remittances.

In 2007, the facility called for proposals to initiate the selection of the first round of grant recipients. A competitive review process followed. The facility's donors selected eligible institutions such as non-profit NGOs, and awarded grants of a maximum of €200,000 to implement projects for:

- improving access to remittance services in rural areas
- linking remittances to additional financial services and products
- developing innovative and productive rural investment channels for migrants and community-based organizations

The facility promotes strategic partnerships among formal financial intermediaries, remittance providers, microfinance institutions, financial cooperatives and postal networks.

Gender

In 2007, IFAD published a book entitled *Polishing the stone: a journey through the promotion of gender equality in development projects*. The book was written and published in collaboration with the Centre for Latin American Research and Documentation (CEDLA). It presents practical methods for promoting gender equality in rural development. It discusses the relationship between gender equality and poverty reduction and presents testimonies from women and men in rural communities. The Government of Japan provided a grant to finance the publication. IFAD, CEDLA and the Institute of Social Studies jointly launched the book in The Hague, Netherlands, in October. *Polishing the stone* was presented to the media and discussed on Italian television in December.

Partnerships with intergovernmental agencies

African Union

During 2007, IFAD continued to work with the African Union (AU) to put agricultural development and rural poverty reduction at the top of their agenda. IFAD approved two grants in support of the African Union. The first will focus on access to land and the second on rural livelihood issues. IFAD is also preparing an additional grant support to the African Union's Programme Against African Trypanosomiasis (PAAT) Secretariat. This is in response to a request from the Office of the African Union Commissioner for Rural Economy and Agriculture. The PAAT support programme will contribute to improving food security and reducing rural poverty through improving animal health services and disease control. FAO, PAAT and other partners will cofinance this activity which has a total cost of about US\$3.5 million. IFAD will provide about US\$1.5 million.

New Partnership for Africa's Development

IFAD met senior managers of the New Partnership for Africa's Development (NEPAD) Secretariat in summer 2007 to review progress made towards the common objectives outlined in the Memorandum of Understanding between IFAD and NEPAD.

As NEPAD's Comprehensive Africa Agriculture Development Programme (CAADP) moves towards implementation, IFAD continued to implement the Regional Cassava Processing and Marketing Initiative (RCPMI) for Western and Central Africa. This is a three-year programme supported by Italy that began work in 2006. It is part of NEPAD's Pan African Cassava Initiative (NPACI), one of the CAADP's flagship programmes.

The marketing programme's first regional workshop was held in Douala, Cameroon in October. It focused on fostering the poverty-reducing impact of cassava through the development of value chains. Participants from four national roots and tubers development programmes supported by IFAD in Benin, Cameroon, Ghana and Nigeria took part. The workshop drew up an action plan to upgrade traditional processing units, establish high quality cassava flour commodity chains and integrate smallholders into outgrower systems that will make cassava available as an industrial raw material. IFAD also supported and took part in the NPACI steering committee meeting held in Malawi in December.

During the year IFAD worked with farmers' organizations to finalize their publication *African producers speak out*, on the development of NEPAD's agriculture programme. And it took part in follow-up meetings to implement resolutions of the Abuja Food Security Summit held in December 2006 and hosted by the African Union in Addis Ababa, Ethiopia.

Partnership with Arab states and the Organization of the Petroleum Exporting Countries

In 2007, IFAD continued to strengthen its cooperation with country states of the Gulf Cooperation Council. This year, following a 2006 visit to Saudi Arabia, IFAD's President visited Kuwait and the United Arab Emirates. This was an opportunity to inform Gulf leaders about IFAD's work to reduce rural poverty and to enlist their support for enhanced collaboration.

In February the President took part in the High Level Meeting of the Heads of the Coordination Group Institutions and the International Donors and Development Institutions, which was hosted by the Arab Fund for Economic and Social Development in Kuwait. At the meeting, the President highlighted the importance of agricultural development and its contribution to growth and poverty reduction. He also explored areas for enhanced cooperation with key partner institutions.

IFAD's President and the Secretary-General of the Gulf Cooperation Council met in February, when IFAD invited the Secretary-General to deliver a statement at the opening session of the Governing Council. The meeting was the occasion of the launch of a publication on IFAD's partnership with the Gulf Cooperation Council, *IFAD and the Gulf Cooperation Council: A partnership to eradicate rural poverty*.

In June, IFAD took part in the Coordination Meeting of Arab Funds hosted by OFID in Vienna, Austria. It was the first time that IFAD had been invited to participate in the meeting. The organization's presence underscored the importance it attributes to building cooperation with Arab development funds and institutions. In November IFAD took part in the third OPEC Summit Ministerial Symposium in Riyadh, Saudi Arabia.

Harmonization and alignment follow-up

As a signatory to the 2005 Paris Declaration on Aid Effectiveness, IFAD works with other donors and partner countries to fulfil the partnership commitments it embodies.

IFAD is involved in various harmonization initiatives at country and international level. During 2007, IFAD participated actively in the Joint Venture on Managing for Development Results of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC), and co-sponsored the Third Round Table on Managing for Development Results held in Hanoi, Viet Nam, in February. The President of IFAD was a member of the United Nations High-level Panel on System-wide Coherence, and IFAD is taking part in all of the One UN country pilots (see page 62). IFAD is also working with the other Rome-based United Nations agencies to promote harmonization in various areas such as policy, knowledge management and administration (see page 77). And it is an active member of the Multilateral Financial Institutions Working Group on Environment (see page 65).

The first Report on IFAD's Development Effectiveness stated that IFAD is already conforming with the Paris Declaration's commitments by:

- aligning IFAD-financed initiatives with relevant partner country strategies
- using country systems as far as possible within its current policies and procedures
- taking part in coordination mechanisms at the country level
- supporting the ownership of the Paris agenda by partner countries
- engaging in a wide variety of partnerships
- putting all of its own systems on a 'managing for results' basis

The Third High-level Forum on Aid Effectiveness will take place in Accra, Ghana, in September 2008. IFAD will once again take part in the survey in preparation for the forum. The organization will also contribute by sharing its experience at the partner country level of implementing partnership commitments in the rural development context.

IFAD's independent Office of Evaluation is taking part in the joint evaluation of the implementation of the Paris Declaration.

Global Donor Platform for Rural Development

The Global Donor Platform for Rural Development (GDPRD) is a joint initiative of donor organizations established in 2003. IFAD has been a member since it was established. The platform is committed to donor harmonization and alignment, as defined by the Paris Declaration on Aid Effectiveness of March 2005. It works to improve the coordination of institutional policies and procedures for rural development and to jointly support the development programmes of partner country governments, with the aim of reducing poverty in rural areas. The website www.donorplatform.org provides an overview of the platform's work, including the 2006 annual report, released in April 2007.

The platform's outputs are based on three complementary pillars:

- outreach, to give a voice to poor rural people and attract more private and public investment to rural areas
- shared learning, to raise the quality of rural development investment and heighten its impact through better practice, networking and shared learning
- aid effectiveness, to deepen insights into how to foster donor harmonization and alignment efforts in rural development and agriculture

IFAD is lead agency for a series of country case studies sponsored by the platform on the rural focus of poverty reduction strategies. In September, IFAD and seven other members of the platform took part in a retreat. Discussions focused on building a common vision and understanding of platform activities and of how the platform was strategically positioned and organized to contribute to greater and more effective investments in agricultural and rural development.

International Food Policy Research Institute

In 2007, IFAD and the International Food Policy Research Institute (IFPRI) initiated a strategic partnership in policy innovation and communication. The partnership will improve IFAD capabilities for pro-poor policy dialogue, innovation and knowledge management, in line with the recommendations of the Independent External Evaluation and with the Strategic Framework.

During the start-up phase, IFAD and IFPRI identified key policy challenges facing poor rural people in relation to natural resource governance and market access. They then prepared three concept notes on these challenges. The two organizations held a workshop in Rome in September to design the joint programme.

IFAD's involvement with the World Development Report 2008

IFAD gave financial support for and took part in the review process of the World Bank's *World Development Report 2008: Agriculture for Development*. IFAD's main contribution was to underline the importance of livelihoods in the report, which is predominantly oriented towards agriculture as a sector. The organization also took part in the launch of the report, particularly during the Global Forum on Agriculture hosted by FAO in November (see page 63). IFAD facilitated the involvement of farmers' organizations in the review process. As a result, the World Bank requested that IFAD continue to assist in the engagement of farmers' organizations in applying the findings of this year's World Development Report at country level.

Child labour in agriculture

Globally, 132 million children under the age of 14 work in agriculture. They are often severely exploited and exposed to hazardous conditions. Assuming household averages of four people, over half a billion people depend wholly or partly on income from child labour. IFAD works to improve these families' livelihoods and remove the driving need that is behind child labour. This allows girls and boys to attend school and in this way promotes sustainable poverty reduction.

In 2007, under the lead of the International Labour Office (ILO), IFAD, FAO, IFPRI and other partners started working together to integrate the issue of child labour in agriculture into their mainstream activities and achieve greater policy coherence. This year's World Day Against Child Labour focused on agriculture. On this occasion the partners signed a Declaration of Intent to abolish hazardous child labour in agriculture. After this, IFAD staff took part in a training course run by FAO and the ILO. Trainees learned about the worst forms of child labour in agriculture and the main means of action to combat it at national, regional and global levels.

RuralStruc programme

This programme works to improve understanding of current trends in the transformation of agriculture and rural economies, and to propose policy options. It focuses on the role structural policies play in overall rural development, poverty reduction and smallholder agriculture. IFAD is cofinancing it together with the World Bank, France and Switzerland.

Farmers' Forum process

The Farmers' Forum is the framework for IFAD's partnership with farmers' organizations around the world. It is a consultation, dialogue and cooperation process. Every two years, a global consultation of the Farmers' Forum is held in conjunction with IFAD's Governing Council.

During 2007, IFAD held ten country consultations and a regional consultation with farmers' organizations and government officials in Asia. The meetings drew up a three-year programme for cooperation between IFAD and farmers' organizations in the region. IFAD also supported inclusive consultations among peasants' organizations and government officials in Nepal, in anticipation of the constituent assembly.

In March, a regional consultation with farmers' organizations was organized in Cotonou, Benin. About 50 leaders from regional and national farmers' organizations took part, representing 20 countries. This was the first sub-Saharan regional consultation for the Farmers' Forum.

During 2007, several programmes were initiated or supported by IFAD in support of farmers' organizations.

- Empowering smallholder farmers in markets. This research programme works to enable farmers' organizations in developing countries to influence the policy environment. It was initiated by the International Federation of Agricultural Producers in partnership with the European Consortium for Agricultural Research in the Tropics. It also fosters institutional frameworks that empower smallholders in the agricultural marketing system. IFAD supported the inception phase in 2007 and will cofinance the next phase in 2008.
- Commission on Family Farming/MERCOSUR (REAF). REAF is the result of a process promoted by civil society and the Brazilian government. It was created in 2004 to strengthen family agriculture policies in MERCOSUR countries. It promotes dialogue among governments and farmers' organizations in member countries. Since November 2004, IFAD's regional programme FIDA-MERCOSUR has provided technical assistance and secretariat services for REAF. IFAD has also carried out an evaluation of this experience, which will be completed in 2008.
- Building capacity of farmers' organizations in sub-Saharan Africa and supporting the Farmers' Forum process (the alliance of agri-agencies – AgriCord). This programme enables farmers' organizations to participate more fully in national and international forums on agricultural issues. It has four components: mapping and profiling farmers' organizations, participatory policy generation in and by farmers' organizations, building farmers' organizations' staff capacity for financial management and planning, and evaluation and lessons learned.

- As requested by farmers' organization leaders during the first session of the Farmers' Forum of February 2004, FAO, IFAD and European NGOs started a programme to support the involvement of farmers' organizations in the Economic Partnership Agreements (EPAs) process. In 2007, IFAD provided five small grants to regional farmers' organization networks for advocacy and dissemination work in the EPA regional process. In April, IFAD, FAO and European NGOs organized a side event to the 66th Session of the FAO Committee on Commodity Problems on the linkages between Economic Partnership Agreements, regional integration and food sovereignty.

Cooperation with Rome-based agencies

In February, IFAD, FAO and WFP, the three main Rome-based United Nations agencies, started a mapping exercise to identify and report on their collaboration at the global, regional and country levels. The information compiled was organized around four pillars:

- increased investments in agricultural and rural development
- policy formulation, capacity-building, knowledge management and advocacy
- emergency and rehabilitation, including disaster risk management
- administration

The mapping exercise showed that there is a great deal of ongoing collaboration in various spheres, and that it is mainly initiated by staff at working level. Collaboration in operations, particularly between IFAD and FAO, has a long history. Joint advocacy work at regional and international level also has a good track record, while joint policy work is more recent. The latter includes work on trade issues, in particular Economic Partnership Agreements, and on engagement with farmers' organizations, as well as preliminary work on climate change. IFAD has also collaborated with FAO in developing Sustainable Agriculture and Rural Development policy briefs on various topics. For the future, collaboration between the three agencies will be planned strategically. Work on this will start in 2008.

HEAD CASHIER

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Operational aspects

The secretary of a women's group deposits the group's monthly savings in Powerguda, Andhra Pradesh, India. Members of the group draw on the fund for loans and investments. An IFAD-supported project in the region worked to build self-reliance and empower tribal communities.

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Programme and project portfolio management

During 2007, IFAD continued to strengthen its programme and project management processes and to align them more closely with its Strategic Framework 2007-2010 (see page 2). Project completion reports provided much of the substantive information for this year's portfolio review. The overall number of programmes and projects in the ongoing portfolio increased slightly from 186 at the end of 2006 to 197 at the end of 2007, for a total IFAD investment of US\$3.2 billion (Table 4). Overall, IFAD put increased emphasis on:

- improving the implementation readiness of projects
- expediting implementation
- improving disbursements

Enhancing the sustainability of project impact was also a key concern. Mid-year review presented in the portfolio performance report 2006/07 showed improvements in performance against most indicators, including a notable increase in annual disbursements.

Supervision and Implementation Support Policy

In December 2006, the Executive Board approved IFAD's Supervision and Implementation Support Policy. In 2007, the organization started implementing the policy, which aims to strengthen the relevance, focus, quality and efficiency of its country programmes. By the end of the year, at the request of IFAD's management, the Executive Board had approved 34 new projects for direct supervision by IFAD. In addition, during the year 86 programmes and projects were approved for transfer from the cooperating institution to IFAD. By the end of 2008, IFAD will be directly supervising more than half of its ongoing programmes and projects.

During the year, IFAD took steps to build its capacity to supervise programmes and projects. The organization:

- established a supervision support unit to help train staff to handle fiduciary aspects of project supervision, such as loan administration and procurements
- started intensive training on supervision for relevant staff
- strengthened IFAD's country presence, especially in countries with large portfolios of projects
- completed and issued guidelines for supervision and implementation support

Programme and project portfolio and financing trends

In 2007, 35 new programmes and projects were approved (Table 6), financed through IFAD loans and DSF grants worth US\$563.1 million (Table 1) and project component grants worth US\$3.9 million (Table 13). The total cost of these programmes and projects is estimated at US\$1,275.2 million, of which US\$427.3 million will be provided by other external financiers and US\$280.9 million by financiers in the recipient countries – primarily the governments (Table 1). When fully operational, these projects are expected to directly benefit more than 11 million people. Grants worth a total of US\$35.7 million were approved in 2007 (Table 1).

Since it began operations in 1978, IFAD has supported 766 programmes and projects in 114 countries and in Gaza and the West Bank for total financing of US\$10,033.1 million (Table 6). Governments and other financing sources in the

recipient countries, including individuals and households participating in the programmes and projects, have contributed about US\$9,323.8 million. Another US\$7,482.2 million came from external cofinanciers, of which bilateral donors contributed US\$1,227.4 million, multilateral donors US\$5,935.1 million and international and northern NGOs US\$26.8 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\$212.2 million.

TABLE 4
Ongoing programme and project portfolio by region^a
(as at end December 2007)

	Number of programmes and projects	IFAD financing ^b (US\$ million)
Western and Central Africa	45	578.6
Eastern and Southern Africa	42	682.3
Asia and the Pacific	44	891.5
Latin America and the Caribbean	28	502.7
Near East and North Africa ^c	38	550.5
Total^d	197	3 205.7

Source: Project and Portfolio Management System.

^a The ongoing portfolio consists of approved programmes and projects that have reached effectiveness and 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 DSF grants and component grants for investment 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
Supervision arrangements for ongoing programmes and projects^a

	Programmes and projects at end 2005		Programmes and projects at end 2006		Programmes and projects at end 2007	
	Number	%	Number	%	Number	%
IFAD	13	7.1	10	5.4	98	49.7
Cooperating institution						
African Development Bank	1	0.5	3	1.6	3	1.5
Andean Development Corporation	10	5.5	10	5.4	8	4.1
Arab Fund for Economic and Social Development ^b (AFESD)	5	2.7	-	-	-	-
Asian Development Bank	2	1.1	1	0.5	2	1.0
Caribbean Development Bank	2	1.1	2	1.1	1	0.5
Central American Bank of Economic Integration	4	2.2	3	1.6	3	1.5
United Nations Office for Project Services (UNOPS)	122	66.7	128	68.8	56	28.4
West African Development Bank	8	4.4	9	4.8	7	3.6
World Bank	16	8.7	20	10.8	19	9.6
Total cooperating institutions	170		176		99	
Total IFAD and cooperating institutions	183	100.0	186	100.0	197	100.0

Source: Project and Portfolio Management System.

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

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

TABLE 6
IFAD programme and project financing by region, 1978-2007^a
(amounts in US\$ million)

	1978-1986	1987-1996	1997-2006	2007	%	1978-2007	%
Western and Central Africa							
Total amount	326.5	616.2	723.3	107.9	19.0	1 773.8	17.7
Number of programmes and projects	41	63	58	7		169	
Recipients						24	
Eastern and Southern Africa							
Total amount ^b	340.7	565.6	777.3	149.2	26.3	1 832.8	18.3
Number of programmes and projects	31	53	51	9		144	
Recipients						20	
Asia and the Pacific							
Total amount	894.0	867.6	1 283.6	172.1	30.4	3 217.3	32.1
Number of programmes and projects	54	64	66	8		192	
Recipients						21	
Latin America and the Caribbean							
Total amount	321.4	480.3	697.7	49.7	8.8	1 549.1	15.4
Number of programmes and projects	37	46	42	5		130	
Recipients						28	
Near East and North Africa^c							
Total amount ^b	386.6	480.8	704.7	88.1	15.5	1 660.1	16.5
Number of programmes and projects	35	38	52	6		131	
Recipients						22	
Total IFAD financing^{d, e}	2 269.2	3 010.4	4 186.6	566.9	100.0	10 033.1	100.0
Total number of programmes and projects^f	198	264	269	35		766	
Total recipient countries/territories						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 DSF grants and component grants for investment 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 Asia.

^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.

Regional and priority country financing for programmes and projects²

In 2007, the largest share of new financing for programmes and projects went to sub-Saharan Africa. The region received 45.9 per cent of 2007 investment (Chart 2).

Asia and the Pacific received 30.4 per cent of new financing for programmes and projects in 2007. Latin America and the Caribbean received 8.8 per cent and the Near East and North Africa received 15.0 per cent.

IFAD continues to emphasize assistance to least developed countries and countries with low food security. Of 2007 programme and project financing, 85.9 per cent was to low-income food-deficit countries – as classified by FAO – and 44.5 per cent to the United Nations-classified least developed countries (Table 7 and Chart 3).

2/ See pages 92 and 93 for a list of countries by administrative region.

TABLE 7
Summary of IFAD programme and project financing for priority countries, 1978-2007
(amounts in US\$ million)

	1978-1986	%	1987-1996	%	1997-2006	%	2007	%	1978-2007	%	Number of countries ^a		
											In group	IFAD Member States	With IFAD project
Least developed countries^b													
Amount ^c	945.3	41.7	1 145.6	38.1	1 676.8	40.1	252.3	44.5	4 020.1	40.1	50	48	44
Number of projects and programmes	98		121		121		19		359				
Low-income food-deficit countries^d													
Amount ^c	1 858.9	81.9	2 346.9	78.0	3 323.1	79.4	487.1	85.9	8 016.0	79.9	82	77	72
Number of projects and programmes	154		201		213		29		597				
Financing for all IFAD programmes and projects^{e,f}													
	2 269.2		3 010.4		4 186.6		566.9		10 033.1				
Total number of programmes and projects^g													
	198		264		269		35		766				

Source: Project and Portfolio Management System.

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

^b The United Nations classifies "least developed countries" on the basis of the following criteria: low income, low literacy rate and low share of manufacturing in total output. In 2007, 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, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, the Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, The Sudan, Timor-Leste, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen and Zambia. Tuvalu and Vanuatu are not Members of IFAD.

^c 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.

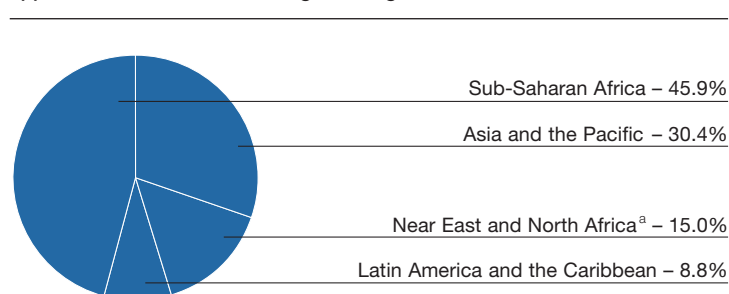
^d In 2007, FAO identified 82 countries as "low-income food-deficit": Afghanistan, Albania, Angola, Armenia, Azerbaijan, Bangladesh, Belarus, Benin, Bhutan, Bosnia and Herzegovina, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, the Central African Republic, Chad, China, the Comoros, the Congo, 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, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mongolia, Morocco, Mozambique, Nepal, Nicaragua, the Niger, Nigeria, Pakistan, Papua New Guinea, the Philippines, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, The Sudan, Swaziland, Syrian Arab Republic, Tajikistan, Timor-Leste, Togo, Tonga, Turkmenistan, Tuvalu, Uganda, the United Republic of Tanzania, Uzbekistan, Vanuatu, Yemen, Zambia and Zimbabwe. Belarus, Turkmenistan, Tuvalu, Uzbekistan and Vanuatu are not Members of IFAD.

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

^f 2005 figures include a loan on highly concessional terms approved for Indonesia made up of unused proceeds of a loan approved in 1997 on intermediary terms. 2005 figures also 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 additional loans approved to cover financing gaps for the tsunami programmes (for a total of US\$35.0 million).

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

CHART 2
Regional distribution of IFAD financing for programmes and projects approved in 2007 under the Regular Programme



Source: Project and Portfolio Management System.

^a This region includes countries in the former Soviet Union, Eastern Europe and Central Europe. Any discrepancy in totals is the result of rounding.

Allocation of programme and project financing by instrument and terms³

The bulk of IFAD's financing for investment programmes and projects is in the form of loans on highly concessional terms.⁴ In 2007, the value of highly concessional loans represented 73.0 per cent of the year's total financing for programmes and projects. Grants under IFAD's newly approved debt sustainability framework (DSF) represented 17.6 per cent of the total. Another 3.2 per cent were intermediate loans and the remaining 6.2 per cent were ordinary term loans (Chart 4 and Table 8).

As a share of IFAD's cumulative lending portfolio, highly concessional loans now represent 72.7 per cent (Table 8), higher than the two-thirds target set out in the *Lending Policies and Criteria of IFAD*.

In terms of regional distribution, 91.9 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 85.2 per cent (Table 9). In Latin America and the Caribbean and the Near East and North Africa, where recipients on average are relatively higher-income countries, lending tends to be on less concessional terms. Highly concessional loans to these regions have represented 23.5 per cent and 45.4 per cent respectively of their total loans from IFAD.

Loan disbursements

In 2007, IFAD loan disbursements reached their highest level ever at US\$398.7 million. Cumulative disbursements on loans under the Regular Programme amounted to US\$6,032.0 million (75.3 per cent of effective commitments) at the end of 2007 (Tables 10 and 11), compared with US\$5,633.3 million (also 75.3 per cent of effective commitments) disbursed at the end of 2006.

Cofinancing of IFAD programmes and projects

Twenty-nine of the 35 programmes and projects approved in 2007 were designed and initiated by IFAD (Table 12). Of these, 14 will receive external cofinancing for US\$128.3 million (31.3 per cent of their cost) and domestic contributions – from recipient governments or other local sources – for another US\$91.7 million, or 22.4 per cent of their cost. The other 15 IFAD-initiated projects were financed by IFAD for US\$304.1 million (66.7 per cent) and domestic sources for US\$151.7 million (33.3 per cent).

Of the US\$2,864.9 million contributed over the years to IFAD-initiated projects by external cofinanciers, the bulk was from multilateral donors, 70.7 per cent, followed by bilateral donors with 20.5 per cent. NGOs have contributed US\$16.8 million (0.6 per cent) (Chart 5).

The major multilateral cofinanciers of IFAD-initiated projects over the years were the OPEC Fund for International Development with US\$307.2 million, IBRD (of the World Bank Group) with US\$259.9 million, followed by the Arab Fund for Economic and Social Development with US\$236.1 million, and WFP with US\$197.1 million (Chart 6). Together, these four represent nearly 50 per cent of total multilateral cofinancing of US\$2,024.8 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\$80.6 million and the United Kingdom with US\$77.6 million. These figures represent 16.7 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\$587.8 million (Chart 7).

3/ These financing instruments and terms refer to loans and DSF grants made by IFAD to recipient countries. They have no bearing on the terms and conditions placed on credit lines offered through the programmes and projects.

4/ 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 loans by lending terms and of DSF grants, 1978-2007^a
 (amounts in US\$ million)

	1978-1986	%	1987-1996	%	1997-2006	%	2007	%	1978-2007	%
DSF grants										
Amount							99.2	17.6	99.2	1.0
Number of grants							13		13	
Highly concessional loans										
Amount	1 513.1	67.1	1 935.2	64.5	3 392.3	81.5	410.9	73.0	7 251.5	72.7
Number of loans	130		192		224		23		569	
Intermediate loans										
Amount	593.8	26.3	659.3	22.0	352.7	8.5	18.3	3.2	1 624.1	16.3
Number of loans	56		52		25		1		134	
Ordinary loans										
Amount	147.3	6.5	404.0	13.5	418.9	10.1	34.7	6.2	1 004.9	10.1
Number of loans	14		32		23		3		72	
Total amount	2 254.2	100.0	2 998.5	100.0	4 163.8	100.0	563.1	100.0	9 979.7	100.0
Total number of loans and DSF grants^{b, c}	200		276		272		40		788	

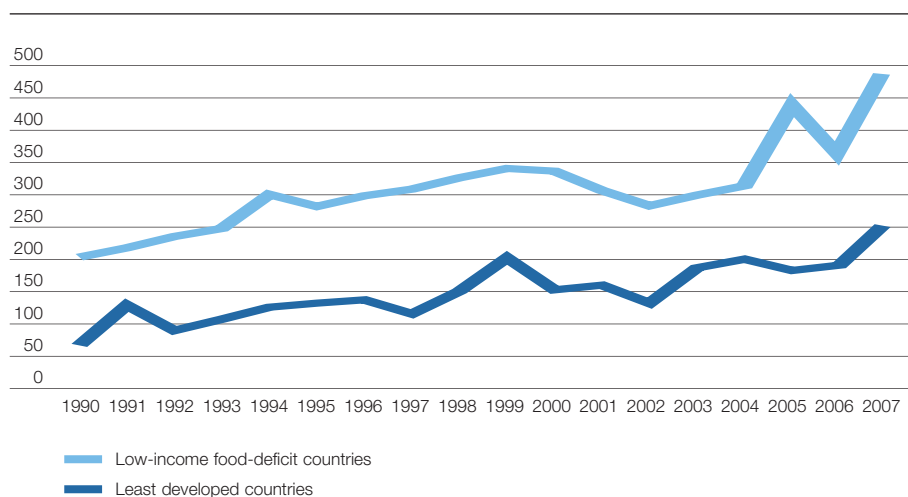
Source: Project and Portfolio Management System.

^a Amounts as per the President's report for each programme or project presented to the Executive Board. Includes Regular Programme loans, Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans, and DSF grants for programmes and projects approved in 2007. Includes a loan on highly concessional terms approved in 2005 for Indonesia made up of unused proceeds of a loan approved in 1997 on intermediary terms. Also includes four programmes approved in 2005 in countries affected by the tsunami (with IFAD financing of US\$33.7 million approved outside the Regular Programme) and additional loans approved in 2006 to cover financing gaps for these tsunami programmes (for a total of US\$35.0 million). Grants that are components of investment programmes and projects are not included. Any discrepancy in totals is the result of rounding.

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

^c Fully cancelled or rescinded loans are not included.

CHART 3
IFAD programme and project financing for priority countries, 1990-2007^a
 (amounts in US\$ million)



Source: Project and Portfolio Management System.

^a 2005 figures include a loan on highly concessional terms approved for Indonesia made up of unused proceeds of a loan approved in 1997 on intermediary terms. 2005 figures also 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 additional loans approved to cover financing gaps for the tsunami programmes (for a total of US\$35.0 million).

TABLE 9
Summary of IFAD loans by lending terms and of DSF grants, by region, 1978-2007^a
(amounts in US\$ million)

	Sub-Saharan Africa	%	Asia and the Pacific	%	Latin America and the Caribbean	%	Near East and North Africa ^b	%	Total	%
DSF grants										
Amount	78.9	2.1	13.5	0.4	6.8	0.4	0.0	0.0	99.2	1.0
Percentage of DSF grants	79.5		13.6		6.9		0.0		100.0	
Number of grants	9		2		2		0		13	
Highly concessional loans										
Amount	3 520.9	91.9	2 733.2	85.2	363.8	23.5	633.6	45.4	7 251.5	72.7
Percentage of highly concessional loans	48.6		37.7		5.0		8.7		100.0	
Number of loans	318		166		33		52		569	
Intermediate loans										
Amount	208.1	5.4	461.7	14.4	466.9	30.2	487.4	34.9	1 624.1	16.3
Percentage of intermediate loans	12.8		28.4		28.8		30.0		100.0	
Number of loans	21		30		49		34		134	
Ordinary loans										
Amount	22.4	0.6	0.0	0.0	707.4	45.8	275.1	19.7	1 004.9	10.1
Percentage of ordinary loans	2.2		0.0		70.4		27.4		100.0	
Number of loans	4		0		48		20		72	
Total amount	3 830.3	100.0	3 208.4	100.0	1 545.0	100.0	1 396.0	100.0	9 979.7	100.0
Percentage of total IFAD loans and DSF grants	38.4		32.1		15.5		14.0		100.0	
Total number of loans and DSF grants^{c, d}	352		198		132		106		788	

Source: Project and Portfolio Management System.

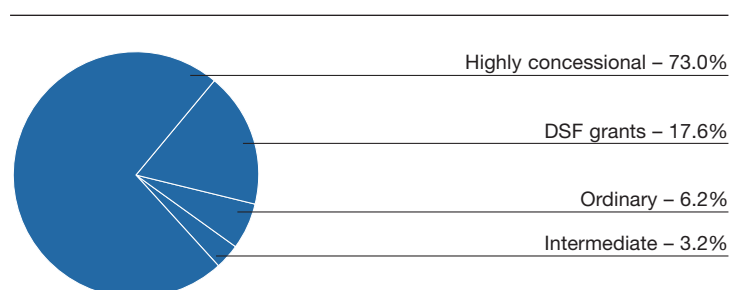
^a Amounts as per the President's report for each loan presented to the Executive Board. Includes Regular Programme loans, Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification loans, and DSF grants for programmes and projects approved in 2007. Includes a loan on highly concessional terms approved in 2005 for Indonesia made up of unused proceeds of a loan approved in 1997 on intermediary terms. Also includes four programmes approved in 2005 in countries affected by the tsunami (with IFAD financing of US\$33.7 million approved outside the Regular Programme) and additional loans approved in 2006 to cover financing gaps for these tsunami programmes (for a total of US\$35.0 million). Grants that are components of investment programmes and projects are not included. Any discrepancy in totals is the result of rounding.

^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 or DSF grant and thus the number of loans and DSF grants 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 by lending terms, and DSF grants, 2007^a



Source: Project and Portfolio Management System.

^a Percentages refer to the value of loans and DSF grants for investment programmes and projects approved in 2007.

TABLE 10
Annual loan disbursement by region under the Regular Programme, 1997-2007^a
(amounts in US\$ million)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1979-2007
Western and Central Africa	34.2	34.2	30.4	36.0	33.0	34.5	48.6	61.4	62.3	57.8	61.8	866.3
Eastern and Southern Africa	24.9	37.9	30.7	40.2	54.1	46.9	55.4	70.2	75.9	88.6	89.4	1 015.8
Asia and the Pacific	94.8	95.7	86.2	83.0	97.9	86.1	78.7	73.1	93.1	127.2	122.0	2 131.1
Latin America and the Caribbean	45.3	50.4	53.2	51.0	63.1	51.4	47.0	49.1	42.3	57.4	63.4	976.0
Near East and North Africa^b	28.9	55.5	70.2	59.7	43.2	44.5	56.1	57.6	68.0	55.9	62.1	1 042.8
Total^c	228.2	273.7	270.7	269.8	291.3	263.4	285.8	311.4	341.6	386.9	398.7	6 032.0

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 and DSF grant financing.

^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 11
Loan disbursement by region and lending terms under the Regular Programme, 1979-2007^a
(amounts in US\$ million)

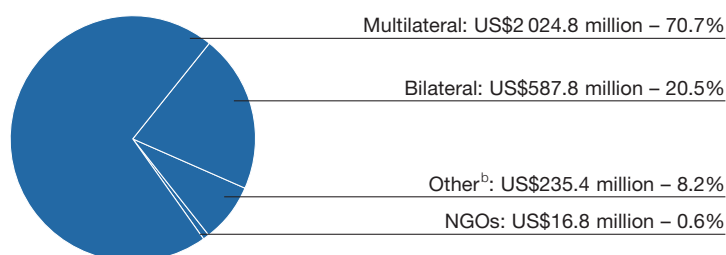
	Highly concessional	Intermediate	Ordinary	Total
Western and Central Africa				
Amount	793.6	60.3	12.4	866.3
Percentage of effective commitment	67.0%	100.0%	100.0%	67.7%
Eastern and Southern Africa				
Amount	931.2	83.4	1.2	1 015.8
Percentage of effective commitment	72.2%	86.3%	100.0%	74.2%
Asia and the Pacific				
Amount	1 777.8	353.3	0.0	2 131.1
Percentage of effective commitment	77.9%	100.0%	0.0%	79.3%
Latin America and the Caribbean				
Amount	229.6	362.3	384.1	976.0
Percentage of effective commitment	69.2%	86.8%	67.5%	73.2%
Near East and North Africa^b				
Amount	569.2	298.7	174.9	1 042.8
Percentage of effective commitment	78.6%	74.6%	75.1%	77.7%
Total	4 301.4	1 158.0	572.6	6 032.0
Total percentage of effective commitment	72.9%	88.9%	69.8%	75.3%

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 and DSF grant financing.

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

CHART 5
Cofinancing for IFAD-initiated programmes and projects, 1978-2007^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 and financing that was not confirmed at the time of Executive Board approval.

TABLE 12
Cofinancing of IFAD programmes and projects, 1978-2007^a
(amounts in US\$ million)

	1978-1986	%	1987-1996	%	1997-2006	%	2007	%	1978-2007	%
Programmes and projects initiated by cooperating institutions										
IFAD ^b	971.7	14.8	243.6	18.5	287.9	17.8	73.2	17.9	1 576.4	15.9
Cofinanced ^c	2 605.2	39.6	782.5	59.3	930.6	57.4	299.0	73.0	4 617.3	46.5
Domestic	2 995.6	45.6	293.6	22.3	401.4	24.8	37.5	9.2	3 728.2	37.6
Total	6 572.5	100.0	1 319.7	100.0	1 619.9	100.0	409.8	100.0	9 921.8	100.0
Number of programmes and projects	88		28		24		6		146	
Programmes and projects initiated by IFAD and cofinanced										
IFAD ^b	530.7	35.1	1 891.6	44.5	2 256.3	45.0	189.5	46.3	4 868.0	43.5
Cofinanced ^c	560.1	37.0	1 058.0	24.9	1 118.5	22.3	128.3	31.3	2 864.9	25.6
Domestic	422.8	27.9	1 299.2	30.6	1 639.5	32.7	91.7	22.4	3 453.3	30.9
Total	1 513.5	100.0	4 248.7	100.0	5 014.3	100.0	409.5	100.0	11 186.1	100.0
Number of programmes and projects	55		168		145		14		382	
Programmes and projects initiated and exclusively financed by IFAD										
IFAD ^b	766.9	57.9	875.3	62.0	1 642.4	64.7	304.1	66.7	3 588.7	62.6
Domestic	558.7	42.1	536.7	38.0	895.4	35.3	151.7	33.3	2 142.4	37.4
Total	1 325.6	100.0	1 412.0	100.0	2 537.8	100.0	455.8	100.0	5 731.1	100.0
Number of programmes and projects	55		68		100		15		238	
All programmes and projects^d										
IFAD	2 269.2	24.1	3 010.4	43.1	4 186.6	45.6	566.9	44.5	10 033.1	37.4
Cofinanced	3 165.3	33.6	1 840.5	26.4	2 049.1	22.3	427.3	33.5	7 482.2	27.9
Domestic	3 977.1	42.3	2 129.5	30.5	2 936.3	32.0	280.9	22.0	9 323.8	34.7
Total	9 411.6	100.0	6 980.4	100.0	9 171.9	100.0	1 275.2	100.0	26 839.1	100.0
Number of programmes and projects	198		264		269		35		766	

Source: Project and Portfolio Management System.

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

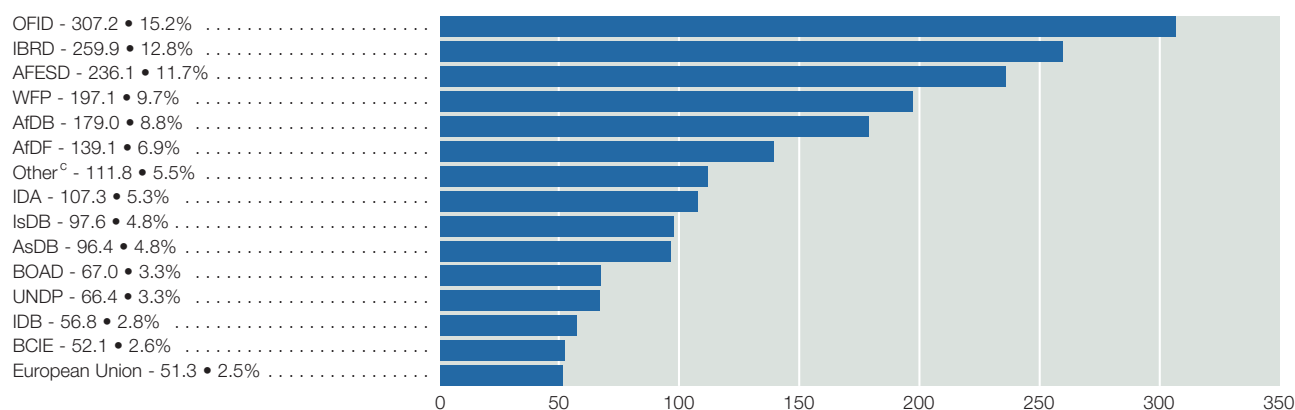
^b Amounts as per the President's report for each programme or project presented to the Executive Board. Programme and project amounts include DSF grants and component grants for investment programmes and projects. Grants not related to programmes and projects are not included in this table. Any discrepancy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

^c Includes cofinancing that may not have been confirmed at Executive Board.

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

CHART 6

Cofinancing of IFAD-initiated programmes and projects by multilateral donors, 1978-2007^{a, b}
(amounts in US\$ million)



Source: Project and Portfolio Management System.

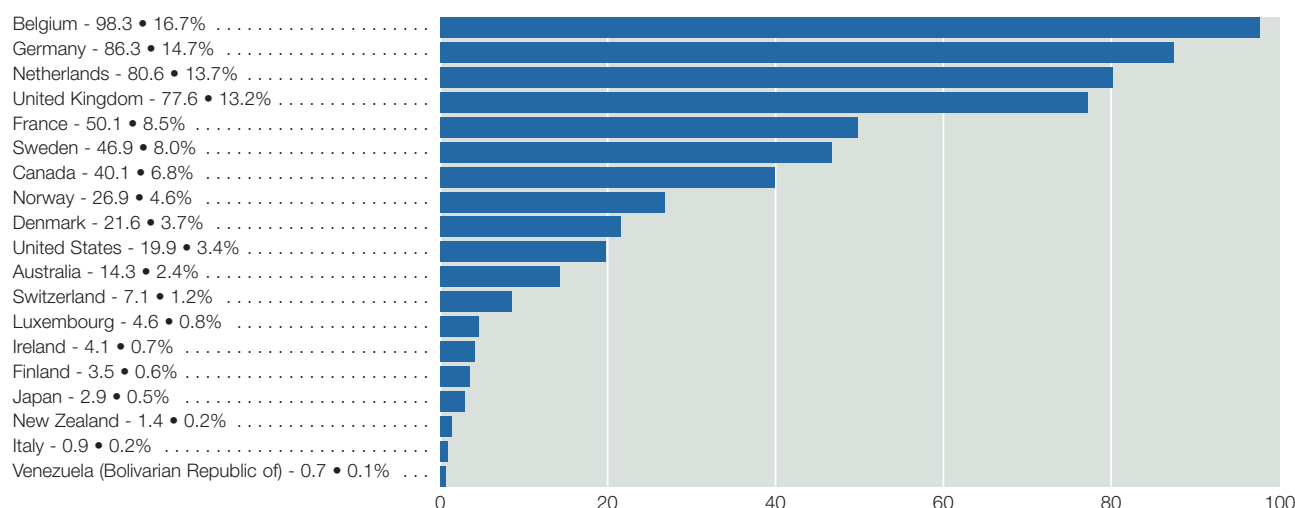
^a Amounts as per the President's report for each programme or project presented to the Executive Board. Any discrepancy in totals is the result of rounding. The amounts and percentages shown here represent the share of each multilateral in total multilateral cofinancing of US\$2,024.8 million. Multilateral 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), Africa Fund, Arab Bank for Economic Development in Africa (BADEA), 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 States (bilateral), 1978-2007^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\$587.8 million. Bilateral participation in basket or similar funding arrangements is not included.





Summary of 2007 programmes, projects and grants

Cemile Ince feeds calves on her family's small farm in the village of Damyeri in Ordu Province, Turkey. An IFAD-supported project helped farmers in Ordu and Geresun provinces improve their management of natural resources and increase their incomes.

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Number of ongoing programmes and projects by region and country at end 2007

197 programmes and projects
80 countries and 1 territory

Western and Central Africa

45 programmes and projects
18 countries

Eastern and Southern Africa

42 programmes and projects
15 countries

Asia and the Pacific

44 programmes and projects
15 countries

Latin America and the Caribbean

28 programmes and projects
17 countries

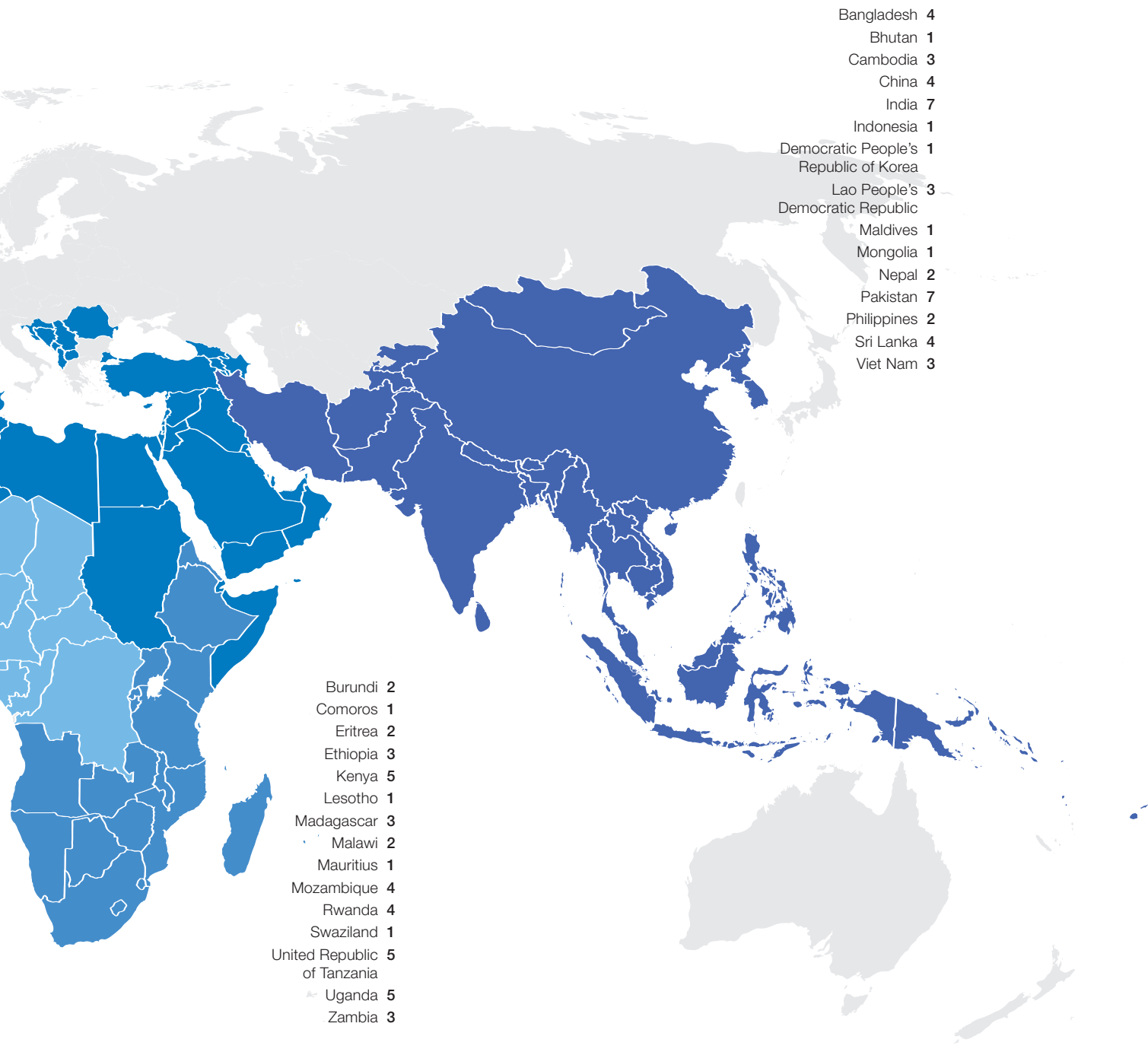
Near East and North Africa, Central and Eastern Europe and the Newly Independent States

38 programmes and projects
15 countries and 1 territory

Albania 1
Armenia 1
Azerbaijan 2
Bosnia and Herzegovina 2
Djibouti 1
Egypt 4
Gaza and the West Bank 2
Georgia 2
Jordan 2
Republic of Moldova 2
Morocco 4
Sudan (The) 4
Syrian Arab Republic 2
Tunisia 3
Turkey 2
Yemen 4

Argentina 2
Bolivia 1
Brazil 2
Colombia 1
Ecuador 1
El Salvador 2
Grenada 1
Guatemala 2
Haiti 2
Honduras 2
Mexico 3
Nicaragua 2
Panama 1
Paraguay 1
Peru 2
Uruguay 1
Venezuela 2
(Bolivarian Republic of)

Benin 3
Burkina Faso 4
Cameroon 2
Cape Verde 1
Chad 3
Congo 2
Democratic Republic of the Congo 2
Côte d'Ivoire 1
Gambia (The) 1
Ghana 4
Guinea 4
Mali 3
Mauritania 3
Niger 2
Nigeria 3
Sao Tome and Principe 1
Senegal 5
Sierra Leone 1



Programmes and projects

Western and Central Africa

Burkina Faso

Small-scale Irrigation and Water Management Project

The project will help 20,000 poor rural households intensify and diversify their agricultural production. It will support new and newly refurbished small-scale irrigation schemes, including innovative micro-irrigation technologies. The project will promote local negotiation processes to enhance participants' access to land and water. It will also support marketing activities.

Loan amount: SDR 7.0 million (approximately US\$11.0 million) on highly concessional terms

Total project cost: estimated at US\$19.1 million, of which IFAD will provide a grant of SDR 260,000 (approximately US\$400,000), OFID US\$5.0 million, beneficiaries US\$50,000 and national government US\$2.6 million

Directly supervised by IFAD

Gabon

Agricultural and Rural Development Project

The project will encourage small-scale farmers in the Woleu-Ntem province of Gabon to diversify their incomes by developing and marketing new products from staple crops such as banana, cassava and peanut. Through training courses, farmer exchange visits and a new market information system, the project will also help farmers' organizations to better defend the economic interests of their members and market their goods more efficiently. About 28,000 small farmers, half of them women and a third of them young people, will participate. Awareness-raising activities in the province will indirectly benefit an additional 70,000 people.

Loan amount: SDR 3.8 million (approximately US\$5.7 million) on ordinary terms

Total project cost: estimated at US\$8.6 million, of which IFAD will provide a grant of SDR 200,000 (approximately US\$300,000), OFID US\$200,000, beneficiaries US\$300,000 and national government US\$2.2 million

Cooperating institution: UNOPS

Ghana

Northern Rural Growth Programme

The programme will help poor rural people, and particularly women, create profitable commodity and food chains while improving links with the domestic and export markets. It will cover the rural areas of the three northern regions and the adjoining districts with similar agro-ecological characteristics in the Brong-Ahafo region, which is the poorest in Ghana. Almost 45,000 households will take part in the programme's activities to generate income, and about 100,000 households will benefit from infrastructure improvements.

Loan amount: SDR 14.3 million (approximately US\$22.3 million) on highly concessional terms

Total programme cost: estimated at US\$103.6 million, of which IFAD will provide a grant of SDR 260,000 (approximately US\$400,000), the national government US\$10.4 million, beneficiaries US\$3.7 million, AfDB US\$61.2 million, financial institutions US\$4.6 million and private investors US\$940,000

Directly supervised by IFAD

Guinea

Village Communities Support Project – Phase II

The project is the second phase of an initiative to strengthen local governance in rural areas and promote the social and economic empowerment of people in those areas. Women, youth and other marginalized groups in about 300 communities will take part in the project. Activities will support 'learning by doing' and will promote strong accountability measures to foster a transparent and equitable governance environment. The long-term goal is to enable local communities and their governments to identify, plan, implement and manage their own infrastructure and service needs.

Grant amount: SDR 6.6 million (approximately US\$10.0 million)

Total project cost: estimated at US\$56.0 million, of which IDA will provide US\$17.0 million, Agence Française de Développement US\$12.0 million, GEF US\$10.0 million, beneficiaries US\$5.5 million and national government US\$1.5 million

Cooperating institution: World Bank

Guinea-Bissau

Rural Rehabilitation and Community Development Project

The project will help about 100,000 rural people in one of the world's poorest countries take part in building and sustaining their communities. The project focuses on rehabilitating infrastructure, including 65 kilometres of essential rural roads, improving basic social services and strengthening grass-roots organizations. It will also strengthen the role of women and youth, who are the most vulnerable groups, in project implementation and community decision-making and management.

Grant amount: SDR 3.1 million (approximately US\$4.7 million)

Total project cost: estimated at US\$5.6 million, of which beneficiaries will provide US\$92,000 and national government US\$800,000

Directly supervised by IFAD

Nigeria

Rural Microenterprise Development Programme

The programme has the development of rural enterprises as its objective, and it will work to strengthen Nigeria's Medium and Small Enterprise Development Policy Framework. It will support opportunities in the off-farm rural microenterprise sector for boosting incomes, increasing food security and improving the livelihoods of poor households. The programme has a particular focus on people with limited or no access to agricultural land. The poor rural people who take part in the programme are mainly members of households headed by women, unemployed youth, and people who are physically challenged. Over eight years, about 700,000 people will participate in the programme.

Loan amount: SDR 26.9 million (approximately US\$42.8 million) on highly concessional terms

Total programme cost: estimated at US\$57.9 million, of which IFAD will provide a grant of SDR 260,000 (approximately US\$400,000), the federal government US\$6.0 million, the state and local government US\$8.4 million and beneficiaries US\$300,000

Directly supervised by IFAD

Sierra Leone

Rural Finance and Community Improvement Programme

The programme will develop rural financial services in seven districts in Sierra Leone. It will support activities that provide better access to credit and loan facilities and increased opportunities for employment in small businesses. More than 34,000 households will participate in the programme. The target group includes small farmers and microentrepreneurs, especially women.

Grant amount: SDR 6.0 million (approximately US\$9.9 million)

Total programme cost: estimated at US\$10.9 million, of which beneficiaries will provide US\$510,000 and national government US\$510,000

Cooperating institution: AfDB

Eastern and Southern Africa

Angola

Market-oriented Smallholder Agriculture Project

The project will promote a participatory approach to small-scale agricultural investments in Angola. After almost three decades of war, peace has opened the way for reconstruction. Angola is a potentially rich agricultural country, but lack of investment has severely limited the sector. The project will help some 126,000 participating households increase their agricultural production and gain access to more efficient agricultural markets. There is significant potential for increasing production by expanding the average cultivated area per farmer and by increasing labour productivity.

Loan amount: SDR 5.3 million (approximately US\$8.2 million) on highly concessional terms

Total project cost: estimated at US\$49.5 million, of which the World Bank will provide US\$30.1 million, Japan US\$4.0 million, beneficiaries US\$3.0 million and national government US\$4.1 million

Cooperating institution: IFAD/World Bank

Burundi

Livestock Sector Rehabilitation Support Project

The project will help rebuild the country's livestock sector, which was severely damaged by the 12-year civil war. In 100,000 participating households, it will enable poor rural people to raise livestock productivity and improve the value of their products by increasing their access to better technology, veterinary services, infrastructure and markets. The project will also introduce farmers' field schools to help farmers improve their skills through training and participatory research.

Grant amount: SDR 9.3 million (approximately US\$14.0 million)

Total project cost: estimated at US\$17.8 million, of which beneficiaries will provide US\$1.6 million and national government US\$2.2 million

Cooperating institution: UNOPS

Comoros

National Programme for Sustainable Human Development

The programme will combat land and marine degradation in the poorest areas of the Comoros. It will promote improved natural resource management by local communities, especially in watershed and coastal areas where land degradation has affected agricultural production and artisanal fisheries. About 90,000 people will take part. Members of the Comorian diaspora will also participate by allowing their remittances to be transferred through a programme-supported financing facility for use in community programmes.

Grant amount: SDR 3.2 million (approximately US\$4.7 million)

Total programme cost: estimated at US\$7.2 million, of which GEF will provide US\$983,000, Mutuelles d'épargne et de credit ya komor US\$142,000, beneficiaries US\$1.0 million and national government US\$345,000

Directly supervised by IFAD

Ethiopia

Participatory Small-scale Irrigation Development Programme

The programme will develop approaches for small-scale, irrigated agriculture that can be managed and maintained by farmers themselves. Building on indigenous knowledge of traditional irrigation schemes, the programme will work with about 62,000 households in drought-prone areas to improve their nutrition and boost their incomes.

Loan amount: SDR 13.3 million (approximately US\$20.0 million) on highly concessional terms

Debt sustainability grant amount: SDR 13.3 million (approximately US\$20.0 million)

Total programme cost: US\$57.7 million, of which beneficiaries will provide US\$3.5 million and national government US\$14.2 million

Directly supervised by IFAD

Kenya

Smallholder Horticulture Marketing Programme

The programme will improve the supply and quality of horticultural products and boost the benefits of horticultural production for 12,000 poor rural households and for unemployed and underemployed people. Horticulture is the country's most widely practised economic activity. Kenya produces a wide range of horticultural products, including vegetables, fruits, cut flowers, herbs and spices.

Loan amount: SDR 15.6 million (approximately US\$23.4 million) on highly concessional terms

Total programme cost: estimated at US\$26.6 million, of which IFAD will provide a grant of SDR 335,000 (approximately US\$500,000), beneficiaries US\$1.0 million and national government US\$1.6 million

Directly supervised by IFAD

Lesotho

Rural Financial Intermediation Programme

The programme will develop member-based rural financial services and formal financial institutions for rural outreach in Lesotho, where most people have neither reliable nor regular access to financial services. About 37,000 people will benefit from the services of member-based financial institutions. Formal financial institutions will improve outreach to a wider clientele, including poor rural people who may not belong to the grass-roots institutions supported by the programme. The programme will also establish a regulatory framework for non-bank financial institutions and it will enhance the supervision capacity of the Central Bank of Lesotho.

Loan amount: SDR 2.9 million (approximately US\$4.4 million) on highly concessional terms

Debt sustainability grant amount: SDR 2.9 million (approximately US\$4.4 million)

Total programme cost: estimated at US\$10.7 million, of which programme partner will provide US\$500,000, beneficiaries US\$300,000 and national government US\$1.2 million

Directly supervised by IFAD

Madagascar

Support Programme for Rural Microenterprise Poles and Regional Economies (PROSPERER)

The programme will increase the capacity and potential of existing on-farm and off-farm small rural enterprises in Madagascar. Small-scale entrepreneurs will have access to a range of business development services, including training services, microfinance and insurance schemes. The programme will provide professional training and apprenticeships to young people and adults who want to create their own microenterprises along key value chains. Working in partnership with the Government and the Chamber of Commerce Federation, the programme will also strengthen professional organizations.

Loan amount: SDR 11.7 million (approximately US\$17.7 million) on highly concessional terms

Total programme cost: estimated at US\$30.3 million, of which IFAD will provide a grant of SDR 190,000 (approximately US\$290,000), the national government US\$4.5 million, beneficiaries US\$2.2 million, OFID US\$5.0 million and United Nations Capital Development Fund US\$600,000

Directly supervised by IFAD

Malawi

Rural Livelihoods and Economic Enhancement Programme

The programme will offer poor rural people in Malawi the opportunity to take advantage of the country's emerging economic liberalization. It will work with the private sector for the benefit of people engaged in small-scale production, processing and marketing of crops, livestock and fish. The programme will provide them with the knowledge, skills and financial resources they need to become competitive in the marketplace. It will improve farmers' links to value chains by establishing more efficient production, transport, storage, processing and marketing systems for agricultural commodities.

Loan amount: SDR 5.4 million (approximately US\$8.4 million) on highly concessional terms

Debt sustainability grant amount: SDR 5.3 million (approximately US\$8.3 million) (inclusive a Programme Preparatory Facility of US\$0.4 million and US\$0.2 million for the agreement with the Royal Tropical Institute of the Netherlands)

Total programme cost: estimated at US\$19.2 million, of which the national government will provide US\$390,000, private sector and beneficiaries US\$2.0 million and the Royal Tropical Institute of the Netherlands US\$100,000

Directly supervised by IFAD

Uganda

Community Agricultural Infrastructure Improvement Programme

The programme will support infrastructure improvements to strengthen farmers' access to markets. In Uganda, it is extremely difficult for farmers to market their produce because of the lack of road access to many rural communities and limited processing facilities. To promote a sense of ownership, the programme will ensure that small farmers and their communities participate in selecting infrastructure programmes and in rehabilitation and construction work. The programme will cover 26 districts in central and eastern Uganda, which represent about 27 per cent of the country's land area and are home to about 8.8 million people.

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

Total programme cost: estimated at US\$64.9 million, of which AfDB will provide US\$43.8 million, beneficiaries US\$600,000 and national government US\$5.5 million

Directly supervised in part by IFAD

Asia and the Pacific

Bangladesh

Finance for Enterprise Development and Employment Creation Project

The project will develop the microfinance sector in Bangladesh to support micro-businesses, and it will help small businesses improve and expand production through training and initiatives promoting market chain development. The project will directly benefit 117,700 borrowers selected from existing microcredit groups, nearly 90 per cent of whom will be women. In addition, about 200,000 extremely poor people, who lack basic assets such as land, will benefit as more jobs are created by microentrepreneurs.

Loan amount: SDR 23.2 million (approximately US\$35.0 million) on highly concessional terms

Total project cost: estimated at US\$57.8 million, of which beneficiaries will provide US\$60,000, NGO partner organizations US\$700,000 and the Palli Karma-Sahayak Foundation US\$22.0 million

Directly supervised by IFAD

Bangladesh

National Agricultural Technology Project

The project will improve the quality and responsiveness of national research and extension services in Bangladesh by making them more demand-driven and more appropriate to the needs of small and marginal farmers. About 330,000 poor households will take part in the project. Participants, who will include groups of crop, livestock and fish farmers, will identify research priorities and help plan and implement extension activities. They will also develop value chains to strengthen farmer-market links. The project will provide workshops, on-farm demonstrations and production and entrepreneurship training.

Loan amount: SDR 12.3 million (approximately US\$19.6 million) on highly concessional terms

Total project cost: estimated at US\$84.8 million, of which the World Bank will provide US\$62.6 million and national government US\$2.6 million

Cooperating institution: World Bank

Cambodia

Rural Livelihoods Improvement Project in Kratie, Preah Vihear and Ratanakiri

The project will work to make a positive and sustainable impact on agricultural development. About 22,600 households in 84 poor communes will take part. Activities will focus on capacity-building, skills training, technology transfer, improvement of food security, agricultural productivity and natural resource management, income generation and development of market-oriented production.

Grant amount: SDR 6.4 million (approximately US\$9.5 million)

Total project cost: estimated at US\$11.5 million, of which the UNDP will provide US\$1.3 million and national government US\$710,000

Cooperating institution: UNOPS

China

Inner Mongolia Autonomous Region Rural Advancement Programme

The programme will promote innovative approaches to reducing poverty in the Inner Mongolia Autonomous Region. It will focus on sectors such as microfinance, organic farming and marketing. The programme will reduce poverty in a sustainable and gender-equitable way by ensuring that participants, including women, have a voice in selecting village-level activities. The programme will help them gain better access to information, technology, rural financial services and markets. It will also establish sustainable grass-roots institutions, strengthen support services, and contribute directly to the ongoing reform of the rural banking system. About 125,000 poor and extremely poor households in 722 villages will take part.

Loan amount: SDR 19.1 million (equivalent to approximately US\$30.0 million) on highly concessional terms

Total programme cost: estimated at US\$70.9 million of which national government will provide US\$31.1 million, rural credit cooperatives US\$5.7 million and beneficiaries US\$4.1 million

Directly supervised by IFAD

Maldives

Fisheries and Agricultural Diversification Programme

The programme will support producers and processors in the agriculture and fisheries sectors by helping them improve the quality of their products and access new niche markets in which to sell them. The programme will focus on fresh farm products, processed farm products and Maldive fish, a traditionally processed tuna fish that is a speciality of the region. The programme will develop commercial agreements with supermarkets, tourist resorts and export markets, and provide credit to producers and processors for inputs and marketing. About 8,400 islanders, including producers and processors, will take part in the activities.

Loan amount: SDR 2.4 million (approximately US\$3.5 million) on highly concessional terms

Total programme cost: estimated at US\$6.8 million, of which private sector investors will provide US\$1.5 million, Bank of Maldives US\$500,000 and national government US\$1.3 million

Directly supervised by IFAD

Nepal

Poverty Alleviation Fund Project – Phase II

The Poverty Alleviation Fund Project is a community-driven development instrument that addresses the interrelated problems of rural poverty and social exclusion. Groups that have traditionally been excluded for reasons of gender, ethnicity, caste and location are the focus of the project. It uses incentives to encourage community organizations to include women, Dalits (outcasts) and indigenous peoples as members and beneficiaries who can also hold positions of responsibility. The pilot phase was first implemented in six districts and was extended to 25 districts. The second phase will increase the project coverage by 15 districts each year.

Grant amount: SDR 2.5 million (equivalent to approximately US\$4 million)

Total project cost: estimated at US\$113 million, of which IDA will provide US\$100 million (grant), beneficiaries US\$8 million and national government US\$1 million

Cooperating institution: IDA

Pakistan

Programme for Increasing Sustainable Microfinance

The programme will give poor rural people in Pakistan greater access to financial services by promoting the microfinance sector. Through increased access to credit, programme participants will be able to invest more in their businesses. This will result in higher production in farm and non-farm enterprises, improved livelihoods in rural households and greater economic growth. The programme will focus on three groups: small farmers, livestock owners, traders and microentrepreneurs; women and households headed solely by women; and vulnerable rural households living below the poverty line. About 160,000 households will benefit from increased access to financial services.

Loan amount: SDR 22.9 million (approximately US\$35.0 million) on highly concessional terms

Total programme cost: estimated at US\$46.6 million, of which banks and commercial financial institutions will provide US\$10.3 million, Pakistan Poverty Alleviation Fund (PPAF) partner organizations US\$600,000 and PPAF US\$700,000

Directly supervised by IFAD

Viet Nam

Developing Business with the Rural Poor Programme

The programme will help develop market and business opportunities for poor rural people in Ben Tre and Cao Bang provinces. Participants will include people with small landholdings and limited assets, as well as landless labourers, ethnic minorities and women. The programme will also benefit existing microenterprises and small and medium-sized enterprises that have commercial links with the participants. It will help establish organizations that enable rural people to identify and address market constraints and negotiate with enterprises in value chains. About 43,000 households in Ben Tre and 55,200 households in Cao Bang will take part in the programme.

Loan amount: SDR 22.3 million (equivalent to approximately US\$35 million) on highly concessional terms

Total programme cost: estimated at US\$50.5 million, of which IFAD will provide a grant of SDR 350,000 (approximately US\$550,000), national government US\$5.1 million, Government of Germany US\$1.8 million, Government of Luxembourg US\$4.0 million, Vietnam Bank for Agriculture and Rural Development US\$2 million and beneficiaries US\$1.8 million

Directly supervised by IFAD

Latin America and the Caribbean

El Salvador

Rural Development and Modernization Project for the Central and Paracentral Regions

The project works to transform subsistence agricultural and non-agricultural activities in central El Salvador into profitable rural businesses and microenterprises for local and external markets. The project will support land management in selected micro-watersheds and it will involve communities and groups in rehabilitating environmentally deteriorated areas. Participants will have access to financial services and will receive specialized technical and business-related assistance and resources. The project will directly benefit about 33,000 people.

Loan amount: Not to exceed SDR 9.5 million (approximately US\$14.6 million) on ordinary terms

Total project cost: estimated at US\$20.1 million, of which beneficiaries will provide US\$1.0 million and national government US\$4.5 million

Cooperating institution: UNOPS

Guyana

Rural Enterprise and Agricultural Development Project

The project will help farmers and small-scale entrepreneurs add value to their products so they can compete on international markets. A wide range of non-traditional products produced by small farmers, such as fruits, root crops, vegetables and spices, have good external market potential. These products offer an opportunity for major economic diversification and growth for the country as a whole and for poor rural areas in particular. About 21,000 people will take part in project activities.

Loan amount: SDR 1.9 million (approximately US\$2.9 million) on highly concessional terms

Debt sustainability grant amount: SDR 1.9 million (approximately US\$2.9 million)

Total project cost: estimated at US\$6.9 million, of which beneficiaries will provide US\$320,000 and national government US\$850,000

Directly supervised by IFAD

Honduras

Project for Enhancing the Rural Economic Competitiveness of Yoro

The project will help reduce poverty among small-scale farmers, landless peasants and members of the indigenous Tolupan tribes in rural areas of Yoro district, in central Honduras. The project will boost economic growth by involving poor rural people in profitable and sustainable activities, and it will address the needs of women and youth. It will collaborate with government agencies such as the National Agrarian Institute and the National Forestry and Protected Areas Institute, as well as with NGOs working in support of indigenous groups and poor rural people.

Loan amount: SDR 4.6 million (approximately US\$7.1 million) on highly concessional terms

Total project cost: estimated at US\$13.9 million, of which the Central American Bank for Economic Integration (CABEI) will provide US\$4 million, beneficiaries US\$1.7 million and national government US\$1.1 million

Cooperating institution: CABEI

Nicaragua

Inclusion of Small-scale Producers in Value Chains and Market Access Project

The project will enable poor rural people in Nicaragua to improve their income and employment opportunities through participation in local and national social and economic processes. Some 8,000 small-scale coffee, dairy and grain producers and their households will take part. The project will create 8,400 jobs and contribute to a more dynamic local economy by renovating rural roads. About 45,000 rural people who live near the roads will benefit indirectly from the improvements. The project will also help 2,500 vulnerable rural households by establishing links with other programmes working to reduce poverty and hunger.

Loan amount: SDR 2.6 million (approximately US\$3.9 million) on highly concessional terms

Debt sustainability grant amount: SDR 2.6 million (approximately US\$3.9 million)

Total project cost: estimated at US\$21.7 million, of which national government will provide US\$4.4 million, beneficiaries US\$1.4 million, Central American Bank for Economic Integration US\$2.0 million and OFID US\$6.0 million

Directly supervised by IFAD

Peru

Project for Strengthening Assets, Markets and Rural Development Policies in the Northern Highlands (Sierra Norte)

The project will work to reduce poverty and extreme poverty among some 20,000 households living in the rural areas of Peru's Northern Highlands. It will help participants identify and map their assets and those of their communities, which is a first step towards developing new business ventures. The project will help them contract services they need for their enterprises. It will also ensure that rural women can participate by helping them establish savings accounts. Microinsurance will be provided for the poorest of the participants.

Loan amount: SDR 9.1 million (approximately US\$14.4 million) on ordinary terms

Total project cost: estimated at US\$21.7 million, of which the national government will provide US\$3.4 million, regional and local governments US\$1.7 million, beneficiaries US\$1.2 million and Action Aid, Spain US\$1.0 million

Directly supervised by IFAD

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

Armenia

Farmer Market Access Programme

The programme will provide innovative financing for poor people living in rural and peri-urban areas in Armenia. It will empower people who are already economically active, or could become so, but do not have access to conventional forms of credit. The programme will develop a venture capital fund through the Fund for Rural Economic Development in Armenia (FREDA). It will ensure that among applicants for FREDA support, preference is given to those who engage women as suppliers and employees.

Loan amount: SDR 7.9 million (approximately US\$11.9 million) on highly concessional terms

Total programme cost: estimated at US\$32.3 million, of which IFAD will provide a grant of SDR 330,000 (approximately US\$500,000), OFID US\$10.0 million, participating financial institutions US\$900,000, national government US\$500,000 and beneficiaries US\$2.0 million; with US\$2.0 million from sources to be determined

Cooperating institution: UNOPS

Azerbaijan

Rural Development Project for the North-west

The project will support efforts to rehabilitate the deteriorating irrigation infrastructure and it will introduce participatory irrigation management practices to ensure that the systems remain efficient and sustainable. It will also help small farmers improve crop and livestock productivity and diversify their incomes. It will assist them in forming organizations to access a host of support services available from other agencies and projects operating in the area. And it will support the establishment of a sustainable microfinance system. Some 22,300 households of small farmers and pastoralists in four districts in north-west Azerbaijan will take part in the project.

Loan amount: SDR 10.9 million (approximately US\$17.2 million) on highly concessional terms

Total project cost: estimated at US\$32.3 million, of which the national government will provide US\$13.0 million, non-banking financial institutions US\$500,000 and beneficiaries US\$1.6 million

Directly supervised by IFAD

Djibouti**Programme for the Mobilization of Surface Water and Sustainable Land Management**

The programme will help improve the living conditions of 6,000 pastoral households in the regions of Tadjourah, Dikhil and Arta. The households rely on herding, on selling commodities such as salt and charcoal, and on remittances from relatives working in urban areas. About a third of the households depend on food aid and about half have little access to water for human and livestock use. The programme will rehabilitate and construct water points to make better use of rainwater runoff, and it will regenerate vegetative cover on rangelands. Participants will identify the most suitable water and rangeland activities and organize themselves to manage and maintain infrastructure programmes.

Grant amount: SDR 2.0 million (approximately US\$3 million)

Total programme cost: estimated at US\$11.6 million, of which the French Global Environment Facility will provide US\$1.3 million, GEF with UNDP as executing agency US\$1.1 million, WFP US\$3.5 million, beneficiaries US\$310,000, the national government US\$2.2 million and the African Water Facility US\$280,000

Cooperating institution: UNOPS

Morocco**Rural Development Project in the Mountain Zones of Errachidia Province**

The project will help tackle the root causes of rural poverty in the mountainous zones of Errachidia province in Morocco. People in the area are poor because social and economic services are inadequate, infrastructure is poor, land and water resources have been mismanaged and illiteracy rates are high. The project will provide about 140,000 poor rural people with training in agricultural techniques and vocational skills to help them boost agricultural production and to start on-farm and off-farm microenterprises. The project will also promote soil and water conservation and it will encourage income diversification by providing sustainable access to local financial and business counselling services.

Loan amount: SDR 12.0 million (approximately US\$18.3 million) on intermediate terms

Total project cost: estimated at US\$27.0 million, of which IFAD will provide a grant of SDR 325,000 (approximately US\$500,000), beneficiaries US\$700,000 and national government US\$7.6 million

Directly supervised by IFAD

Syrian Arab Republic

North-eastern Region Rural Development Project

The project will address the increasing stress on natural resources caused by the demands of Syria's growing population. It will work to improve irrigation efficiency and promote small businesses such as sheep and goat rearing, rural transport services and small-scale trading. The project will help the government establish a microfinance bank. About 190,000 households will take part in the project's activities.

Loan amount: SDR 13.4 million (approximately US\$20.1 million) on highly concessional terms

Total project cost: estimated at US\$58.0 million, of which OFID will provide US\$17.0 million, beneficiaries US\$900,000 and national government US\$20.0 million

Cooperating institution: UNOPS

Yemen

Rainfed Agriculture and Livestock Project

The project has the aim of halting and reversing the accelerating trend towards resource degradation in Yemen, through participatory natural resource management initiatives. The project will address the growing stress on the country's available natural resources, which is the result of a rapidly increasing population. Activities will upgrade and diversify rainfed agricultural and livestock production. The project will also promote microfinance and microenterprise development, marketing and partnerships with the private sector. About 185,000 households will take part, and about one third of them are headed by women.

Loan amount: SDR 10.9 million (approximately US\$16.6 million) on highly concessional terms

Total project cost: estimated at US\$42.2 million, of which beneficiaries will provide US\$5.6 million and national government US\$400,000

Cooperating institution: IDA

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 2007 focused on participatory technology development, community-based validation of innovative institutional arrangements, and promotion of knowledge-sharing through regional research and innovation networks. International and regional institutions for agricultural research that focus on the needs of poor rural people remain prominent grant recipients. The CGIAR constituency received a second IFAD grant commitment of approximately US\$11.5 million for pro-poor adaptive research within participatory innovation systems (see page 71).

Country-specific grants approved in 2007 mainly addressed policy and institutional factors that bear on the effectiveness of IFAD-supported programmes and projects. In the light of IFAD's new debt sustainability framework (DSF) (see page 58), the Executive Board agreed that IFAD should continue to implement the grants policy and procedures as amended in December 2003 and reviewed in September 2005. But the level for the country grant window should be reduced, and up to 1.5 per cent of the annual programme of work for this window should be allocated to those countries classified under the DSF as loan-only countries, in line with the performance-based allocation system (PBAS) (see page 32). Those countries that are categorized as at risk of debt distress would be eligible for grant financing as part of their PBAS for projects or programmes, and the existing criteria as established under the IFAD Policy for Grant Financing for grant selection and approval would continue to be applied.

Small grants (of less than US\$200,000) supported government and NGOs and community-based organizations, enabling them to pilot innovative, pro-poor technologies and undertake institution-building and knowledge-sharing activities at the local level. In 2007, IFAD approved significantly fewer small grants than in 2006 – 43 small grants were approved in 2007 as opposed to 75 in 2006. IFAD also developed a more streamlined system for approval and management of small grants, as part of its drive to improve efficiency and effectiveness. Five other grants were approved under the DSF for Cambodia, Nepal and the Niger, for a total of US\$1.5 million.

IFAD's regular grant portfolio for 2007 totalled US\$34.2 million – US\$8.9 million under the country-specific window and US\$25.3 million under the global and regional window. Grants can also be subdivided according to large (US\$28.5 million) and small (US\$5.7 million) grant categories. A summary of the large stand-alone grants approved by the Executive Board during the year is given below. The table also shows the five other DSF grants approved during the year for a total of US\$1.5 million.

TABLE 13
Summary of grant financing, 2004-2007^a
(amounts in US\$ million)

	2004	%	2005	%	2006	%	2007	%	2004-2007	%
Global/regional grants										
Amount	23.9	71.8	27.6	75.4	29.1	69.6	25.3	70.9	105.9	71.8
Number of grants	48		39		59		43		189	
Country-specific grants										
- Stand-alone										
Amount	6.1	18.3	2.8	7.7	7.8	18.7	5.0	14.0	21.9	14.9
Number of grants	33		15		39		19		106	
- Loan component										
Amount	3.3	9.9	6.2	16.9	4.9	11.7	3.9	10.9	18.1	12.3
Number of grants	6		12		11		10		39	
Total country-specific										
Amount	9.4	28.2	9.0	24.6	12.7	30.4	8.9	24.9	40.0	27.1
Number of grants	39		27		50		29		145	
Other DSF grants										
Amount							1.5	4.2	1.5	1.0
Number of grants							5		5	
Total all windows										
Amount	33.3	100.0	36.6	100.0	41.8	100.0	35.7	100.0	147.4	100.0
Number of grants	87		66		109		77		339	

Source: Loans and Grants System and Grants secretariat, Technical Advisory Division.

^a A new grant policy was approved in 2003. This table shows grant approvals following the approval of the new policy. Amounts related to activities financed under the Programme Development Financing Facility (PDFF) are not included in this table.

TABLE 14
Summary of grant financing, 1978-2003
(amounts in US\$ million)

	1978-2003	%
Projects and project component		
Amount	32.4	7.0
Number of grants	40	
Project preparation/Project Development Fund^{a, b}		
Amount	89.4	19.3
Number of grants	621	
Research		
Amount	172.5	37.3
Number of grants	216	
Training and other		
Amount	127.7	27.6
Number of grants	329	
Special Operations Facility^b		
Amount	18.1	3.9
Number of grants	185	
Environmental assessment^b		
Amount	4.2	0.9
Number of grants	52	
IFAD/NGO Extended Cooperation Programme		
Amount	18.7	4.0
Number of grants	275	
Total amount	463.0	100.0
Total number of grants	1 718	

Source: Project and Portfolio Management System.

^a 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.

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

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

Africa Rice Center: Programme for Enhancing Smallholder Access to New Rice for Africa (NERICA) Seeds for Alleviating Rural Poverty in Western and Central Africa (US\$1.5 million). The programme will increase access to NERICA seeds for the production of rice that has a short growing period, gives high yields, is resistant to major local pests and has a pleasant taste.

International Center for Agricultural Research in the Dry Areas: Programme for Technology Transfer to Enhance Rural Livelihoods and Natural Resource Management in the Arabian Peninsula (US\$1.5 million). The programme will improve the livelihoods of poor farmers and pastoralists in the peninsula by helping them adopt sustainable production and natural resource management technologies.

International Crops Research Institute for the Semi-Arid Tropics: Programme for Linking the Poor to Global Markets: Pro-poor Development of Biofuel Supply Chains (US\$1.5 million). The programme will explore how poor rural people living in remote, agroecologically fragile areas may benefit from growing interest in biofuels.

International Crops Research Institute for the Semi-Arid Tropics: Programme for Harnessing the True Potential of Legumes: Economic and Knowledge Component of Poor Families in Rainfed Areas in Asia (US\$1.4 million). The programme will promote wider adoption of grain legumes in the cropping systems of poor rural people in Asia to increase their agricultural production in a sustainable way.

International Crops Research Institute for the Semi-Arid Tropics: Programme for Integrated Innovations for Improving Legume Productivity, Market Linkages and Risk Management in Eastern and Southern Africa (US\$1.4 million). The programme will improve the productivity and value chains of grain legumes, which are highly valued by poor farmers in semi-arid areas as a source of food and cash income.

International Institute of Tropical Agriculture: Programme for the Participatory Development, Diffusion and Adoption of Cowpea Technologies for Poverty Reduction and Sustainable Livelihoods in West Africa (US\$1.2 million). The programme will improve the livelihoods of resource-poor farmers through participatory development of cowpea technologies and commodity chains. It will also build capacity and strengthen institutions and partnerships.

International Rice Research Institute: Programme for Alleviating Rural Poverty by Improving Rice Production in Eastern and Southern Africa (US\$1.5 million). The programme will increase rice production by up to 1 tonne per hectare over 600,000 hectares of existing rice-growing areas. This will improve the food security of poor farmers.

Republic of Iraq: Improved Livelihoods of Small Producers in Iraq through Integrated Pest Management and Organic Fertilization Programme (US\$1.2 million). The project, which will be implemented by ICARDA, will improve the livelihoods of small farmers in Iraq and empower them. It will promote sustainable agricultural production systems and build the capacities of local communities and agricultural development institutions.

Unity and Cooperation for People's Development: Global Programme to Address Marginalization of Poor Farmers and Migrants in Ecuador, Morocco and Senegal through Market Linkages and Promotion of Diversity (US\$1.8 million). The programme will reduce the marginalization of poor rural people and migrants through better management of their agro-biodiversity assets, leveraging traditional knowledge and local identity for improved incomes and livelihoods.

World Agroforestry Centre: Programme for Pro-poor Rewards for Environmental Services in Africa (US\$1.0 million). The programme will pilot-test the establishment of fair and effective ecosystem service agreements to compensate poor farmers and indigenous forest dwellers living in the highlands of Eastern and Western Africa.

World Soil Information: Programme for Green Water Credits – Pilot Operation (US\$1.5 million). Based on findings of recent applied research on options to build livelihood resilience, the programme will introduce a reward mechanism to encourage improved water resource management.

IFAD grants awarded to programmes and projects promoting the capacities of partner institutions

African Rural and Agricultural Credit Association: AFRACA Development Programme 2008-2012 (US\$1.1 million). AFRACA is an association of sub-Saharan African financial institutions that provide financial services to rural populations of the region. The 2008-2012 programme will help poor rural people overcome poverty by improving their access to financial services.

Executive Secretariat of the Andrés Bello Agreement: Regional Programme in Support of Rural Populations of African Descent in Latin America (US\$1.5 million). Afro-Latino people in the region suffer from intense social and economic exclusion. The programme will promote policy dialogue to address this discrimination and finance enhancement of social assets and knowledge management.

Federation of Production Cooperatives: Programme for the Development of Rural Finance Networks in the Republic of Paraguay (US\$680,000). The programme will promote networks of organizations to facilitate access by small-scale producers to financial services.

International Development Research Centre: Programme for Knowledge Networking for Rural Development in Asia/Pacific Region (ENRAP) – Phase III (US\$1.1 million). The programme will improve poor rural people's access to better technology, in line with one of the six strategic objectives of IFAD's Strategic Framework. It will also enhance knowledge-sharing about rural poverty reduction in the region.

International Fertilizer Development Center: Programme for Extending Agro-Input Dealer Networks (EADN) (US\$1.0 million). The programme will increase the incomes of poor farmers in remote rural areas in Kenya, Uganda and the United Republic of Tanzania by improving their access to agricultural inputs and technology, upgrading dealer capacity and networks, strengthening institutional capacity, improving market transparency, developing trade associations, and establishing and fortifying market linkages.

Microfinance Information Exchange: Programme for Building Market Information to Improve Performance Monitoring in Rural Finance (US\$948,000). The programme will contribute to developing inclusive financial systems that meet poor rural people's needs. In particular, it will make information on microfinance markets and service providers more transparent, a prerequisite to increasing the scale of microfinance.

Ministry of Finance of Papua New Guinea: Project for Local Governance and Community Participation in Oil-Palm-Growing Provinces (US\$500,000). The project will develop and demonstrate sustainable mechanisms for local governance. It will supplement grants provided by the government in the project areas and promote participatory planning and local accountability at the community level.

United Nations Office for Project Services: Regional Programme for Rural Development and Poverty Reduction – Regional Unit for Technical Assistance (US\$1.0 million). The programme will contribute to improvement of the quality and effectiveness of policies, strategies, programmes and projects in Central America. It will support the development of sustainable regional institutions and build the capacity of partner governments, civil society and donor agencies in the areas of poverty reduction and rural development.

United Nations Office for Project Services: Asian Project Management Support Programme (US\$1.4 million). The programme will enhance the effectiveness and efficiency of pro-poor rural development programmes in the region by improving their management, including effective planning, implementation, and monitoring and evaluation.





Financial and institutional aspects

Reidi Rosibel Ventura runs her own business growing and selling seedlings in Nahulingo, Sonsonate, El Salvador. An IFAD-supported project in the country's Paracentral Region worked with men and women providing technical assistance and credit for agricultural production, microenterprises and home improvements.

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IFAD's anticorruption policy

During 2007, IFAD improved its capacity to investigate alleged fraud and corruption and impose sanctions on those responsible. The President gave the Office of Audit and Oversight a specific mandate to handle investigations, and a Sanctions Committee was established to review investigative findings and recommend appropriate penalties.

IFAD adopted its Policy on Preventing Fraud and Corruption in its Activities and Operations in 2005 in response to international concern about corruption and development.

During the year, IFAD raised awareness of the mechanisms for reporting fraud and corruption both at headquarters and in the field to make it easier for people to report corruption. It also educated project staff in how to spot the most common types of fraud. And it worked to integrate the zero-tolerance stance towards corruption into the contractual and procedural guidance given to all staff and IFAD-supported programmes and projects.

Managing IFAD's liquidity, cash flow and financial policies

The Office of the Treasurer is responsible for IFAD's overall asset and liability management. This includes investment and cash-flow operations, longer-term resource projections, investment and liquidity policy formulation, and financial risk management. It manages US\$2.5 billion, all of which is fully committed to IFAD's loans and grants.

At the beginning of 2007, two new financial committees replaced the Investment Advisory Committee. The FALCO (Investment, Finance and Asset Liability Management Advisory Committee) serves as a forum for discussion, review and analysis of technical and operational issues. The FALCO reports to the FISCO (Investment and Finance Advisory Committee), which assists and advises the President of IFAD in making decisions concerning investment of funds and other strategic financial matters.

IFAD extended the 2006 asset reallocation to cash products into the first half of 2007. In July, it was unwound and reinvested in more strategic asset classes, that is, diversified fixed income and inflation-linked securities. This tactical asset allocation successfully preserved the investments and also enhanced 2007 investment performance despite the credit market turmoil and the subsequent financial market instability.

In order to increase operational efficiency and reduce its costs, the Office of the Treasurer reviewed existing contracts and, where necessary, initiated a competitive tendering process for external services such as the central clearer, the custodian, the financial adviser and external investment managers.

In 2007, the Office of the Treasurer successfully completed the tender process for banking services. It then started to realign all payment processing flows to better integrate financial IT systems, and to strengthen its efficiency, security, regulatory compliance and controls.

During 2007, Treasury continued to act as a focal point for the United Nations initiative to harmonize financial administrative operations among the three Rome-based agencies. The transformation of IFAD's Treasury into a services provider for the Rome-based agencies is a top priority and is to be implemented progressively during 2008.

Organization and staff

At the end of the year, IFAD had 468 staff members, including the independent Office of Evaluation. There were 227 Professional and higher-category staff, excluding the positions of President and Vice-President, and 241 General Service staff. In the Professional and higher categories, staff were nationals of 60 Member States, reflecting IFAD's adherence to the principle of equitable geographical distribution. Women made up 44 per cent of staff in the Professional and higher categories. As in previous years, IFAD hired consultants for specific tasks and other temporary staff to enable it to meet its operational needs during peak periods and conferences.

Under the Associate Professional Officer/Special Programme Officer Programmes, the organization benefited from the services of 18 professionals from nine donor countries: Belgium, Denmark, Finland, France, Germany, Italy, Norway, the Republic of Korea and Sweden. In the Internship Programme, at 31 December 2007 IFAD had accepted 29 professionals from 12 countries: Belgium, Canada, Denmark, France, India, Italy, Kuwait, Nepal, the Philippines, Togo, United Kingdom and United States of America.

In 2006, 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 opportunities to be recruited on the basis of merit and contribute to enhancing the equitable geographical distribution of IFAD staff. Under the new programme, two Associate Professional Officers were recruited during the year. They are from Lebanon and Mongolia.

As IFAD's Action Plan continued into its implementation phase, work started on the formulation of the management development programme in support of delivering change and the human resources reform agenda.

In order to raise professional standards and improve management skills, IFAD invested in a number of workshops and development and training courses for staff. These focused on developing skills in management, leadership, performance management, negotiation, communication, women's leadership, project supervision, implementation support, partnering, targeted selection interviewing and gender training. The organization also undertook staff development activities in areas such as security in the field and languages.

IFAD established a Human Resource Strategic Management Committee. This approves policies, amendments to the Human Resources Policies Manual and corporate staff plans, and monitors key human resource indicators.

IFAD continued to build capacity in the Office of Human Resources. It reorganized the human resource functions to strengthen client-service delivery. It also organized key learning interventions to facilitate change management across the organization and management of a higher performing workforce.

In October 2007, the organization successfully launched a two-day Staff Orientation Programme with presentations by senior managers. Thirty-three participants benefited from the initiative. The new programme will be repeated regularly. IFAD is also setting up a staff orientation website.

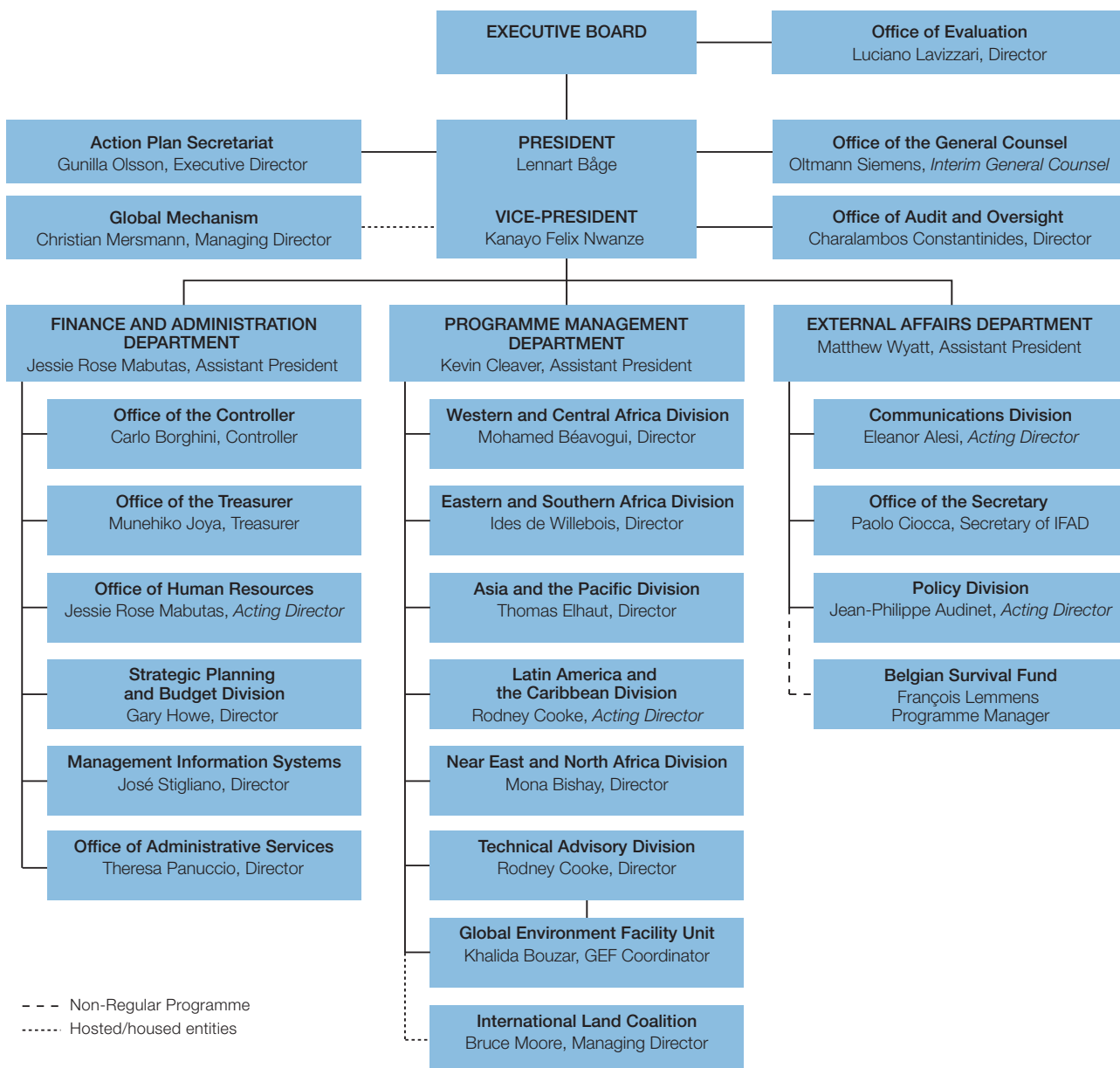
As in 2006, a grant from the Innovation Mainstreaming Initiative contributed to developing the institutional basis and supported innovative forms of staff development, including field immersions. This year, 18 participants spent two weeks in IFAD's three ongoing project areas in Madagascar.

In October, the organization introduced a new 360-degree performance review process for IFAD's middle and senior managers. The new review, which comprises a web-based competency assessment and a 360-degree survey, was designed to ensure the professional assessment of managerial competencies and adherence to IFAD's core values – focus on results, integrity, professionalism and respect. The data gathered in the performance review process will be used to help structure training and coaching activities for individuals and groups and to integrate information on performance.

During the year there was a marked increase in recruitment activity. This was facilitated by a new initiative on batch recruitment that has made the recruitment process more efficient.

Organizational chart

as of 31 December 2007



Membership and representation

As of 31 December 2007, IFAD had a total membership of 164 countries – 22 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>
Austria	Algeria	Angola	Afghanistan	Antigua and Barbuda
Belgium	Gabon	Benin	Albania	Argentina
Canada	Indonesia	Botswana	Armenia	Barbados
Denmark	Iran (Islamic Republic of)	Burkina Faso	Azerbaijan	Belize
Finland	Iraq	Burundi	Bangladesh	Bolivia
France	Kuwait	Cameroon	Bhutan	Brazil
Germany	Libyan Arab Jamahiriya	Cape Verde	Bosnia and Herzegovina	Chile
Greece	Nigeria	Central African Republic	Cambodia	Colombia
Iceland	Qatar	Chad	China	Costa Rica
Ireland	Saudi Arabia	Comoros	Cook Islands	Cuba
Italy	United Arab Emirates	Congo	Croatia	Dominica
Japan	Venezuela (Bolivarian Republic of)	Côte d'Ivoire	Cyprus	Dominican Republic
Luxembourg		Democratic Republic of the Congo	Democratic People's Republic of Korea	Ecuador
Netherlands		Djibouti	Fiji	El Salvador
New Zealand		Egypt	Georgia	Grenada
Norway		Equatorial Guinea	India	Guatemala
Portugal		Eritrea	Israel	Guyana
Spain		Ethiopia	Jordan	Haiti
Sweden		Gambia (The)	Kazakhstan	Honduras
Switzerland		Ghana	Kiribati	Jamaica
United Kingdom		Guinea	Kyrgyzstan	Mexico
United States		Guinea-Bissau	Lao People's Democratic Republic	Nicaragua
		Kenya	Lebanon	Panama
		Lesotho	Malaysia	Paraguay
		Liberia	Maldives	Peru
		Madagascar	Malta	Saint Kitts and Nevis
		Malawi	Moldova	Saint Lucia
		Mali	Mongolia	Saint Vincent and the Grenadines
		Mauritania	Myanmar	Suriname
		Mauritius	Nepal	Trinidad and Tobago
		Morocco	Niue	Uruguay
		Mozambique	Oman	
		Namibia	Pakistan	
		Niger	Papua New Guinea	
		Rwanda	Philippines	
		Sao Tome and Principe	Republic of Korea	
		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 ⁵	

5/ 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 2007^{6, 7}

Member	Governor	Alternate
AFGHANISTAN	Abdullah Ali (January 2007) Fatima Zaher (January 2007 – February 2007) Musa M. Maroofi (February 2007 –)	Abdul Razak Ayazi
ALBANIA	Jemin Gjana	Vera Cara (January 2007 – April 2007) Llesh Kola (April 2007 –)
ALGERIA	Said Barkat	Rachid Marif
ANGOLA	Gilberto Buta Lutucuta (January 2007 – February 2007) Afonso Pedro Canga (February 2007 –)	–
ANTIGUA AND BARBUDA	Leon Errol Cort	–
ARGENTINA	Victorio María José Taccetti	María del Carmen Squeff
ARMENIA	Davit Lokyan	Zohrab V. Malek
AUSTRIA	Kurt Bayer	Klaus Oehler
AZERBAIJAN	Emil Zulfugar Oglu Karimov	–
BANGLADESH	Akbar Ali Khan (January 2007) AB Mirza Azizul Islam (January 2007 – February 2007) AB Mirza Azizul Islam (February 2007 –)	Ayub Quadri (January 2007 – February 2007) –
BARBADOS	Erskine R. Griffith	–
BELGIUM	Jean De Ruyt (January 2007 – September 2007) Jan de Bock (September 2007 –)	Philip Heuts (January 2007 – September 2007) –
BELIZE	Vildo Marin	–
BENIN	Roger Dovonou	– Edgar-Yves Monnou (February 2007 –)
BHUTAN	Sangay Ngedup (January 2007 – February 2007) Dasho Sangay Thinley (February 2007 –)	Sonam Tobden Rabgye (January 2007 – February 2007) Yeshey Dorji (February 2007 –)
BOLIVIA	María Isabel Cadima Paz (January 2007 – June 2007) Esterban Elmer Catarina Mamani (June 2007 –)	–
BOSNIA AND HERZEGOVINA	Midhat Haračić	Tamara Dogo Kovačević
BOTSWANA	Peter Letlhogonolo Siele (January 2007) Oliphant Mfa (January 2007 –)	Mathias Chakalisa
BRAZIL	Paulo Bernardo Silva	José Carlos da Rocha Miranda (January 2007 – September 2007) Alexandre Meira da Rosa (September 2007 –)
BURKINA FASO	Jean-Baptiste Marie Pascal Compaoré	Mamadou Sissoko (January 2007 – November 2007)

6/ At its Twenty-Ninth Session, on 14 and 15 February 2007 His Excellency James Harvey (United Kingdom) served as chairperson of the Governing Council. His Excellency Sheikh Abdul Rahman bin Khalifa bin Abdul Azziz Al-Thani (Qatar) and Mr Fazlul Karim (Bangladesh) served as vice chairpersons.

7/ 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 2007 and/or will continue to serve after December 2007.

Member	Governor	Alternate
BURUNDI	Elie Buzoya (January 2007 – February 2007) Jean de Dieu Mutabazi (February 2007 -November 2007) Ferdinand Nderagakura (November 2007 –)	Cyprien Ndayegamiye
CAMBODIA	Chan Sarun	–
CAMEROON	Abdoulaye Aboubakary	Michael Tabong Kima
CANADA	Bruce Montador (January 2007 – December 2007) Roger Ehrhardt (December 2007 –)	Roger Ehrhardt
CAPE VERDE	José Eduardo Barbosa	Maria Goretti Santos Lima
CENTRAL AFRICAN REPUBLIC	Charles Massi	Ernest Gothard-Bassebe
CHAD	Albert Pahimi Padacke (January 2007 – March 2007) Haroun Kabadi (March 2007 –)	Boubakari Hamadou (January 2007 – December 2007) Hassanty Oumar Chaïb (December 2007 –)
CHILE	Gabriel Valdés Subercaseaux	Konrad Paulsen
CHINA	Li Yong	Ju Kuilin (January 2007 – July 2007) Yang Shaolin (August 2007 –)
COLOMBIA	Sabas Pretelt de la Vega	Francisco José Coy Granados
COMOROS	Siti Kassim	–
CONGO	Jeanne Dambenzet	Mamadou Kamara Dekamo
COOK ISLANDS	Wilkie Rasmussen	–
COSTA RICA	Victoria Guardia Alvarado de Hernández (January 2007) Yolanda Gago de Sinigaglia (January 2007 – June 2007) Luis París Chaverri (June 2007 –)	Yolanda Gago de Sinigaglia
CÔTE D'IVOIRE	Richard Gbaka Zady	–
CROATIA	Tomislav Vidosević	Ivo Resić
CUBA	Martha Lomas Morales	Alfredo Néstor Puig Pino (January 2007 – March 2007) Enrique Moret Echeverría (April 2007 –)
CYPRUS	George F. Poulides	Gabriel Odysseos
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	Kim Yong Suk	Choe Taek San (January 2007 – May 2007) –
DEMOCRATIC REPUBLIC OF THE CONGO	Romain Nimy (January 2007 – February 2007) François Joseph Mobuto Nzanga Ngbangawe (February 2007 –)	–
DENMARK	Ole E. Moesby	Dan E. Frederiksen (January 2007 – July 2007) Susanne Rumohr Hækkerup (July 2007 –)
DJIBOUTI	Abdoulkader Kamil Mohamed	Mohamed Moussa Chehem
DOMINICA	John Colin McIntyre (January 2007 – November 2007) Matthew Walter (November 2007 –)	–
DOMINICAN REPUBLIC	Mario Arvelo Caamaño	–
ECUADOR	Emilio Izquierdo Miño (January 2007 – August 2007) Mónica Martínez Mendiño (August 2007 – October 2007) Geoconda Galán Castelo (October 2007 –)	Mónica Martínez Mendiño

Member	Governor	Alternate
EGYPT	Amin Ahmed Mohamed Othman Abaza	– Ashraf Rashed (February 2007 –)
EL SALVADOR	José Roberto Andino Salazar	María Eulalia Jiménez Zepeda
EQUATORIAL GUINEA	Teodoro Nguema Obiang Mangue	–
ERITREA	Arefaine Berhe	Zemedede Tekle Woldetatos
ETHIOPIA	Adissu Legesse	Grum Abay Teshome
FIJI	Seremaia Tuinaugusori Cavuitati	–
FINLAND	Hannu Kyröläinen (January 2007 – October 2007) Anneli Vuorinen (October 2007 –)	Pekka Hukka
FRANCE	Ambroise Fayolle	–
GABON	Faustin Boukoubi	Yolande Bivigou
GAMBIA (THE)	Kanji Sanneh	Karamo Kebba Bojang (January 2007 – March 2007) Amie Nyan-Alaboson (March 2007 –)
GEORGIA	Petre Tsiskarishvili	Zaal Gogsadze
GERMANY	Michael Hofmann (January 2007 – November 2007) Adolf Klope-Lesch (November 2007 –)	–
GHANA	Ernest Akobuor Debrah (January 2007 – February 2007) Anna Nyamekye (February 2007 –)	Charles Agyei-Amoama
GREECE	Anastassis Mitsialis (January 2007 – October 2007) Charalambos Rocanas (October 2007 –)	Emmanuel Manoussakis
GRENADA	Joseph S. Charter	–
GUATEMALA	Francisco Bonifaz Rodríguez	Ileana Rivera de Angotti
GUINEA	Jean Paul Sarr (January 2007 – April 2007) Mahmoud Camara (April 2007 –)	Ibrahima Cherif Bah
GUINEA-BISSAU	Sola Na Quilin Na Bitchita (January 2007 – June 2007) Daniel Souleimane Embaló (June 2007 –)	–
GUYANA	Laleshwar K.N. Singh (January 2007) Robert Montgomery Persaud (January 2007 –)	Dindyal Permaul
HAITI	François Séverin (January 2007 – March 2007) Joanas Gue (March 2007 –)	Franck Hyppolite
HONDURAS	Héctor Hernández Amador	Nehemías Martínez
ICELAND	Jón Erlingur Jónasson	Hermann Örn Ingólfsson
INDIA	Palaniappan Chidambaram	Ashok Chawla (January 2007 – April 2007) Sindhushree Khullar (April 2007 –)
INDONESIA	J.B. Kristiadi (January 2007) Mulia Panusunan Nasution (January 2007 –)	Djafar Husein (January 2007 – March 2007) Susanto Sutoyo (March 2007 –)
IRAN (ISLAMIC REPUBLIC OF)	Eshagh Al Habib	–
IRAQ	Hoshiyar Mahmoud al-Zebari	–
IRELAND	Sean O’Huiginn	Padraic Dempsey
Member	Governor	Alternate

Member	Governor	Alternate
ISRAEL	Gila Livnat Rosiner (January 2007 – May 2007) Elazar Cohen (May 2007 – July 2007) Gila Livnat Rosiner (July 2007 –)	–
ITALY	Pier Paolo Cento	–
JAMAICA	Gail Marie Mathurin	–
JAPAN	Yuji Nakamura	Rintaro Tamaki (January 2007 – June 2007) Mitsuhiro Furusawa (June 2007 – October 2007) Tatsuo Yamasaki (October 2007 –)
JORDAN	Suhair al-Ali	–
KAZAKHSTAN	Akhmetzhan Smagulovich Yessimov	–
KENYA	Kipruto Rono Arap Kirwa	–
KIRIBATI	Martin Puta Tofinga (January 2007) Teima Onorio (January 2007 – December 2007) Tetabo Nakara (December 2007 –)	Tukabu Teroroko (January 2007) Tebwe Ietaake (August 2007 –)
KUWAIT	Bader Mishari Al-Humaidhi (January 2007 – November 2007) Mustafa Jasem al-Shamali (November 2007 –)	Abdulwahab Ahmed Al-Bader
KYRGYZSTAN	Alikbek Jekshenkulov (January 2007 – February 2007) Ednan O. Karabaev (February 2007 –)	–
LAO PEOPLE'S DEMOCRATIC REPUBLIC	Somdy Douangdy (January 2007 – October 2007) Somdy Douangdy (October 2007 –)	Phouphet Khamphounvong
LEBANON	Ghattas Akl	Rania Khalil Zarzour
LESOTHO	Daniel Rakoro Phororo (January 2007 – March 2007) Lesole Mokoma (March 2007 –)	Mathoriso Molumeli
LIBERIA	J. Christopher Toe	John B. Samuels
LIBYAN ARAB JAMAHIRIYA	Abdalla A. M. Zaied (January 2007 – February 2007) Abubaker Al-Mabruk Al-Mansuri (February 2007 –)	– Fatih Alseddek Beram (February 2007 –)
LUXEMBOURG	Jean-Louis Schiltz	Arsène Jacoby
MADAGASCAR	Randriarimanana Harison Edmond (January 2007 – February 2007) Ratolojanahary Marius De Sales Hygin (February 2007 –)	Auguste Richard Paraina (January 2007 – October 2007) Sambiheviny Findrama-Elson (October 2007 –)
MALAWI	Bingu wa Mutharika (January 2007) Bintony Kutsaira (January 2007 –)	Charles J. Matabwa (January 2007) Patrick Kabambe (January 2007 –)
MALAYSIA	Izzudin bin Dali (January 2007 – March 2007) Wan Abdul Aziz bin Wan Abdullah (March 2007 –)	Lily Zachariah (January 2007 – November 2007) –
MALDIVES	Abdullah Kamaludeen (January 2007 – July 2007) Hussain Hilmy (July 2007 –)	Hamdun Hameed (January 2007 – February 2007) Rilwan Shareef (February 2007 –)
MALI	Seydou Traoré (January 2007 – November 2007) Tiémoko Sangaré (November 2007 –)	Ibrahim Bocar Daga (January 2007 – December 2007) Mohammed Al Moustapha Cissé (December 2007 –)
Member	Governor	Alternate

Member	Governor	Alternate
MALTA	Pierre Hili (January 2007) Walter Balzan (January 2007 –)	Ritienne Bonavia
MAURITANIA	Mohamed Ould El Abed (January 2007 – May 2007) Abderrahmane Ould Hama Vezzaz (May 2007 –)	Yahya N'Gam (January 2007 – September 2007) Marièm Mint Mohamed Ahmedou (September 2007 –)
MAURITIUS	Arvin Boolell	Denis Cangy (January 2007) Krishnawtee Beegun (January 2007 –)
MEXICO	Rafael Tovar y de Teresa (January 2007 – September 2007) Jorge Eduardo Chen Charpentier (September 2007 –)	Vladimir Hernández Lara (January 2007 – May 2007) –
MOLDOVA	Anatolie Spivacenco	Lilia Razlog
MONGOLIA	Dendev Terbichdagva	Tserendorj Gankhuyag
MOROCCO	Moha Marghi	Ali Lamrani
MOZAMBIQUE	Aiuba Cuereneia	Ernesto Gouveia Gove
MYANMAR	Htay Oo	–
NAMIBIA	Michael Mutonga	Desmond R. Tshikesho
NEPAL	Mahantha Thakur (January 2007 – February 2007) Ganesh Kumar K.C. (February 2007 –)	Ganesh Kumar K.C. (January 2007 – February 2007) –
NETHERLANDS	A. M. Agnes van Ardenne-van der Hoeven (January 2007 – February 2007) Albert Gerard Koenders (February 2007 –)	Ewald Wermuth (January 2007 – August 2007) A. M. Agnes van Ardenne-van der Hoeven (August 2007 –)
NEW ZEALAND	Julie Clare MacKenzie (January 2007 – August 2007) Adele Bryant (August 2007 – September 2007) Douglas Frederick Lawrence Markes (September 2007 –)	Tiffany Jane Babington
NICARAGUA	Piero Coen Montealegre (January 2007 – October 2007) Martha Zuñiga Gutiérrez de Casari (October 2007 – December 2007) Mónica Robelo Raffone (December 2007 –)	Amelia Silvia Cabrera (January 2007 – July 2007) –
NIGER	Mireille Fatouma Ausseil	–
NIGERIA	Alhaji Adamu Bello (January 2007 – July 2007) Abba Sayyadi Ruma (July 2007 –)	–
NIUE	Young M. Vivian	–
NORWAY	Henrik Harboe	Ingrid Glad
OMAN	Khalfan bin Saleh Mohammed Al Naebi	–
PAKISTAN	Sikandar Hayat Khan Bosan (January 2007 – December 2007) Muhammed Isa Jan Baloch (December 2007 –)	Muhammad Akram Malik
PANAMA	Carlos A. Vallarino (January 2007 – July 2007) Héctor Alexander H. (July 2007 –)	Eudoro Jaén Esquivel
PAPUA NEW GUINEA	Rabbie Namaliu (January 2007 – September 2007) Patrick Pruaitch (September 2007 –)	Simon Tosali

Member	Governor	Alternate
PARAGUAY	Jorge Figueredo Fratta (January 2007 – November 2007) Humberto Galeano Bonzi (November 2007 –)	Liz Haydee Coronel Correa
PERU	Roberto Seminario Portocarrero (January 2007) Carlos Roca Cáceres (January 2007 –)	Pedro Alberto Mario Rubín Heraud (January 2007 – February 2007) Roberto Seminario Portocarrero (February 2007 – September 2007) Félix Denegri Boza (September 2007 –)
PHILIPPINES	Margarito B. Teves	–
PORTUGAL	Carlos Manuel Inácio Figueiredo	Carlos Manuel dos Santos Figueiredo
QATAR	Abdul Rahman bin Khalifa bin Abdul Azziz Al-Thani	Soltan Saad S.K. Al-Moraikhi
REPUBLIC OF KOREA	Cho Young-jai (January 2007 – October 2007) Kim Joong-Jae (October 2007 –)	Kim Chang-hyun (January 2007) –
ROMANIA	Nicolae Flaviu Lazin	Cristian Valentin Colteanu (January 2007 – August 2007) Radu Horumba (August 2007 –)
RWANDA	Anastase Murekezi	Emmanuel Ndagijimana
SAINT KITTS AND NEVIS	Cedric Roy Liburd	–
SAINT LUCIA	Ezechiele Joseph	Martin Satney
SAINT VINCENT AND THE GRENADINES	Montgomery Daniel	–
SAMOA	Taua Tavaga Kitiona Seuala	–
SAO TOME AND PRINCIPE	Cristina Maria Fernandes Dias	–
SAUDI ARABIA	Fahad bin Abdulrahman Balghunaim	Hamad bin Sulaiman Al Bazei
SENEGAL	Farba Senghor (January 2007 – October 2007) Hamanth Sall (October 2007 –)	Papa Cheikh Saadibou Fall
SEYCHELLES	Ronald Jumeau (January 2007 – July 2007) Joel Morgan (July 2007 –)	–
SIERRA LEONE	Sama Sahr Mondeh (January 2007 – October 2007) Sam Sesay (October 2007 –)	Foday Duramani Mohamed Seisay
SOLOMON ISLANDS	Toswell Kaua (January 2007 – July 2007) Severino Nuaiasi (July 2007 –)	Ezekiel Walaodo
SOMALIA	Abdulqadir Nur Arale	–
SOUTH AFRICA	Lenin Magigwane Shope	Margaret Mohapi
SPAIN	Eduardo Ibáñez López-Dóriga (January 2007 – September 2007)	Jorge Cabrera Espinós
SRI LANKA	E. Rodney M. Perera (January 2007 – June 2007) Saranya Hasanthi Urugodawatte Dissanayake (June 2007 – August 2007) Chandrasekara A.H.M. Wijeratne (August 2007 – November 2007) Hemantha Warnakulasuriya (November 2007 –)	Saranya Hasanthi Urugodawatte Dissanayake
SUDAN	Mohamed El Amin Kabashi Eisa	Ahmed Magdoub Ahmed
SURINAME	Jaswant Sahtoe	Gerhard Otmar Hiwat
SWAZILAND	Mtiti Fakudze	Christopher Nkwanyana

Member	Governor	Alternate
SWEDEN	Joakim Stymne	Stefan Emblad (January 2007 – May 2007) –
SWITZERLAND	Serge Chappatte	Lukas Siegenthaler
SYRIAN ARAB REPUBLIC	Adel Safar	Hassan Al-Ahmad
TAJIKISTAN	Hamrokhon Zarifi (January 2007) Sulton Valiev (January 2007 –)	–
THAILAND	Banphot Hongthong	Tritaporn Khomapat
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	Lidija Cadikovska	–
TIMOR-LESTE	Estanislau Alexio da Silva (January 2007 – May 2007) Francisco Benevides (May 2007 – August 2007)	Cesár José da Cruz
TOGO	Yves Madow Nagou (January 2007 – December 2007) Kossi Messan Ewovor (December 2007 –)	Ekoué Kandé Assiongbon (January 2007) Akla-Esso M'Baw Arokoum (January 2007 – December 2007)
TONGA	Viefa K. Tupou (January 2007 – February 2007) Sione Ngongo Kioa (February 2007 –)	–
TRINIDAD AND TOBAGO	Jarrette Narine (January 2007 – November 2007) Arnold A. Piggott (November 2007 –)	– Dennis Francis (April 2007 –)
TUNISIA	Mohamed Nouri Jouini	–
TURKEY	Sitki Uğur Ziyal	–
UGANDA	Ezra Suruma	– Hilary O. Onek (February 2007 –)
UNITED ARAB EMIRATES	Mohamed Khalfan bin Khirbash	Abdulla Ahmed Mohammed bin Abdul Aziz
UNITED KINGDOM	James Harvey	Elizabeth Nasskau
UNITED REPUBLIC OF TANZANIA	Stephen Masato Wasira	Wilfred J. Ngirwa
UNITED STATES	Henry M. Paulson	Anthony Wayne
URUGUAY	Ramón Carlos Abin De María	Gabriel Bellón (January 2007 – April 2007)
VENEZUELA (BOLIVARIAN REPUBLIC OF)	Nelson J. Merentes Díaz (January 2007 – May 2007) Rafael Eduardo Isea Romero (May 2007 –)	Rudolf Römer Pieretti (January 2007 – May 2007) Rafael Lacava Evangelista (May 2007 –)
VIET NAM	Tran Xuan Ha	Nguyen Thanh Do (January 2007) Yen Nguyen Thi Hong (January 2007 –)
YEMEN	Jalal Ibrahim Faqeera (January 2007 – April 2007) Mansour Ahmed Al-Hawshabi (April 2007 –)	Abdulrahman Mohammed Bamatraf
ZAMBIA	Daniel Kalenga	–
ZIMBABWE	Joseph M. Made (January 2007 – February 2007) Rugare Gumbo (February 2007 –)	Mary Margaret Muchada

List of Executive Board Directors

as of 31 December 2007⁸

Member		Alternate Member	
LIST A			
James Melanson	Canada	Heidi Pihlatie (January 2007 – August 2007) Riikka Laatu (August 2007 –)	Finland
Vincent Perrin (January 2007 – August 2007) François Marion (August 2007 –)	France	Philip Heuts (January 2007 – September 2007) Martine Van Dooren (September 2007 –)	Belgium
Bernd Dünzlaff (January 2007 – September 2007) Heike Kuhn (September 2007 –)	Germany	Lothar Caviezel (January 2007 – April 2007) Pio Wennubst (April 2007 –)	Switzerland
Augusto Zodda	Italy	Georgios Pandremenos	Greece
Kazumi Endo (January 2007 – June 2007) Chishiro Matsumoto (June 2007 – July 2007) Noriteru Fukushima (July 2007 –)	Japan	Kristian Højersholt	Denmark
Theo van Banning	Netherlands	Neil Briscoe (January 2007 – June 2007) Elizabeth Nasskau (June 2007 –)	United Kingdom
Arne B. Hønningstad	Norway	Ann Uustalu	Sweden
Mark M. Jaskowiak	United States	Eduardo Ibáñez López-Dóriga (January 2007 – September 2007) – (September 2007 –)	Spain
LIST B			
Hesham Ibrahim Al-Waqayan	Kuwait	Majed Ali Ahmed Omran Al Shamsi	United Arab Emirates
Ganyir Lombin (January 2007 – April 2007) Yaya O. Olaniran (April 2007 –)	Nigeria	Soltan Saad S.K. Al-Moraikhi	Qatar
Abdul Rahman Mohammad A. Alangari (January 2007 – June 2007) Bandar Bin Abdel Mohsin Al-Shalhoob (June 2007 –)	Saudi Arabia	Hasanuddin Ibrahim	Indonesia
Heidi González (January 2007 – February 2007) Rafael Eduardo Isea Romero (February 2007 – May 2007) Luis Arias Bellorín (May 2007 –)	Venezuela (Bolivarian Republic of)	Larbi Boumaza (January 2007 – April 2007) Mohamed Larbi Ghanem (April 2007 –)	Algeria

^{8/} 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 2007 and/or will continue to serve after December 2007.

Member		Alternate Member	
LIST C			
SUB-LIST C1			
Said Mohamed El Sayed Mansour (January 2007 – March 2007)	Egypt	Ibrahim Bocar Daga (January 2007 – December 2007)	Mali
Abdel Aziz Mohamed Hosni (March 2007 –)		Modibo Mahamane Touré (December 2007 –)	
–	South Africa	Médi MOUNGUI	Cameroon
Njabulo Nduli (March 2007 –)			
SUB-LIST C2			
Ju Kuilin (January 2007 – July 2007)	China	Mirza Qamar Beg (January 2007 – August 2007)	Pakistan
Yang Shaolin (July 2007 –)		Aamir Ashraf Khawaja (August 2007 – October 2007)	
		Muhammad Zia-ur Rehman (October 2007 – November 2007)	
		Tasnim Aslam (November 2007 –)	
Ashok Chawla (January 2007 – April 2007)	India	Sitki Uğur Ziyal (January 2007 – February 2007)	Turkey
Sindhushree Khullar (April 2007 –)			
SUB-LIST C3			
Benvindo Belluco	Brazil	Francisco Bonifaz Rodríguez	Guatemala
Rafael Tovar y de Teresa (January 2007 – September 2007)	Mexico	María del Carmen Squeff	Argentina
Jorge Eduardo Chen Charpentier (September 2007 –)			

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007*

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Appendix B1	Consolidated and IFAD-only statement of changes in retained earnings
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These consolidated 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 D) form an integral part of the financial statements.

* As submitted for endorsement to the ninety-third session of the Executive Board in April 2008 for further submission to the thirty-second 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

As at 31 December 2007 and 2006 (expressed in thousands of United States dollars)

Assets	Consolidated		IFAD-only	
	2007	2006	2007	2006
Cash on hand and in banks (note 4)	437 753	197 177	264 530	156 720
Investments (note 4)	2 503 846	2 364 673	2 402 377	2 258 424
Contributors' promissory notes (note 5)	343 819	337 804	324 925	313 226
Contributions receivable (note 5)	377 988	366 658	334 878	319 892
Less: provisions (note 6)	(168 485)	(169 360)	(168 485)	(169 360)
	553 322	535 102	491 318	463 758
Other receivables (note 7)	94 104	44 712	302 917	128 490
Loans outstanding (note 8 and appendix H)	3 580 767	3 210 750	3 580 767	3 210 750
Less: accumulated allowance for loan impairment losses (note 8 (a))	(56 569)	(55 608)	(56 569)	(55 608)
Less: accumulated allowance for the Debt Initiative for Heavily Indebted Poor Countries (HIPC) (note 10(b) and appendix I)	(98 186)	(183 404)	(98 186)	(183 404)
Net loans outstanding	3 426 012	2 971 738	3 426 012	2 971 738
Total assets	7 015 037	6 113 402	6 887 154	5 979 130
Liabilities and equity	Consolidated		IFAD-only	
	2007	2006	2007	2006
Payables and liabilities (note 11)	325 417	168 980	341 182	169 215
Undisbursed grants	117 621	73 430	65 960	49 367
Deferred revenues (note 12)	160 758	103 320	93 396	5 223
Total liabilities	603 796	345 730	500 538	223 805
Equity				
Contributions				
Regular	5 259 496	4 937 561	5 259 496	4 937 561
Special	20 348	20 348	20 348	20 348
Total contributions (appendix G)	5 279 844	4 957 909	5 279 844	4 957 909
General reserve	95 000	95 000	95 000	95 000
Fully committed retained earnings	1 036 397	714 763	1 011 772	702 416
Total equity	6 411 241	5 767 672	6 386 616	5 755 325
Total liabilities and equity	7 015 037	6 113 402	6 887 154	5 979 130

The accompanying notes in appendix D form an integral part of these financial statements.

APPENDIX B

Consolidated statement of revenues and expenses

For the years ended 31 December 2007 and 2006 (expressed in thousands of United States dollars)

	2007	2006 (restated)
Revenues		
Income from loans (note 8)	53 444	47 081
Income from cash and investments (note 14)	155 190	66 379
Income from other sources (note 15)	14 041	9 643
Income from contributions (note 16)	113 671	17 732
Income from foreign exchange rate movements	243 437	249 548
Total revenues	579 783	390 383
Operating expenses (note 18)		
Staff salaries and benefits (note 19)	(73 693)	(63 133)
Office and general expenses	(34 912)	(28 291)
Consultants and other non-staff costs	(27 859)	(29 384)
Cooperating institutions	(12 183)	(8 133)
Direct bank and investment costs (note 20)	(3 515)	(3 626)
Subtotal	(152 162)	(132 567)
Adjustment for changes in fair value (note 21)	(58 997)	(5 281)
Allowance for loan impairment losses (note 8(a))	3 126	(20 488)
Debt Initiative for HIPC expenses (note 10)	119 304	(28 859)
Grant expenses	(164 406)	(36 010)
Provision for past after-service medical scheme benefits (note 19(c))	(5 014)	(1 908)
Total operating expenses	(258 149)	(225 113)
Transfer to retained earnings	321 634	165 270

IFAD-only statement of revenues and expenses

For the years ended 31 December 2007 and 2006 (expressed in thousands of United States dollars)

	2007	2006 (restated)
Revenues		
Income from loans (note 8)	53 444	47 081
Income from cash and investments (note 14)	146 432	61 975
Income from other sources (note 15)	17 026	11 627
Income from foreign exchange rate movements	236 586	247 420
Total revenues	453 488	368 103
Operating expenses (note 18)		
Staff salaries and benefits (note 19)	(70 353)	(59 419)
Office and general expenses	(30 652)	(25 627)
Consultants and other non-staff costs	(24 041)	(25 460)
Cooperating institutions	(12 209)	(7 949)
Direct bank and investment costs (note 20)	(3 445)	(3 559)
Subtotal	(140 700)	(122 014)
Adjustment for changes in fair value (note 21)	(62 464)	(4 786)
Allowance for loan impairment losses (note 8(a))	3 126	(20 488)
Debt Initiative for HIPC expenses (note 10)	120 471	(27 776)
Grant expenses	(59 551)	(29 660)
Provision for past after-service medical scheme benefits (note 19(c))	(5 014)	(1 908)
Total operating expenses	(144 132)	(206 632)
Transfer to retained earnings	309 356	161 471

The accompanying notes in appendix D form an integral part of these financial statements.

APPENDIX B1

Consolidated statement of changes in retained earnings

For the years ended 31 December 2007 and 2006 (expressed in thousands of United States dollars)

	Total retained earnings
Opening balance as at 1 January 2006	549 493
Total revenues less operating expenses	165 270
Retained earnings as at 31 December 2006	714 763
Total revenues less operating expenses	321 634
Retained earnings as at 31 December 2007	1 036 397

IFAD-only statement of changes in retained earnings

For the years ended 31 December 2007 and 2006 (expressed in thousands of United States dollars)

	Total retained earnings
Opening balance as at 1 January 2006	540 945
Total revenues less operating expenses	161 471
Retained earnings as at 31 December 2006	702 416
Total revenues less operating expenses	309 356
Retained earnings as at 31 December 2007	1 011 772

The accompanying notes in appendix D form an integral part of these financial statements.

APPENDIX C

Consolidated cash-flow statement

For the years ended 31 December 2007 and 2006 (expressed in thousands of United States dollars)

	2007	2006
Cash flows from operating activities		
Interest received from loans	51 501	44 556
Payments of HIPC debt relief - interest	(10 500)	(9 040)
Receipts from/(payments for) investments	251 546	(32 568)
Receipts for non-replenishment contributions	204 900	30 380
Miscellaneous (payments)/receipts	(8 751)	20 582
Payments for operating expenses and other payments	(135 119)	(128 949)
Grant disbursements (IFAD)	(37 600)	(24 148)
Grant disbursements (non-IFAD)	(74 606)	(11 534)
Net cash flows from operating activities	241 371	(110 721)
Cash flows from investing activities		
Loan disbursements	(399 134)	(387 525)
Loan principal repayments	175 075	148 513
Payments of HIPC debt relief - principal	(32 861)	(25 515)
Net movement of held-to-maturity (HTM) investments	528	-
Net cash used in investing activities	(256 392)	(264 527)
Cash flows from financing activities		
Payments for replenishment contributions	294 372	197 599
Net cash used in financing activities	294 372	197 599
Effects of exchange rate movements on cash and cash equivalents	85 939	82 287
Net increase/(decrease) in unrestricted cash and cash equivalents	365 290	(95 362)
Unrestricted cash and cash equivalents at beginning of year	2 147 635	2 242 997
Unrestricted cash and cash equivalents at end of year	2 512 925	2 147 635
COMPOSED OF:		
Unrestricted cash	437 674	197 098
Unrestricted investments excluding HTM investments	2 075 251	1 950 537
Cash and cash equivalents at end of year	2 512 925	2 147 635

The accompanying notes in appendix D form an integral part of these financial statements.

APPENDIX D

Notes to the consolidated financial statements

NOTE 1

BRIEF DESCRIPTION OF THE FUND AND THE NATURE OF OPERATIONS

The International Fund for Agricultural Development (herein after IFAD or the Fund) is a specialized agency of the United Nations. IFAD formally came into existence on 30 November 1977, on which date the agreement for its establishment entered into force, and has its headquarters in Rome, Italy. The Fund and its operations are governed by the Agreement Establishing the International Fund for Agricultural Development.

Membership in the Fund is open to any state member of the United Nations or any of its specialized agencies, or of the International Atomic Energy Agency (IAEA). The Fund's resources come from Member contributions, special contributions from non-Member States and other sources, and funds derived or to be derived from operations.

The objective of the Fund is to mobilize additional resources to be made available on concessional terms primarily for financing projects specifically designed to improve food production systems, the nutritional level of the poorest populations in developing countries and the conditions of their lives. IFAD mobilizes resources and knowledge through a dynamic coalition of the rural poor, governments, financial and development institutions, non-governmental organizations and the private sector, including cofinancing. Financing from non-replenishment sources in the form of supplementary funds and human resources forms an integral part of IFAD's operational activities.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING 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 amortized cost using the effective interest method. Information is provided separately in the financial statements for entities where this is deemed of interest to the readers of the accounts.

The preparation of financial statements in conformity with IFRS requires use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

In 2007, IFAD implemented IFRS 7, "Financial instruments: Disclosures", and the complementary amendment to IAS 1, "Presentation of financial statements – Capital disclosures", which introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the entities' financial instruments, or the disclosures relating to other payables. For more information see notes 4(g), 5(d), 8(d)-(f), 9 and 17.

(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 (APOs) and programmatic and thematic supplementary funds; the Belgian Survival Fund Joint Programme (BSF.JP); and the Global Environment Facility (GEF)
- IFAD's Trust Fund for the Debt Initiative for Heavily Indebted Poor Countries (HIPC)
- IFAD's After-Service Medical Coverage Scheme (ASMCS) Trust Fund

These entities have a direct link to IFAD's core activities and are substantially controlled by IFAD. Accordingly, they are consolidated in IFAD's financial statements for reasons of completeness and clarity. All transactions and balances between these entities have been eliminated. Additional financial data for funds are drawn up as and when requested to meet specific donor requirements.

The BSF.JP programme of work – unlike that of other entities housed at IFAD – is prepared by IFAD and agreed upon an annual steering committee meeting with the Government of Belgium and IFAD. BSF.JP is complementary to IFAD and forms part of its core activities.

Entities housed at IFAD. These entities do not form part of the core activities of the Fund and, as such, are not included in the consolidation area. These entities 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.

(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 recognised 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.

(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 in accordance with IAS39.

(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.

The General Reserve is subject to a review every three years in order to assess its adequacy.

(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 fully committed for loans and grants. For operational purposes, reference should be made to the statement of IFAD-only resources available for commitment (appendix F).

(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 conditions precedent to effectiveness have been fulfilled. Upon signature, disbursement may commence.

All Fund loans are approved and 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.

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 cent) 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 per cent) 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 per cent) 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 Gaza 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 face the risk of having arrears with IFAD 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. Amounts of debt service forgiven are expected to be reimbursed by the Trust Fund on a pay-as-you-go basis (i.e. relief is when debt service obligations become due) to the extent that resources are available in the fund.

(b) Impact of the HIPC Debt Initiative

The Executive Board approves each country's debt relief in net present value terms. The estimated nominal equivalent of the principal components of the debt relief is recorded under accumulated allowance for the HIPC Debt Initiative, and as a charge to the HIPC Debt Initiative expenses in the statement of revenues and expenses. The assumptions underlying these estimates are subject to periodic revision. Significant judgement has been used in the computation of the estimated nominal value of allowances for the HIPC Debt Initiative.

The charge is offset and the accumulated allowance reduced by income received from external donors to the extent that such resources are available. The accumulated allowance for the HIPC Debt Initiative is reduced when debt relief is provided by the Trust Fund.

In November 2006, IFAD was granted access to the core resources of the World Bank HIPC Trust Fund, in order to assist in financing the outstanding debt relief once countries reach completion point. Financing is provided in net present value terms.

(iv) Measurement of loans

In accordance with IAS39 loans are initially recognized at fair value on day one and subsequently measured at amortized cost using the effective interest method. The fair value is 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, at the time of loan closure (i.e. when the loan is fully disbursed) using a model. The discount rates are calculated with reference to the estimated forward interest curve for the year of closure 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.

(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 amortized 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. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The majority of derivatives are not used as hedging instruments and therefore changes in the fair value of any of these derivative instruments are recognized immediately in the statement of revenues and expenses.

(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.

(h) Contributions (non-equity)

Contributions to non-replenishment resources are recorded as revenues in the period in which the related expenses occur. For project cofinancing activities, contributions received are recorded as revenues in the period in which the related grant becomes effective. Contributions relating to programmatic grants, APOs, BSF.JP 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 expenses 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 D1.

Individual donors provided human resources (in the form of APOs) to assist in IFAD's activities. The contributions received from donors are recorded as revenues and the related costs included in staff costs.

(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 expenses on effectiveness of the approved amount and as a liability for undisbursed amounts at fair value in accordance with IAS39. Cancellations of undisbursed balances are recognized as an offset to the expense in the period in which they occur.

(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 UNJSPF is the Open Group Aggregate method. The cost of providing pensions is charged to the statement of revenues and expenses 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 – like other participating organizations – is not in a 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 the Food and Agriculture Organization of the United Nations (FAO) for staff receiving a United Nations pension and eligible former staff on a shared-cost basis. The ASMCS operates on a pay-as-you-go basis, meeting annual costs out of annual budgets and staff contributions. Since 2006, an independent valuation is being performed on an annual basis.

In accordance with IAS19, IFAD has set up a trust fund into which it transfers the funding necessary to cover the actuarial liability.

(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 expenses 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 as the expenditures incurred are not considered to be material. The cost of some office furniture and equipment is

reimbursed to IFAD and therefore is actually owned by the host Government. However, these amounts are deemed immaterial.

(o) IFAD's 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 receipts 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.

(iii) 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 IAS39.

(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 2007, as in 2006 because 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. The Fund's Executive Board reviews a statement of resources available for commitment at every Executive Board session to ensure that resources are available to finance the loans and grants presented for approval.

NOTE 3

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(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 amortized costs of loans, undisbursed grants, deferred revenues, promissory notes and contributions receivable.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

(ii) HIPC Debt Initiative

Significant judgements have been used in the computation of estimated losses for the HIPC Debt Initiative and overdue loan repayments. Principal assumptions underlying the computations include the exchange rate between the SDR and the United States dollar, timing of eligibility of debt relief and the level of disbursements.

(b) Critical judgement in applying accounting policies

(i) Fair value accounting

Fair value accounting is required in order for IFAD to comply with International Financial Reporting Standards. Reconciliations between measurement at fair value and amortized cost using the effective interest method and nominal values have been provided with respect to loans, receivables, undisbursed grants and deferred revenues. In addition an IFAD only balance sheet on a nominal basis is included in the appendix E. For information

only, all the values included within appendix F (statement of IFAD-only resources available for commitment), appendix G (statement of contributions), appendix H (statement of loans), and appendix I (summary of the Debt Initiative for Heavily Indebted Poor Countries) continue to be shown including data on a nominal value basis.

NOTE 4

CASH AND INVESTMENT BALANCES

(a) Analysis of balances

As at 31 December

	Thousands of United States dollars	
	2007	2006
Unrestricted cash	437 674	197 098
Cash subject to restriction	79	79
Subtotal cash	437 753	197 177
Unrestricted investments	2 503 219	2 364 039
Investments subject to restriction	627	634
Subtotal investments	2 503 846	2 364 673
Total	2 941 599	2 561 850

(b) Cash and investments subject to restriction

Currencies not freely convertible: Cash and investments held by the Fund at 31 December 2007 in currencies not freely convertible amounted to US\$79,000 (2006 – US\$79,000) and US\$627,000 (2006 – US\$634,000), 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 2007, cash and investments at market value amounted to US\$2,775,046,000 excluding restricted and non-convertible currencies (2006 – US\$2,504,596,000), and comprised the following instruments:

	Thousands of United States dollars	
	2007	2006
Cash	437 674	197 098
Fixed-income instruments	2 336 754	1 776 083
Unrealized market-value loss on forward contracts	(136)	(5 145)
Time deposits and other obligations of banks	163 963	592 515
Futures	2 456	586
Options	182	-
Total cash and investments	2 940 893	2 561 137
Receivables for investments sold	53 489	22 888
Payables for investments purchased	(219 336)	(79 429)
Total	2 775 046	2 504 596

Fixed-income investments include US\$427,968,000 in held-to-maturity investments as at 31 December 2007 (2006 – US\$413,501,000).

(d) Composition of the investment portfolio by currency

The currency composition of cash and investments at 31 December was as follows:

	Thousands of United States dollars	
	2007	2006
Euro	837 956	801 693
Japanese yen	294 914	263 865
Pound sterling	294 594	236 641
United States dollar	1 347 582	1 202 397
Total	2 775 046	2 504 596

(e) Composition of the investment portfolio by maturity

The composition of cash and investments by maturity at 31 December was as follows:

	Thousands of United States dollars	
	2007	2006
Due in one year or less	640 794	1 094 770
Due after one year through five years	1 584 973	1 104 639
Due from five to ten years	160 590	167 487
Due after ten years	388 689	137 700
Total	2 775 046	2 504 596

The average life to maturity of the fixed-income investments included in the consolidated investment portfolio at 31 December 2007 was 77 months (2006 – 40 months).

(f) Held-to-maturity investments

	Thousands of United States dollars equivalent			
	US\$	Euro	Pound sterling	All other currencies
Cash	889	333	-	1 222
Corporate bonds	71 904	71 900	9 767	153 571
Government agencies	121 483	34 752	10 172	166 407
Government bonds	10 147	64 535	-	74 682
Supranational	19 994	12 092	-	32 086
Total 2007	224 417	183 612	19 939	427 968
Total 2006	232 726	180 775	-	413 501

The fair value of held to maturity investments as at 31 December 2007 was US\$430,342,000. (2006 – US\$407,592,000).

The maturity structure of held-to-maturity investments as at 31 December is as follows:

Period due	Thousands of United States dollars	
	2007	2006
Less than one year	76 401	81 806
1-2 years	95 165	60 806
2-3 years	91 199	91 164
3-4 years	73 689	96 930
4-5 years	81 753	82 795
5-6 years	9 761	-
	427 968	413 501

All investments due in less than one year have a maturity of more than three months from the date of purchase.

(g) Financial risk management

IFAD's investment activities are exposed to a variety of financial risk, market risk, credit risk, currency risk, and liquidity risk, as well as capital risk, as a going concern.

(h) Market risk

IFAD's investment portfolio is allocated into several asset classes in the fixed income universe in line with IFAD's investment policy. From time to time IFAD Management has taken short-term tactical measures to protect the overall portfolio from adverse market conditions.

Cash and held-to-maturity investments are internally managed; marked-to-market investments are managed by 12 external managers.

The weights and amounts of each asset class within the overall portfolio, together with the investment policy weights as at 31 December 2007 and 2006 are shown in table 1. Disclosures relate to IFAD only.

Table 1

Asset class and investment policy weights
As at 31 December 2007 and 2006

Asset class	Portfolio		Investment policy
	%	Millions of United States dollars	%
2007			
Short-term liquidity	6.8	169.5	5.5
Tactical short-term	1.6	40.3	-
Held to maturity	17.1	427.9	17.1
Government bonds	42.7	1 068.0	43.5
Diversified fixed-interest	17.0	425.1	13.9
Inflation-linked	14.8	370.2	20.0
Total	100	2 501.0	100

Asset class	Portfolio		Investment policy
	%	Millions of United States dollars	%
2006			
Short-term liquidity	3.8	89.6	5.5
Tactical short-term	19.6	462.4	-
Held to maturity	17.5	413.5	17.5
Government bonds	40.5	956.1	42.9
Diversified fixed-interest	4.3	100.5	14.1
Inflation-linked	14.3	336.5	20.0
Total	100	2 358.6	100

Each asset class is managed according to its own investment guidelines. The guidelines address a variety of market risk through restrictions on eligibility of instruments and on managers' activity by setting:

1. pre-assigned benchmarks and limits on deviations from benchmarks in terms of duration
2. tracking error limits
3. credit floors (please refer to (i) credit risk)

The benchmark indexes used for the respective portfolio are shown in table 2 below.

Table 2
Benchmark indexes by portfolio

Portfolio	Benchmark index
Short-term liquidity	Not applicable
Government bonds	JP Morgan Global Government Bond 1 to 5 year index, customized to the component currencies of the SDR valuation basket
Diversified fixed-interest	U.S. Lehman Aggregate Index (AA3 or above)
Inflation-linked	Customized index comprising the Barclays Capital Global Inflation-Linked Index (1-7 years) and the Barclays Capital Global Inflation-Linked Index (7 years and above)
Held to maturity	Equally-weighted extended sector benchmark (internally calculated on quarterly basis)

The upper limit for the duration is set at:

- One year above the benchmark for global government bonds asset class
- Two years above the benchmark for diversified fixed-interest asset class
- Not higher than seven years for the inflation-linked bonds asset class

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. The Fund no longer invests in equities.

The average duration of IFAD's investment portfolio at 31 December 2007 and 2006 and respective benchmarks are shown in table 3.

Table 3
Average duration of portfolios and benchmarks in years
As at 31 December 2007 and 2006

Portfolio	Portfolio		Benchmark	
	2007	2006	2007	2006
Short-term liquidity	-	0.06	n/a	n/a
Government bonds	2.7	2.1	2.5	2.5
Diversified fixed-interest	4.5	3.5	4.0	4.1
Inflation-linked	3.9	2.3	5.0	5.9
Held to maturity	2.5	2.5	2.5	2.5
Total average	2.9	1.8	2.9	2.5

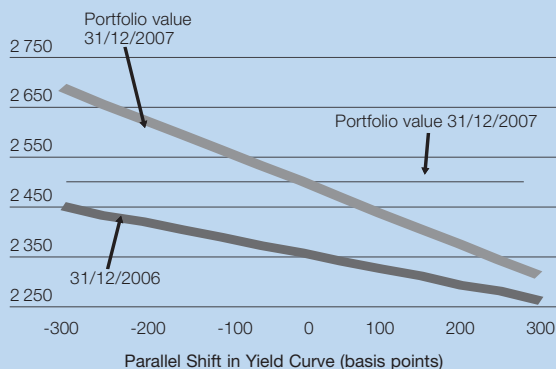
The sensitivity analysis of IFAD's overall investment portfolio in table 4 shows how a parallel shift in the yield curve (-300 to +300 basis points) would affect the value of the investment portfolio as at 31 December 2007.

Table 4
Sensitivity analysis on IFAD's investment portfolio

Basis point shift in yield curve	2007		2006	
	Change in value of externally managed portfolio	Total portfolio	Change in value of externally managed portfolios	Total portfolio
-300	188	2 689	94	2 453
-250	156	2 657	78	2 437
-200	125	2 626	63	2 421
-150	94	2 595	47	2 406
-100	63	2 564	31	2 390
-50	31	2 532	16	2 374
0	-	2 501	-	2 359
50	(31)	2 470	(16)	2 343
100	(63)	2 438	(31)	2 327
150	(94)	2 407	(47)	2 312
200	(125)	2 376	(63)	2 296
250	(156)	2 345	(78)	2 280
300	(188)	2 313	(94)	2 265

Graph 1 shows the negative relationship between yields and fixed income portfolio value.

Graph 1
Sensitivity analysis on IFAD's investment portfolio value
(Millions of United States dollars)



At 31 December 2007, if the general level of interest rates on the SDR currency markets had been higher/(lower) by 100 basis points (this is a parallel shift of the yield curves), the overall portfolio investment income would have been lower/(higher) by US\$6.3 million as a result of the capital losses (gains) on the marked-to-market portion of the portfolio (74 per cent of the total).

Table 5 shows the tracking error limits defined by the investment guidelines. Tracking error represents the annualized standard deviation of the return versus the benchmark, and it is a measure of the active risk taken by a manager in managing a portfolio.

Table 5
Tracking error ranges by portfolio

Portfolio	Tracking error (percentage per annum)
Government bonds	0.75-1.00
Diversified fixed-interest	0.75-1.00
Inflation-linked	2.00
Held to maturity	Not applicable

The overall investment portfolio's tracking error at 31 December 2007, based on a three-year history, was 0.22 per cent.

(i) Credit risk

The investment guidelines set credit floors for the eligibility of securities and counterparties. The eligibility of banks and bond issues is determined on the basis of ratings made by major credit-rating agencies. The minimum credit ratings for the portfolio of IFAD's overall investment portfolio, as allowed by the investment guidelines are shown in table 6.

Table 6
Minimum credit ratings per investment guidelines

Portfolio	Securities	Time deposits and CDs ^a	Spot and forwards ^b	IRS ^b
Short-term liquidity	n/a	A-1/P-1	n/a	n/a
Government bonds ^c	Moody's Aa3 or Standard & Poor's (S&P) AA- or Fitch AA-	A-1/P-1	A-1/P-1	n/a
Diversified fixed-interest ^c	Moody's S&P AA- or Fitch AA (exception: MBS and ABS AAA/Aaa by two of the 3 agencies)	A-1/P-1	A-1/P-1	AA-/Aa3
Inflation-linked ^c	Moody's Aa3 or S&P AA-	A-1/P-1	A-1/P-1	n/a
Held to maturity (HTM)	Moody's Aa3 or S&P AA- (exception: corporate bonds AAA/Aaa)	A-1/P-1	n/a	n/a

^a Minimum credit rating (Moody's P-1/S&P A-1) refers to the bank.

^b Minimum credit rating refers to the counterparty.

^c Futures and options are allowed if traded on regulated exchanges.

Note: ABS=asset backed securities; IRS=interest rate swaps; MBS=mortgage backed securities.

At 31 December 2007, the average credit ratings by portfolio were in line with or above the minimum ratings allowed by the investment guidelines (table 7).

Table 7
Average credit ratings by portfolio
As at 31 December 2007 and 2006

Portfolio	Moody's Credit Rating ^a	
	2007	2006
Short-term liquidity	P1	P1
Government bonds	Aaa	Aa1
Diversified fixed-interest	Aaa	Aaa
Inflation-linked	Aaa	Aa1
Held to maturity	Aaa	Aaa

^a The average credit rating is calculated, based on market values at 31 December 2007 and 2006 except for the held-to-maturity portfolio average rating, which is calculated on face values.

(j) Currency risk

IFAD's investment portfolio is used to minimize IFAD's overall currency risks. The majority of IFAD's commitments relate to undisbursed loans and grants denominated in SDR. Consequently, the overall assets of the Fund are maintained to the extent possible in an amount and in the currencies and 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 United States dollars.

The monitoring of the status of alignment to the SDR valuation basket is performed typically on a quarterly basis.

In case of misalignments that are considered persisting and significant, Management undertakes a realignment procedure by changing the currency ratios in IFAD's investment portfolio so as to realign the total assets to the desired SDR weights.

The degree of currency alignment of IFAD's overall asset subject to SDR alignment as at 31 December 2007 is shown in table 8.

Table 8
Alignment of assets to SDR basket (IFAD-only)
As at 31 December 2007

Currency group	Net asset amount (%)	SDR weights	Difference
United States dollar	39.8	40.1	(0.3)
Euro	36.0	38.0	(2.0)
Japanese yen	11.1	10.5	0.6
Pound sterling	13.1	11.4	1.7
Total	100.0	100.0	-

At 31 December 2007, if the United States dollar had depreciated (appreciated) by 10 per cent over the three other currencies in the SDR basket, the alignment of IFAD's assets would have been as shown in table 9.

Table 9
Sensitivity of alignment of assets to SDR basket (IFAD-only)
As at 31 December 2007

Currency group	Difference towards SDR weights	
	-10% of US\$ (%)	+10% of US\$ (%)
United States dollar	2.3	(2.5)
Euro	(3.7)	(0.6)
Japanese yen	0.2	1.0
Pound sterling	1.2	2.1
Total	-	-

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 SDRs and United States dollars.

The principal currencies in which loan repayments are due are shown in appendix H, section 4 and 10.

(k) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents to meet loan and grant disbursements as well as other administrative outflows as they arise. IFAD's Treasury maintains flexibility in funding by calculating estimated availability of funds from all relevant sources and monitors the liquidity situation based on various time lines. IFAD developed a liquidity policy, which was approved by the Executive Board in December 2006, to provide further safeguards in this area. The liquidity policy requires a minimum level of highly liquid assets in IFAD's investment portfolio equal to 60 per cent of the total annual gross disbursements (cash outflows) and potential additional requirements due to liquidity shocks. The appropriateness of level will be reviewed as part of the replenishment cycle. The current balance of highly liquid assets comfortably covers the minimum liquidity requirements.

(l) Capital risk

The overall policy regarding resources is reviewed by Management on a regular basis, and also with the principal stakeholders during each replenishment contribution process,

as a minimum. IFAD closely monitors its resource position on a regular basis in order to safeguard its ability to continue as a going concern. Consequently, it adjusts the amount of new commitments of loans and grants to be made during each calendar year dependent on the resources available. Longer term resource forecasting is carried out within the analysis performed through IFAD's financial model.

NOTE 5

CONTRIBUTORS' PROMISSORY NOTES AND RECEIVABLES

	Thousands of United States dollars	
	2007	2006
Promissory notes to be encashed		
Replenishment contributions	340 842	331 291
BSF contributions	21 632	27 093
Total	362 474	358 384
Fair value adjustment	(18 655)	(20 580)
Promissory notes to be encashed at fair value		
	343 819	337 804
Contributions receivable		
Replenishment contributions	355 812	347 022
BSF contributions	36 936	31 299
Supplementary contributions	13 018	20 616
Total	405 766	398 937
Fair value adjustment	(27 778)	(32 279)
Contributions receivable at fair value		
	377 988	366 658

(a) Initial, First, Second, Third, Fourth, Fifth and Sixth Replenishment contributions

These contributions have been fully paid except as detailed in note 6 and in the matrix below:

Contributions not paid/encashed (as at 31 December 2007)

Donor	Thousands of United States dollars	
	Replenishment	Amount
Brazil ^a	Sixth	5 278
Egypt	Sixth	1 050
France ^a	Sixth	23 393
Germany ^a	Sixth	28 000
Guatemala ^a	Sixth	23
Netherlands ^a	Sixth	20 568
Switzerland ^a	Sixth	7 379
United Kingdom ^{a,b}	Sixth	27 216
United States	Sixth	459

^a Cases for which Members and IFAD have agreed to special encashment schedules.

^b Part of this balance relates to a promissory note not deposited as at 31 December 2007.

(b) Seventh Replenishment

Details of contributions and payments made for the Seventh Replenishment are shown in appendix G. The Seventh Replenishment became effective on 22 December 2006.

(c) Special Programme for Africa (SPA)

Details of contributions to the SPA under the First and Second phases are shown in appendix G.

(d) Credit risk

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. Collectability risk is covered by the provisions on contributions.

NOTE 6

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 IFAD's policy, the Fund has established provisions at 31 December as follows:

	Thousands of United States dollars	
	2007	2006
Balance at beginning of the year	169 360	169 359
Total movements	(875)	1
Balance at end of year	168 485	169 360
Analysed as:		
Promissory notes of contributors (a)	80 898	80 898
Amounts receivable from contributors (b)	87 587	88 462
Total	168 485	169 360

(a) Provisions against promissory notes

As at 31 December 2007, all IFAD replenishment contributions up to and including the Sixth Replenishment, deposited in the form of promissory notes, have been drawn down 100 per cent and 30 per cent for the Seventh Replenishment. (31 December 2006 – 100 per cent up to the Sixth Replenishment).

As at 31 December 2007 and 2006, all First and Second phase SPA contributions have been fully drawn down.

In accordance with the policy, the Fund has established provisions against promissory notes as at 31 December:

	Thousands of United States dollars	
	2007	2006
IFAD		
Initial contributions		
Iran (Islamic Republic of)	29 358	29 358
Iraq	13 717	13 717
	<u>43 075</u>	<u>43 075</u>
First Replenishment		
Iraq	31 099	31 099
	<u>31 099</u>	<u>31 099</u>
Second Replenishment		
Mauritania	2	2
	<u>2</u>	<u>2</u>
Third Replenishment		
Democratic People's Republic of Korea	600	600
Libyan Arab Jamahiriya	6 087	6 087
Mauritania	25	25
	<u>6 712</u>	<u>6 712</u>
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 its policy, the Fund has established provisions against some of these amounts:

	Thousands of United States dollars	
	2007	2006
Initial contributions		
Comoros	10	10
Iran (Islamic Republic of)	83 167	83 167
	<u>83 177</u>	<u>83 177</u>
Second Replenishment		
Gabon	-	371
Iraq	2 000	2 000
	<u>2 000</u>	<u>2 371</u>
Third Replenishment		
Iran (Islamic Republic of)	2 400	2 400
Sao Tome and Principe	10	10
	<u>2 410</u>	<u>2 410</u>
Fourth Replenishment		
Kenya	-	504
	<u>-</u>	<u>504</u>
Total	87 587	88 462

NOTE 7

OTHER RECEIVABLES

	Thousands of United States dollars	
	2007	2006
Receivables for investments sold	53 489	22 888
Other receivables	40 615	21 824
Total	94 104	44 712

The amounts above are all expected to be received within one year of the balance sheet date.

NOTE 8

LOANS

(a) Accumulated allowance for impairment losses

An analysis of the accumulated allowance for loan impairment losses is shown below:

	Thousands of United States dollars	
	2007	2006
Balance at beginning of year	169 162	140 634
Net (decrease)/increase in allowance	(3 126)	20 488
Revaluation	7 954	8 040
Balance at end of year at nominal value	173 990	169 162
Fair value adjustment	(117 421)	(113 554)
Total	56 569	55 608

All loans included within the accumulated allowance are 100 per cent impaired.

(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 2007 would have been greater by US\$2,734,000 (2006 – US\$3,010,000). The corresponding figures relating to IFAD were US\$2,703,000 (2006 – US\$2,933,000) and SPA were US\$31,000 (2006 – US\$77,000). The Member States concerned are shown below:

(i) Borrowers in non accrual status – IFAD

As at 31 December 2007

	Thousands of United States dollars			
	Principal outstanding	Principal overdue	Income not accrued in 2007	In arrears since
Central African Republic	33 545	5 991	321	May 2001
Cuba	13 093	13 093	510	Sep 1989
Democratic Republic of the Congo	23 383	5 157	216	Feb 1993
Gaza and the West Bank	3 961	-	2	Apr 2007
Guinea-Bissau	6 911	1 903	68	Nov 1995
Liberia	16 043	12 242	454	Nov 1995
Seychelles	128	86	1	Jan 2002
Solomon Islands	3 440	647	34	Apr 2001
Somalia	27 261	13 774	265	Jan 1991
Togo	25 285	4 627	235	Sep 2000
Zimbabwe	26 114	11 691	597	Oct 2001
Total	179 164	69 211	2 703	

(ii) Borrowers in non accrual status – SPA

As at 31 December 2007

	Thousands of United States dollars			
	Principal outstanding	Principal overdue	Income not accrued in 2007	In arrears since Dec 1995
Guinea-Bissau	3 225	796	31	Dec 1995
Total	3 225	796	31	

The income from loans reported in the statement of revenues and expenses for 2007 includes US\$2,537,000 (2006 – US\$247,000) in respect of income received relating to prior years.

Details of loans approved and disbursed and of loan repayments appear in appendix H.

(c) Further analysis of loan balances

Thousands of United States dollars

	2007	2006
IFAD approved loans less cancellations and the adjustment for movements in value of total SDR loans in terms of US\$ (appendix H) 2007 – US\$8 939 817 2006 – US\$8 257 916		
Effective loans	8 197 827	7 470 714
Less: Undisbursed balance of effective loans	(2 285 970)	(2 089 191)
Repayments	(1 312 398)	(1 218 163)
Interest/principal receivable	24 018	19 197
Loans outstanding at nominal value	4 623 477	4 182 557
Fair value adjustment	(1 212 961)	(1 141 766)
Loans outstanding at fair value	3 410 516	3 040 791

SPA approved loans less cancellations and the adjustment for movements in value of total SDR loans in terms of US\$ (appendix H)

2007 – US\$349 425

2006 – US\$336 384

Effective loans	349 425	336 384
Less: Undisbursed balance of effective loans	(1 017)	(1 568)
Repayments	(61 305)	(52 078)
Interest/principal receivable	1 035	925
Loans outstanding at nominal value	288 138	283 663
Fair value adjustment	(117 887)	(113 704)
Loans outstanding at fair value	170 251	169 959

Total approved loans less cancellations and the adjustment for movements in value of SDR loans in terms of US\$

2007 – US\$9 289 242

2006 – US\$8 594 300

Effective loans	8 547 252	7 807 098
Undisbursed balance of effective loans	(2 286 987)	(2 090 759)
Repayments	(1 373 703)	(1 270 241)
Interest/principal receivable	25 053	20 122
Loans outstanding at nominal value	4 911 615	4 466 220
Fair value adjustment	(1 330 848)	(1 255 470)
Loans outstanding at fair value	3 580 767	3 210 750

(d) Credit risk

Because of the nature of its borrowers and guarantors, the Fund expects that each of its sovereign guaranteed loans will ultimately be repaid. Collectability risk is covered by both the accumulated allowance for loan impairment losses and the accumulated allowance for the HIPC Debt Initiative. Loans with amounts overdue more than 180 days are placed in non-accrual status.

(e) Market risk

The interest rate risk associated with IFAD's loan portfolio are believed to be minimal, as 91.7 per cent (31 December 2006 – 90.2 per cent) of the current outstanding portfolio relate to borrowers on highly concessional terms, hence not subject to variation on an annual basis. An analysis of the portfolio by type of lending term is found in appendix H, sections 5 and 11.

As at 31 December 2007, only 6 loans (31 December 2006 – 6 loans) have been formally repaid by the borrower in advance, with a total advance repayment of some US\$13,500,000 (31 December 2006 – US\$13,500,000) in nominal terms.

(f) Fair value estimation

The assumptions used in determining such fair value are not sensitive to changes in discount rates. The associated impact of the exchange rate movement between SDR and United States dollars is closely monitored.

NOTE 9

FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Thousands of United States dollars		
2007	Loans and receivables	Assets at fair value through the profit and loss	Held to maturity
Net loans outstanding	-	3 426 012	-
Other receivables	94 104	-	-
Held-to-maturity investments	-	-	427 968
Other financial assets at fair value through profit and loss	-	1 910 031	-
Cash and equivalents	-	437 753	-
Total	94 104	5 773 796	427 968
2006			
Net loans outstanding	-	2 971 738	-
Other receivables	44 712	-	-
Held-to-maturity investments	-	-	413 501
Other financial assets at fair value through profit and loss	-	1 894 631	-
Cash and equivalents	-	197 177	-
Total	44 712	5 063 546	413 501

NOTE 10

DEBT INITIATIVE FOR HEAVILY INDEBTED POOR COUNTRIES

(a) Impact of the HIPC Debt Initiative

IFAD has funded the HIPC Debt Initiative in the amount of US\$94,670,000 during the period 1998-2007. Details of funding from external donors on a cumulative basis are found in appendix D1.

For a summary of debt relief reimbursed since the start of the Initiative and of that expected in the future, please refer to appendix I. Debt relief approved by the Executive Board to date excludes all amounts relating to the enhanced Debt Initiative for the Central African Republic, Comoros, Côte d'Ivoire, Eritrea, Kyrgyzstan, Liberia, Nepal, Somalia, The Sudan and Togo.

Authorization for IFAD's share of this debt relief is expected to be given by the Executive Board in 2008-2010. At the time of preparation of the 2007 consolidated financial statements, the estimate of IFAD's share of the overall debt relief for these countries, principal and interest, was US\$213,500,000 (2006 – US\$200,920,000).

Gross investment income amounted to US\$1,168,000 (2006 – US\$1,085,000) from the HIPC Trust Fund balances.

The total cumulative cost of debt relief derives from the following sources:

	Thousands of United States dollars		
	2007	Movement	2006
IFAD contributions 1998-2007	94 670	25 000	69 670
Total contributions from external sources (appendix D1)	175 651	104 127	71 524
Net cumulative investment income	6 257	1 166	5 091
Short fall between debt relief approved and funds available	115 817	(112 234)	228 044
Cumulative net exchange rate movements	39 836	8 218	31 622
Total (appendix I)	432 231	26 280	405 951

(b) Accumulated allowance for the HIPC Debt Initiative

The balances for the years ended 31 December are summarized below:

	Thousands of United States dollars	
	2007	2006
Balance at beginning of year	279 393	264 527
Repayments of principal	(32 862)	(25 515)
Change in provision	(111 345)	28 419
Exchange rate movements	12 818	11 962
Balance at end of year	148 004	279 393
Fair value adjustment	(49 818)	(95 989)
Fair value equivalent	98 186	183 404

NOTE 11

PAYABLES AND LIABILITIES

	Thousands of United States dollars	
	2007	2006
Payables for investments purchased	219 336	79 429
ASMCS liability	41 355	32 922
Other payables and accrued liabilities	64 726	56 629
Total	325 417	168 980

Of the total above, approximately US\$76,141,000 (2006 – US\$64,800,000) is estimated to be payable in more than one year from the balance sheet date.

NOTE 12

DEFERRED REVENUES

Deferred contributions balances represent contributions received for which the revenue recognition has been deferred to future periods to match the related costs. Deferred income includes amounts relating to service charges received for which the related costs have not yet been incurred.

	Thousands of United States dollars	
	2007	2006
Deferred revenues	169 887	110 533
Fair value adjustment	(9 129)	(7 213)
Fair value equivalent	160 758	103 320

NOTE 13

NET FOREIGN EXCHANGE GAINS/LOSSES

The following rates of 1 unit of SDR in terms of United States dollars as at 31 December were used:

Year	US\$
2007	1.57592
2006	1.50387
2005	1.42633

The movement in the account for foreign exchange rates is explained as follows:

	Thousands of United States dollars	
	2007	2006
Opening balance at 1 January	784 190	534 250
Exchange movements for the year on:		
Cash and investments	95 259	81 323
Held-to-maturity investments	2 556	21 142
Net receivables/payables	2 868	(2 316)
Loans and grants outstanding	147 305	147 502
Promissory notes and Members' receivables	22 089	19 110
Member States' contributions	(26 719)	(16 821)
Total movements in the year	243 358	249 940
Closing balance at 31 December	1 027 548	784 190

The movement on this account excludes the gain/loss related directly to operations, which instead is included in total foreign exchange rate movements.

NOTE 14

INCOME FROM CASH AND INVESTMENTS

(a) Investment management

Since 1994, a major part of IFAD's investment portfolio has been entrusted to external investment managers under investment guidelines provided by the Fund. At 31 December 2007, funds under external management amounted to US\$1,892,200,000 (2006 – US\$1,393,100,000), representing some 75 per cent (2006 – 59 per cent) of total cash and investments.

(b) Derivative instruments

The Fund's investment guidelines authorize the use of the following types of derivative instruments:

(i) Futures

Future contracts open at year end were as follows:

	31 December	
	2007	2006
Number of contracts open:		
Buy	1 618	564
Sell	581	266
Net unrealized gains of open contracts (US\$ '000)	2 451	595
Maturity range of open contracts (days)	66 to 623	67 to 442

The underlying instruments of future contracts open at 31 December 2007 were government bonds and currencies.

(ii) Options

IFAD only permits the use of investment in exchange-traded options. It does not write option contracts. Relevant data for options at year end were as follows:

	31 December	
	2007	2006
Number of contracts open:		
Buy	1 104	627
Sell	1 064	561
Market value of open contracts (US\$ '000)	42	-
Net unrealized gains/(losses) of open contracts (US\$ '000)	191	(7)
Maturity range of open options (days)	25 to 350	78 to 353

The underlying instruments of option contracts open at 31 December 2007 were government bonds and money market indexes.

(iii) Covered forwards

The unrealized market-value loss on forward contracts at 31 December 2007 amounted to US\$136,000 (2006 – loss of US\$5,145,000). The maturity of forward contracts at 31 December 2007 ranged from 7 to 79 days (31 December 2006 – 5 to 79 days).

The underlying instruments of forward contracts open at 31 December 2007 were currencies.

(c) Income from cash and investments

The gross income from cash and investments for the year ended 31 December 2007 amounted to US\$155,190,000 (2006 – gross income of US\$66,379,000). This figure is gross of direct charges against investment income of US\$3,929,000 (2006 – US\$4,134,000), which are included in expenses.

	Thousands of United States dollars		
	MTM*	2007 HTM*	Total
Interest from fixed-income Investments	68 361	29 055	97 416
Net income from futures and options	543	-	543
Realized capital (loss)/gain from fixed-income securities	(2 461)	9 169	6 708
Unrealized gain/(loss) from fixed-income securities	43 359	(6 088)	37 271
Income from securities lending	1 531	360	1 891
Interest income from banks and non-convertible currencies	11 361	-	11 361
Total	122 694	32 496	155 190

*MTM=Marked to market; HTM=Held to maturity

	Thousands of United States dollars		
	MTM*	2006 HTM*	Total
Interest from fixed-income investments	76 083	15 925	92 008
Net loss from futures and options	(301)	-	(301)
Realized capital loss from fixed-income securities	(25 416)	(1 479)	(26 895)
Unrealized loss from fixed-income securities	(5 463)	-	(5 463)
Income from securities lending	588	52	640
Interest income from banks and non-convertible currencies	6 390	-	6 390
Total	51 881	14 498	66 379

*MTM=Marked to market; HTM=Held to maturity

For held-to-maturity investments, realized capital gains/(losses) relate to amortization.

The above figures include income for the consolidated entities, as follows:

	Thousands of United States dollars	
	2007	2006
IFAD	146 432	61 975
ASMCS Trust Fund	1 741	1 106
HIPC Trust Fund	1 168	1 085
BSF.JP	4 284	290
Other supplementary funds	5 226	3 644
Less: income deferred/reclassified	(3 661)	(1 721)
Total	155 190	66 379

The annual rate of return on consolidated cash and investments in 2007 was positive 6.10 per cent net of expenses (2006 – positive 2.6 per cent net of expenses). The annual rate of return on IFAD cash and investments in 2007 was 6.10 per cent positive net of expenses (2006 – 2.46 per cent positive net of expenses).

NOTE 15

INCOME FROM OTHER SOURCES

This income relates principally to reimbursement from the host Government for specific operating expenses. It also includes service charges received from entities housed at IFAD as compensation for providing administrative services. An analysis is given below:

	Thousands of United States dollars	
	2007	2006
Service charges	224	415
Host Government income	11 781	7 794
Income from other sources	2 036	1 434
Total	14 041	9 643

NOTE 16

INCOME FROM CONTRIBUTIONS

	Thousands of United States dollars	
	2007	2006 (restated)
Supplementary funds	107 840	12 425
BSF.JP	5 831	5 307
Total	113 671	17 732

From 2007, contributions to the HIPC Debt Initiative have been offset against the HIPC Debt Initiative expenses. Prior year numbers have been restated accordingly.

NOTE 17

FINANCE INCOME AND COSTS

	Thousands of United States dollars	
	2007	2006
Interest expenses:		
Bank charges	(581)	(540)
Investment managers' fees	(2 923)	(3 098)
Total	(3 504)	(3 638)
Finance income:		
Interest from fixed income investment	97 416	92 008
Interest income from banks and non-convertible currencies	11 361	6 390
Total	108 777	98 398
Net finance costs	105 273	94 760

NOTE 18

OPERATING EXPENSES

An analysis of IFAD operating expenses by principal funding source is shown in appendix J.

The Programme Development Financing Facility (PDFF) finances the multi-year expenses 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 expenses 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, RETIREMENT PLAN 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 (ASMCS) administered by FAO.

The number of full-time equivalent employees of the Fund and other consolidated entities by principal budget source during 2007 was as follows:

	Professional	General Service	Total
IFAD administrative budget	184	219	403
IFAD PDFF	17	27	44
IFAD other sources	18	21	39
BSF.JP	1	2	3
APO/SPO*	14	-	14
Programmatic funds	3	1	4
Total 2007	237	270	507
Total 2006	214	260	474

*Associate professional officer/special programme officer.

The above figures exclude 19 staff on temporary contracts at daily rates (2006 – -25).

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 per cent of pensionable remuneration. IFAD makes contributions on behalf of its staff (currently payable by the participant and IFAD at 7.9 per cent and 15.8 per cent, 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 2007 amounted to US\$8,024,000 (2006 – US\$7,283,000).

(c) After-Service Medical Coverage Scheme

The latest actuarial valuation for the ASMCS was carried out as at 31 December 2007. The methodology used was the projected unit-credit-cost method with service prorates. The principal actuarial assumptions used were as follows: discount rate, 5.5 per cent; return on invested assets, 5.0 per cent; expected salary increases, 3.0 per cent; medical cost increases, 5.0 per cent; inflation, 2.5 per cent; and exchange rate euro: US\$1.28. The results determined IFAD's liability as at 31 December 2007 to be some US\$41,355,000. The 2007 and 2006 financial statements include a provision and related assets constituted as follows as at 31 December:

	Thousands of United States dollars	
	2007	2006
Past service liability		
Total provision at 1 January	(32 922)	(27 919)
Interest cost	(1 470)	(1 247)
Current service charge	(1 949)	(1 694)
Reclassification/current service charge from non-IFAD entities	-	(154)
Actuarial losses	(5 014)	(1 908)
Provision at 31 December	(41 355)	(32 922)
Plan assets		
Total assets at 1 January	32 922	27 919
Interest earned on balances	1 742	1 247
Contributions	11 535	2 941
Actuarial losses	-	815
Total assets at 31 December	46 199	32 922

IFAD provides for the full annual current service costs of this medical coverage, including its eligible retirees. In 2007, such costs included within staff salaries and benefits in the financial statements amounted to US\$3,648,000 (2006 – US\$3,011,000).

(d) Actuarial valuation risk of the ASMC Scheme

A sensitivity analysis of the principal assumptions of the liability and service cost contained within the group data as at 31 December 2007 is shown below:

Impact on	Liability (Percentage)	Service cost (Percentage)
Exchange rate US\$:euro:		
1.46 instead of 1.28	+10.5	+10.5
Medical inflation:		
6.0 per cent instead of 5.0 per cent	+28.3	+40.3
Discount rate:		
4.5 per cent instead of 5.5 per cent	+25.3	+34.1

NOTE 20**DIRECT BANK AND INVESTMENT COSTS**

	Thousands of United States dollars	
	2007	2006
Investment management fees	(2 923)	(3 098)
Net other charges	(582)	(540)
Tax recoverable (paid)/received	(10)	12
Total	(3 515)	(3 626)

NOTE 21**ADJUSTMENT FOR CHANGE IN FAIR VALUE**

An analysis of the movement in fair value is shown below:

	Thousands of United States dollars	
	2007	2006
Loans outstanding	(16 067)	(19 326)
Accumulated allowance for loan impairment losses	(1 573)	19 342
Accumulated allowance for HIPC Debt Initiative	(50 771)	(3 430)
Net loans outstanding	(68 411)	(3 414)
Contributors' promissory notes	(3 215)	(4 309)
Contributions receivable	(8 705)	(19 174)
Contributions	10 613	22 572
Undisbursed grants	9 414	(1 867)
Deferred revenues	1 307	911
Total	(58 997)	(5 281)

NOTE 22**HOUSED ENTITY DISCLOSURES**

Grants include annual funding for entities housed at IFAD, i.e. ILC and the Global Mechanism as follows:

	Thousands of United States dollars		
	Cumulative	2007	2006
ILC	8 915	-	1 700
Global Mechanism	7 550	-	1 250
Total	16 465	-	2 950

At 31 December liabilities owed to/(from) IFAD by the Global Mechanism and ILC were:

	Thousands of United States dollars	
	2007	2006
ILC	(22)	413
Global Mechanism	1 470	1 435
Total	1 448	1 848

NOTE 23
CONTINGENT LIABILITIES

Contingent liabilities

IFAD has contingent liabilities in respect of debt relief announced by the World Bank/International Monetary Fund for 10 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 I.

NOTE 24
DATE OF AUTHORIZATION FOR ISSUE OF THE
CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are authorized for issue following the recommendation of the Audit Committee in April 2008 and endorsement by the Executive Board in April 2008. The 2007 consolidated financial statements will be submitted to the Governing Council for formal approval at its next session in February 2009. The 2006 consolidated financial statements were approved by the Governing Council at its thirty-first session in February 2008.

APPENDIX D1

Statement of complementary and supplementary contributions and unspent funds

As at 31 December 2007 and 2006

Statement of cumulative supplementary contributions including project cofinancing from 1978 to 2007 (Expressed in thousands of United States dollars)

Member States	Project cofinancing	APOs	Other supplementary funds	GEF	Total
Algeria			102		102
Angola			7		7
Australia ¹	2 721		84		2 805
Austria	755				755
Belgium ²	5 059	758	1 538		7 355
Belgium for BSF.JP			63 836		63 836
Canada			2 528		2 528
China			30		30
Colombia			25		25
Denmark	2 467	3 264	3 953		9 684
Finland	2 494	1 806	3 957		8 257
France	1 032	861	3 846		5 739
Germany	46	4 355	6 621		11 022
Ghana			102		102
Greece			102		102
Indonesia			50		50
Ireland	5 742		1 690		7 432
Italy	17 867	4 662	28 907		51 436
Japan	1 876	2 073	3 967		7 916
Jordan			15		15
Luxembourg	750		1 274		2 024
Malaysia			28		28
Morocco			50		50
Netherlands	67 054	4 629	10 151		81 834
Nigeria			50		50
Norway	19 687	1 672	4 936		26 295
Pakistan			25		25
Paraguay			15		15
Portugal	142		738		880
Republic of Korea		2 819			2 819
Senegal			15		15
South Africa			10		10
Spain			5 468		5 468
Suriname	2 019				2 019
Sweden	9 379	2 282	2 059		13 720
Switzerland	8 388	343	8 095		16 826
Turkey			47		47
United Kingdom	17 298		3 863		21 161
United States		322	85		407
Total Member States	164 776	29 846	158 269		352 891

¹ Australia's withdrawal from membership of IFAD became effective 31 July 2007.

² The contribution from Belgium includes US\$942,000 provided by BSF.JP.

APPENDIX D1

Statement of complementary and supplementary contributions and unspent funds

As at 31 December 2007 and 2006

Statement of cumulative supplementary contributions including project cofinancing from 1978 to 2007 (cont.) (Expressed in thousands of United States dollars)

Non-Member States and other sources	Project cofinancing	APOs	Other supplementary funds	GEF	Total
African Development Bank	2 800		153		2 953
Arab Bank	1 033		25		1 058
Arab Fund for Economic and Social Development	2 998				2 998
Arab Gulf Programme for United Nations Development Organizations	299				299
Congressional Hunger Center			183		183
European Commission	814		64 603		65 417
Food and Agriculture Organization of the United Nations	14		21		35
Liechtenstein			5		5
National Agricultural Cooperative Federation	35				35
Office of the United Nations High Commissioner for Refugees	1 976				1 976
Organization of the Petroleum Exporting Countries	50				50
Other			576		576
Service charges surplus	50				50
United Nations Office for the Coordination of Humanitarian Affairs	1 000				1 000
United Nations Fund for International Partnerships	81				81
World Bank	1 174		451	21 460	23 085
Total non-Member States and other sources	12 324		66 017	21 460	99 801
Total 2007	177 100	29 846	224 286	21 460	452 692
Total 2006	173 600	28 024	149 875	20 346	371 845

APPENDIX D1

Statement of complementary and supplementary contributions and unspent funds

As at 31 December 2007 and 2006

Statement of cumulative complementary and other contributions from 1978 to 2007

(Expressed in thousands of United States dollars)

Canada	1 511
India	1 000
United Kingdom	9 143

Contributions received from Belgium for the BSF.JP

	Currency	Amount (thousands)	Thousands of United States dollars equivalent
Fourth Replenishment	EUR	19 831	24 341
Fifth Replenishment	EUR	14 874	19 516
Sixth Replenishment	EUR	16 400	21 474
Subtotal	EUR	51 105	65 331

Contributions made in the context of replenishments to the HIPC Trust Fund

Italy	4 602
Luxembourg	1 053
Netherlands	14 024
Subtotal	19 679

Total complementary contributions 2007

96 664

Total complementary contributions 2006

87 248

Statement of contributions from Member States and donors to the HIPC Debt Initiative

(Expressed in thousands of United States dollars)

<i>Contributions made in the context of replenishments (see previous table)</i>	19 679
Belgium	2 713
European Commission	10 512
Finland	5 193
Germany	6 989
Iceland	250
Norway	5 912
Sweden	17 000
Switzerland	3 276
World Bank HIPC Trust Fund	104 127
Total contributions to IFAD's HIPC Trust Fund 2007	175 651
Total contributions to IFAD's HIPC Trust Fund 2006	71 524

APPENDIX D1

Statement of complementary and supplementary contributions and unspent funds

As at 31 December 2007 and 2006

Statement of supplementary and complementary contributions received in 2007

Contributions received for the new building in 2007	Currency	Amount (thousands)	Thousands of United States dollars equivalent
Algeria	EUR	70	94
Belgium (BSF.JP)	EUR	40	96
Ghana	EUR	70	100
Greece	EUR	70	59
Total		250	349

Contributions received for project cofinancing in 2007	Currency	Amount (thousands)	Thousands of United States dollars equivalent
Canada	CAD	1 200	1 058
Netherlands	US\$	152	152
Norway	NOK	9 000	1 506
United Kingdom	GBP	4 000	7 804
Total			10 520

Contributions received for associate professional officers in 2007	Currency	Amount (thousands)	Thousands of United States dollars
Belgium	US\$	148	148
Denmark	US\$	108	108
Finland	US\$	145	145
France	US\$	66	66
Germany	US\$	360	360
Italy	US\$	504	504
Norway	US\$	285	285
Republic of Korea	US\$	275	275
Total		1 891	1 891

Supplementary fund contributions received in 2007	Currency	Amount (thousands)	Thousands of United States dollars equivalent
African Development Bank	US\$	150	150
European Commission	EUR	42 750	62 656
Finland	EUR	400	545
Italy	EUR	3 000	4 230
Italy	US\$	310	310
Luxembourg	EUR	850	1 110
Netherlands	US\$	125	125
Spain	EUR	2 000	2 529
United Kingdom	GBP	288	568
Total			72 223

Supplementary fund contributions received for the HIPC Trust Fund in 2007	Currency	Amount (thousands)	Thousands of United States dollars
World Bank HIPC Trust Fund	US\$	104 127	104 127
Total			104 127

Complementary contributions received in 2007	Replenishment	Currency (thousands)	Amount (thousands)	Thousands of United States dollars equivalent
Belgium for the BSFJP ¹	RPLVI	EUR	9 531	12 890
India	RPLVI	US\$	1 000	1 000
United Kingdom	RPLVI	GBP	500	989
Total				14 879

¹ Payments include drawdown of promissory notes.

APPENDIX D1

Statement of complementary and supplementary contributions and unspent funds

As at 31 December 2007 and 2006

Statement of unspent complementary and supplementary contributions

(Expressed in thousands of United States dollars unless otherwise stated)

Statement of movement in contributions	Project cofinancing funds	APO funds	Other supplementary funds	GEF	Total
Unspent funds as at 1 January 2007	7 854	1 722	31 047	18 049	58 672
Contributions received from donors	7 980	1 891	72 874		82 745
Transfers	3 021		(3 021)		
Returned to donors	(7)	(73)	(176)		(256)
Interest added to funds	57	39		859	955
Expenses	(11 321)	(1 841)	(61 262)	(17 089)	(91 513)
Unspent funds as at 31 December 2007	7 584	1 738	39 462	1 819	50 603

Project cofinancing funds	Unspent balance as at 31 December	
	2007	2006
Member States		
Finland	52	-
Ireland	520	2 115
Italy	1 828	2 267
Japan	303	304
Netherlands	162	154
Norway	1 704	791
Suriname	-	2
Sweden	176	260
Switzerland	96	321
United Kingdom	1 709	619
Total Member States	6 550	6 833
Non-Member States		
Arab Bank	1 033	976
Arab Fund for Economic and Social Development	1	1
United Nations Fund for International Partnerships	-	4
World Bank	-	40
Total non-Member States	1 034	1 021
Total	7 584	7 854

Associate professional officer funds	Unspent balance as at 31 December		Cumulative number of APOs	
	2007	2006	2007	2006
Belgium	92	89	4	4
Denmark	217	210	20	20
Finland	163	208	10	10
France	76	122	4	4
Germany	289	254	28	27
Italy	479	371	21	20
Japan	47	47	11	11
Netherlands	2	73	29	29
Norway	224	83	9	9
Republic of Korea	100	57	8	8
Sweden	49	208	14	13
Switzerland	-	-	3	3
United States	-	-	3	3
Total	1 738	1 722	164	161

A total of 15 APOs worked at IFAD in 2007 (2006: 20). These were financed by Belgium (1), Denmark (1), Finland (2), France (1), Germany (3), Italy (4), Norway (1), the Republic of Korea (1) and Sweden (1).

APPENDIX D1

Statement of complementary and supplementary contributions and unspent funds

As at 31 December 2007 and 2006

Other supplementary and complementary funds	Unspent balance as at 31 December	
	2007	2006
Member States		
Belgium	19	19
Canada	1 412	899
Denmark	132	223
Finland	717	722
France	75	429
Germany	864	1 184
India	1 000	-
Ireland	981	445
Italy	12 812	11 594
Japan	184	339
Luxembourg	1 097	42
Malaysia	13	13
Netherlands	192	282
Norway	341	811
Portugal	154	219
Spain	5 187	2 631
Sweden	532	560
Switzerland	2 056	2 706
United Kingdom	5 821	5 786
Total Member States	33 588	28 904
Non-Member States		
African Development Bank	150	-
Congressional Hunger Center	-	4
European Commission	5 684	1 703
World Bank	13	409
Other	27	27
Total non-Member States	5 874	2 143
Total	39 462	31 047

Global Environment Facility

Recipient country	Cumulative contributions received as at 31 December 2007	Unspent at 1 January 2007	Received from donors	Expenses	Unspent at 31 December 2007
Asian regional	340	34		(14)	20
Brazil	5 988	5 942		(5 842)	100
China	350	99		(58)	41
Ethiopia	350	133		(101)	32
Global support for UNCCD ¹	637	25		-	25
Jordan	350	165		(24)	141
Kenya	4 700	4 700		(4 700)	-
Mali	6 326	6 011		(6 000)	11
Morocco	350	238		(198)	40
Sri Lanka	350	85		(85)	-
Tunisia	350	107		(67)	40
Unallocated	255	255		-	255
Total	20 346	17 794		(17 089)	705
Interest added to funds	1 114	255	859		1 114
Total	21 460	18 049	859	(17 089)	1 819

¹ UNCCD = United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa.

The International Fund for Agricultural Development
Rome

We have audited the accompanying consolidated Financial Statements (Appendices A, B, B1, C, D and D1) of the International Fund for Agricultural Development (the Fund) as at and for the year ended 31 December 2007. 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 of 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 2007, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Rome, 15 April 2008

PricewaterhouseCoopers SpA



John McQuiston
(Partner)

SUPPLEMENTAL INFORMATION

APPENDIX E

IFAD-only balance sheet at nominal value in United States dollars and retranslated in special drawing rights

As at 31 December 2007 and 2006

Assets	Thousands of United States dollars		Thousands of special drawing rights	
	2007	2006	2007	2006
Cash on hand and in banks (note 4)	264 530	156 720	167 857	104 210
Investments (note 4)	2 402 377	2 258 424	1 524 429	1 501 739
Contributors' promissory notes (note 5)	340 842	331 291	216 282	220 292
Contributions receivable (note 5)	355 812	347 022	225 780	230 752
Less: provisions (note 6)	(168 485)	(169 360)	(106 912)	(112 616)
	528 169	508 953	335 150	338 428
Other receivables (note 7)	302 917	128 490	192 215	85 440
Loans outstanding (note 8 and appendix H)	4 911 615	4 466 220	3 116 665	2 969 813
Less: accumulated allowance for loan impairment losses (note 8 (a))	(173 990)	(169 162)	(110 406)	(112 484)
Less: accumulated allowance for the HIPC Debt Initiative (note 10 (b)) and appendix I)	(148 004)	(279 393)	(93 915)	(185 783)
Net loans outstanding	4 589 621	4 017 665	2 912 344	2 671 546
Total assets	8 087 614	7 070 252	5 131 995	4 701 363

Liabilities and equity	Thousands of United States dollars		Thousands of special drawing rights	
	2007	2006	2007	2006
Payables and liabilities (note 11)	341 182	169 215	216 497	112 519
Undisbursed grants	76 848	54 216	48 764	36 051
Deferred revenues (note 12)	93 396	5 223	59 264	3 473
Total liabilities	511 426	228 654	324 525	152 043
Equity				
Contributions				
Regular	5 296 347	4 982 756	4 382 300	4 194 336
Special	20 348	20 348	15 219	15 219
Total contributions (appendix G)	5 316 695	5 003 104	4 397 519	4 209 555
General Reserve	95 000	95 000	60 282	63 170
Fully committed retained earnings	2 164 493	1 743 494	349 669	276 595
Total equity	7 576 188	6 841 598	4 807 470	4 549 320
Total liabilities and equity	8 087 614	7 070 252	5 131 995	4 701 363

A statement of IFAD's balance sheet is prepared in SDR, given that most 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.

APPENDIX F

Statement of IFAD-only resources available for commitment

For the years ended 31 December 2007 and 2006 (expressed in thousands of United States dollars)

		2007	2006
Assets in freely-convertible currencies	Cash	264 451	156 639
	Investments	2 401 751	2 257 790
	Promissory notes	339 444	329 892
	Other receivables ¹	69 840	128 490
		3 075 486	2 872 811
Less	Payables and liabilities	256 805	169 180
	Programme Development Financing Facility (PDFF) carry forward	2 257	3 879
	General Reserve	95 000	95 000
	Undisbursed effective loans	2 286 987	2 090 759
	Approved loans signed but not yet effective	280 246	302 504
	Undisbursed grants	76 848	54 216
		2 644 080	2 447 479
	Provision for promissory notes	80 898	80 898
		3 079 040	2 796 435
Resources available for commitment		(3 554)	76 376
Less	Loans not yet signed	461 745	484 698
	Grants not yet signed	120 053	44 994
Net resources pre-advance commitment authority (ACA)		(585 352)	(453 316)
ACA carried forward at 1 January		453 316	296 022
ACA approved at Executive Board sessions during the year		142 784	181 600
		596 100	477 622
Less	ACA covered in year	(10 748)	(24 306)
ACA carried forward at 31 December		585 352	453 316
Net resources available for commitment		-	-

¹ Other receivables excludes the interfund balance due from IFAD's HIPC and ASMCS Trust Funds.

APPENDIX G

Statement of contributions

As at 31 December 2007 and 2006

Summary of contributions

As at 31 December 2007 and 2006

	Thousands of United States dollars	
	2007	2006
Initial contributions	1 017 314	1 017 313
First Replenishment	1 016 372	1 016 372
Second Replenishment	566 560	566 560
Third Replenishment	553 509	553 495
Fourth Replenishment	361 394	361 394
Fifth Replenishment	441 170	440 641
Sixth Replenishment	569 136	519 898
Seventh Replenishment	588 145	325 211
Total IFAD	5 113 600	4 800 884
SPA Phase I	288 868	288 868
SPA Phase II	62 364	62 364
Total SPA	351 232	351 232
Special contributions ¹	20 348	20 348
Total replenishment contributions	5 485 180	5 172 464
Statement of complementary contributions		
Belgian Survival Fund	65 331	57 904
HIPC Debt Initiative	19 679	19 679
Other complementary contributions	11 654	9 665
Total complementary contributions	96 664	87 248
HIPC contributions not made in the context of replenishment resources	155 972	51 845
Belgian Survival Fund contributions not made in the context of replenishment resources	63 836	63 836
Statement of supplementary contributions²		
Project cofinancing	177 100	173 600
Associate professional officer funds	29 846	28 024
Other supplementary funds	160 450	86 039
Global Environment Facility	21 460	20 346
Total supplementary contributions	608 664	423 690
Total contributions	6 190 508	5 683 402
Total contributions include the following:		
Total replenishment contributions (as above)	5 485 180	5 172 464
Less provisions	(168 485)	(169 360)
Total net replenishment contributions	5 316 695	5 003 104
Less fair value adjustment	(36 851)	(45 195)
Total replenishment contributions at fair value	5 279 844	4 957 909

¹ Including Iceland's special contribution prior to membership.

² Includes interest earned according to each underlying agreement.

APPENDIX G

Statement of contributions

As at 31 December 2007 and 2006

Statement of Members' contributions¹

Member States	Initial, First, Second, Third, Fourth, Fifth and Sixth Replenishments (thousands of United States dollars equivalent)	Seventh Replenishment					
		Instruments deposited			Payments (thousands of United States dollars equivalent)		
		Currency	Amount (thousands)	Thousands of United States dollars equivalent	Cash	Promissory notes	Total
Albania	30	US\$	10	10	10		10
Algeria	51 330	US\$	1 100	1 100	330	770	1 100
Angola	260						
Argentina	7 900						
Armenia	11	US\$	4	4	4		4
Australia ²	37 247						
Austria	42 808	EUR	8 797	12 537	3 920	8 617	12 537
Azerbaijan	100						
Bangladesh	3 756	US\$	600	600	180	420	600
Barbados	10						
Belgium	73 540	EUR	9 810	14 266	4 704		4 704
Belize	205						
Benin	197						
Bhutan	105	US\$	30	30	30		30
Bolivia	1 200	US\$	300	300			
Bosnia and Herzegovina		US\$	75	75	75		75
Botswana	335	US\$	25	25	25		25
Brazil ³	44 020	US\$	7 916	7 916		7 916	7 916
Burkina Faso	159	US\$	100	100	100		100
Burundi	70						
Cambodia	420	US\$	210	210	210		210
Cameroon	855	US\$	794	794	794		794
Canada	169 828	CAD	37 277	35 715	23 125		23 125
Cape Verde	26						
Central African Republic	11						
Chile	700	US\$	100	100	100		100
China	40 839	US\$	16 000	16 000	6 000		6 000
Colombia	470	US\$	170	170	170		170
Comoros ⁴	34						
Congo	352						
Cook Islands	5						
Côte d'Ivoire	1 559						
Cuba	9						
Cyprus	162						
Democratic People's Republic of Korea ⁴	800						
Democratic Republic of the Congo	1 180						
Denmark	113 350	DKK	60 000	11 458	3 615		3 615
Djibouti	6						
Dominica	51						
Dominican Republic	88						
Ecuador	791						
Egypt ³	14 409	US\$	3 000	3 000	900	2 100	3 000
El Salvador	100						
Eritrea	20						
Ethiopia	191	US\$	30	30	30		30
Fiji	194						
Finland	31 526	EUR	6 516	9 222	2 619		2 619
France ³	206 659	EUR	24 000	35 089		11 696	11 696
Gabon	3 016						
Gambia (The)	45						
Germany ³	295 873	US\$	40 000	40 000		26 000	26 000
Ghana	966						
Greece	2 950	US\$	600	600	600		600
Grenada	75						
Guatemala ³	793	US\$	250	250			

APPENDIX G

Statement of contributions

As at 31 December 2007 and 2006

Statement of Members' contributions¹ (cont.)

Member States	Initial, First, Second, Third, Fourth, Fifth and Sixth Replenishments (thousands of United States dollars equivalent)	Seventh Replenishment					
		Instruments deposited			Payments (thousands of United States dollars equivalent)		
		Currency	Amount (thousands)	Thousands of United States dollars equivalent	Cash	Promissory notes	Total
Guinea	260	US\$	70	70	70		70
Guinea-Bissau	30						
Guyana	635						
Haiti	107						
Honduras	802						
Iceland	5	US\$	100	100	100		100
India	62 812	US\$	17 000	17 000	11 000		11 000
Indonesia	41 959	US\$	5 000	5 000			
Iran (Islamic Republic of) ⁴	128 750						
Iraq ⁴	53 099	US\$	670	670	670		670
Ireland ⁵	6 411	EUR	6 000	8 483	2 634		2 634
Ireland ⁵		EUR	891	1 154	1 154		1 154
Israel	300						
Italy	224 023						
Jamaica	326						
Japan	324 600	JPY	3 635 719	32 379	7 971	24 408	32 379
Jordan	740						
Kenya	4 518	US\$	66	66	66		66
Kiribati	5						
Kuwait	153 041	US\$	8 000	8 000	2 400	5 600	8 000
Lao People's Democratic Republic	154						
Lebanon	115	US\$	80	80			
Lesotho	289	US\$	100	100	100		100
Liberia	39						
Libyan Arab Jamahiriya ⁴	52 000						
Luxembourg	2 506	EUR	650	928	263	665	928
Madagascar	280	US\$	97	97	97		97
Malawi	73						
Malaysia	1 000						
Maldives	51						
Mali	63	US\$	127	127	127		127
Malta	55						
Mauritania ⁴	50						
Mauritius	270						
Mexico	30 131	US\$	3 000	3 000	1 000		1 000
Moldova	6	US\$	10	10	10		10
Morocco	6 244						
Mozambique	320	US\$	80	80	80		80
Myanmar	250						
Namibia	340	US\$	20	20	20		20
Nepal	160						
Netherlands ³	224 650	EUR	32 000	45 477	13 312	32 165	45 477
New Zealand	7 991						
Nicaragua	99	US\$	20	20	12		12
Niger	175						
Nigeria	101 440	US\$	5 000	5 000			
Norway	144 750	NOK	209 482	37 313	11 592		11 592
Oman	200	US\$	50	50	50		50
Pakistan	10 934	US\$	4 000	4 000	1 333	2 667	4 000
Panama	166	US\$	17	17	17		17
Papua New Guinea	170						
Paraguay	605						
Peru	760						
Philippines	1 778	US\$	24	24	24		24
Portugal	3 089	EUR	873	1 254	361	468	829

APPENDIX G

Statement of contributions

As at 31 December 2007 and 2006

Statement of Members' contributions¹ (cont.)

Member States	Initial, First, Second, Third, Fourth, Fifth and Sixth Replenishments (thousands of United States dollars equivalent)	Seventh Replenishment					
		Instruments deposited			Payments (thousands of United States dollars equivalent)		
		Currency	Amount (thousands)	Thousands of United States dollars equivalent	Cash	Promissory notes	Total
Qatar	29 980	US\$	10 000	10 000	7 000		7 000
Republic of Korea	10 239	US\$	3 000	3 000	1 000		1 000
Romania	150	US\$	100	100			
Rwanda	164						
Saint Kitts and Nevis	20						
Saint Lucia	22						
Samoa	50						
Sao Tome and Principe ⁴	10						
Saudi Arabia	379 778	US\$	10 000	10 000	3 000	7 000	10 000
Senegal	271	US\$	113	113	113		113
Seychelles	20						
Sierra Leone	37						
Solomon Islands	10						
Somalia	10						
South Africa	500						
Spain	12 700	EUR	24 000	35 089	35 089		35 089
Sri Lanka	6 884						
Sudan	889						
Swaziland	238	US\$	20	20	20		20
Sweden	164 544	SEK	251 400	37 681	24 715	12 966	37 681
Switzerland ³	95 170	CHF	21 323	18 834		6 271	6 271
Syrian Arab Republic	967	US\$	350	350	350		350
Thailand	750						
Togo	35						
Tonga	55						
Tunisia	2 578	US\$	600	600	200		200
Turkey	15 336	US\$	900	900	500		500
Uganda	245						
United Arab Emirates	51 180	US\$	1 000	1 000			
United Kingdom ³	179 104	GBP	27 725	55 189			
United Republic of Tanzania	264	US\$	57	57	57		57
United States ³	647 674	US\$	54 000	54 000		14 850	14 850
Uruguay	225						
Venezuela (Bolivarian Republic of)	174 689						
Viet Nam	1 103	US\$	500	500	100		100
Yemen	1 784	US\$	592	592	592		592
Yugoslavia	108						
Zambia	307						
Zimbabwe	2 103						
Total Member States							
31 December 2007	4 525 455			588 145	174 740	164 579	339 319
Non-Member States							
OPEC ⁶	20 000						
Other	348						
Total non-Member States	20 348						
31 December 2007	4 545 803			588 145	174 740	164 579	339 319
31 December 2006	4 475 673			325 210	11 089	104 791	115 880

¹ Amounts are expressed in thousands of United States dollars therefore payments from Afghanistan (US\$93) and Tajikistan (US\$600) do not appear on Appendix G.

² Australia's withdrawal from membership of IFAD became effective 31 July 2007.

³ See appendix D, note 5(a).

⁴ See appendix D, notes 6(a) and (b).

⁵ In addition to its pledge to the Seventh Replenishment of EUR 6 million, Ireland has made a further contribution of EUR 891,000.

⁶ Organization of the Petroleum Exporting Countries.

APPENDIX G

Statement of contributions

As at 31 December 2007 and 2006

Special Programme for Africa

	First phase			Second phase		
	Instruments deposited			Instruments deposited		
	Currency	Amount	Thousands of United States dollars equivalent	Amount	Thousands of United States dollars equivalent	Total
Australia	AUD	500	389			389
Belgium	EUR	31 235	34 975	11 155	12 263	47 238
Denmark	DKK	120 000	18 673			18 673
Djibouti	USD	1	1			1
European Union	EUR	15 000	17 619			17 619
Finland	EUR	9 960	12 205			12 205
France	EUR	32 014	37 690	3 811	4 008	41 698
Germany	EUR	14 827	17 360			17 360
Greece	US\$	37	37	40	40	77
Guinea	US\$	25	25			25
Ireland	EUR	380	418	253	289	707
Italy	EUR	15 493	23 254	5 132	6 785	30 039
Italy	US\$	10 000	10 000			10 000
Japan	JPY	2 553 450	21 474			21 474
Kuwait	US\$			15 000	15 000	15 000
Luxembourg	EUR	247	266			266
Mauritania ¹	US\$	25	25			25
Netherlands	EUR	15 882	16 174	8 848	9 533	25 707
New Zealand	NZD	500	252			252
Niger	EUR	15	18			18
Nigeria	US\$			250	250	250
Norway	NOK	138 000	19 759			19 759
Spain	US\$	1 000	1 000			1 000
Sweden	SEK	131 700	19 055	25 000	4 196	23 251
Switzerland	CHF	25 000	17 049			17 049
United Kingdom	GBP	7 000	11 150			11 150
United States	US\$	10 000	10 000	10 000	10 000	20 000
31 December 2007			288 868		62 364	351 232
31 December 2006			288 868		62 364	351 232

¹ See appendix D, notes 6(a) and (b).

APPENDIX G

Statement of contributions

As at 31 December 2007 and 2006

Statement of Members' replenishment contributions received in 2007¹ (Expressed in thousands of United States dollars)

Member States	Instruments deposited ^{2,3}	Promissory note deposit ²	Payments	
			Cash	Promissory note encashment
Second Replenishment				
Gabon			371	
Total			371	
Third Replenishment				
Gabon			15	
Total			15	
Fourth Replenishment				
Kenya			505	
Total			505	
Fifth Replenishment				
Argentina			1 500	
Australia				606
Kenya			50	
Switzerland				605
United Kingdom		20 150		19 666
Total		20 150	1 550	20 877
Sixth Replenishment				
Brazil				2 639
France				10 804
Gabon			13	
Germany				12 000
Italy			37 848	
Japan				8 015
Kenya			60	
Netherlands				8 201
Nigeria			4 757	
Sri Lanka			334	
Switzerland				5 766
United Arab Emirates				700
United Kingdom		9 704		7 725
United States				8 541
Total		9 704	43 012	64 391
Seventh Replenishment				
Algeria	1 100	1 100		330
Armenia	4		4	
Austria		11 393		3 920
Bangladesh				180
Belgium	13 238		4 704	
Bolivia	300			
Brazil		7 916		
Cambodia	210		210	
Canada	31 732	22 381		23 125
China			6 000	
Denmark		3 569		3 615
Egypt	3 000	3 000		900
Ethiopia	30		30	
Finland	8 541		2 620	
France		11 574		
Germany		26 000		

APPENDIX G

Statement of contributions

As at 31 December 2007 and 2006

Statement of Members' replenishment contributions received in 2007¹ (cont.) (Expressed in thousands of United States dollars)

Member States	Instruments deposited ^{2,3}	Promissory note deposit ³	Payments	
			Cash	Promissory note encashment
Greece	600		600	
Iceland	100		100	
India			6 000	
Iraq	670		670	
Ireland	1 154		3 788	
Japan		15 833		7 971
Kenya	66		66	
Kuwait	8 000	8 000		2 400
Luxembourg	843	843		262
Mali	127		127	
Mexico			1 000	
Moldova	4		4	
Mozambique	80	80		80
Netherlands				13 312
Nicaragua			2	
Nigeria	5 000			
Norway			11 592	
Oman	50		50	
Pakistan		4 000		1 333
Panama	8		8	
Portugal	1 161	797		361
Qatar			3 000	
Republic of Korea			1 000	
Romania	100			
Saudi Arabia				3 000
Senegal	113		113	
Spain	35 089		35 089	
Swaziland	20		20	
Sweden				24 715
Switzerland	17 661	5 900		
Tunisia			200	
Turkey			400	
United Arab Emirates	1 000			
United Kingdom	57 137			
United Republic of Tanzania	57		57	
United States	54 000	14 850		
Viet Nam	500		100	
Yemen	592		592	
Total	242 286	137 235	78 147	85 504
Grand total 2007	242 286	167 088	123 599	170 773

¹ Amounts are expressed in thousands of United States dollars therefore payment from Tajikistan (US\$200) does not appear.

² Instruments deposited also include equivalent instruments recorded on receipt of cash or promissory note where no instrument of contribution has been received.

³ Instruments deposited and promissory note deposit received in currencies other than United States dollars are translated at the date of receipt.

APPENDIX H

Statement of loans

1. IFAD: Statement of outstanding loans

As at 31 December 2007 and 2006

Borrower or guarantor	Approved loans less cancellations	Loans not yet effective	Effective loans			
			Undisbursed portion	Disbursed portion	Repayments	Outstanding loans
US\$ loans¹ (expressed in thousands)						
Bangladesh	30 000	-	-	30 000	14 250	15 750
Cape Verde	2 003	-	-	2 003	951	1 052
Haiti	3 500	-	-	3 500	1 706	1 794
Nepal	11 538	-	-	11 538	5 491	6 047
Sri Lanka	12 000	-	-	12 000	6 000	6 000
United Republic of Tanzania	9 489	-	-	9 489	4 692	4 797
Subtotal¹	68 530	-	-	68 530	33 090	35 440
Exchange adjustment on US\$ loans	3 446	-	-	3 446	3 153	293
Subtotal US\$ loans¹	71 976	-	-	71 976	36 243	35 733
SDR loans¹ (expressed in thousands)						
Albania	29 227	-	5 113	24 114	1 413	22 701
Algeria	1 398	-	785	613	49	564
Angola	17 250	5 250	571	11 429	447	10 982
Argentina	50 600	13 100	22 777	14 723	9 487	5 236
Armenia	45 649	7 900	1 932	35 817	450	35 367
Azerbaijan	32 659	10 850	6 802	15 007	210	14 797
Bangladesh ²	276 529	35 450	40 566	200 513	39 944	160 569
Belize	1 750	-	733	1 017	606	411
Benin	72 753	-	13 521	59 232	10 929	48 303
Bhutan	27 284	-	7 657	19 627	3 234	16 393
Bolivia	53 309	4 800	6 914	41 595	13 158	28 437
Bosnia and Herzegovina	32 757	8 800	622	23 335	553	22 782
Brazil	80 450	15 450	27 531	37 469	22 845	14 624
Burkina Faso	76 071	6 950	23 843	45 278	5 783	39 495
Burundi ²	41 689	-	11 758	29 931	7 272	22 659
Cambodia	27 778	-	5 170	22 608	155	22 453
Cameroon	38 879	-	17 294	21 585	3 684	17 901
Cape Verde	10 890	-	3 126	7 764	985	6 779
Central African Republic	23 044	-	-	23 044	1 758	21 286
Chad	26 150	-	20 877	5 273	-	5 273
China	360 539	35 800	45 197	279 542	37 654	241 888
Colombia	23 345	-	12 190	11 155	6 158	4 997
Comoros	4 182	-	-	4 182	882	3 300
Congo	13 950	-	10 526	3 424	-	3 424
Costa Rica	3 400	-	-	3 400	2 150	1 250
Côte d'Ivoire	25 276	-	14 558	10 718	1 564	9 154
Cuba	10 581	-	-	10 581	2 273	8 308
Democratic People's Republic of Korea	50 496	-	1 408	49 088	4 528	44 560
Democratic Republic of the Congo	39 693	-	20 070	19 623	3 905	15 718
Djibouti	4 462	-	2 216	2 246	643	1 603
Dominica	2 902	-	-	2 902	1 266	1 636
Dominican Republic	18 458	-	85	18 373	9 754	8 619
Ecuador	32 226	-	9 263	22 963	12 616	10 347
Egypt	134 705	-	28 627	106 078	31 089	74 989
El Salvador	73 010	19 450	7 930	45 630	17 933	27 697
Equatorial Guinea	5 794	-	-	5 794	1 118	4 676
Eritrea	24 950	-	10 054	14 896	855	14 041
Ethiopia	143 057	13 300	27 172	102 585	15 988	86 597
Gabon	8 593	3 800	-	4 793	4 680	113
Gambia (The)	29 214	4 150	3 658	21 406	3 612	17 794
Georgia	16 468	-	9 083	7 385	144	7 241
Ghana	104 577	14 250	26 063	64 264	8 527	55 737
Grenada	3 250	-	2 231	1 019	325	694
Guatemala	64 926	11 350	27 138	26 438	13 861	12 577
Guinea-Bissau	5 117	-	-	5 117	732	4 385
Guinea	74 549	-	24 937	49 612	6 921	42 691
Guyana	9 150	1 850	856	6 444	243	6 201
Haiti	60 852	8 800	20 427	31 625	8 003	23 622
Honduras	67 561	4 550	7 777	55 234	4 132	51 102
India	397 778	30 800	88 242	278 736	75 162	203 574
Indonesia ²	109 219	14 300	7 897	87 022	36 854	50 168
Jamaica	2 253	-	-	2 253	2 230	23
Jordan	32 255	-	9 784	22 471	10 063	12 408
Kenya	77 761	-	46 672	31 089	5 446	25 643
Kyrgyzstan	7 469	-	372	7 097	131	6 966
Lao People's Democratic Republic	49 573	-	11 676	37 897	4 164	33 733
Lebanon	14 533	-	-	14 533	9 535	4 998
Lesotho	24 164	2 850	3 124	18 190	2 973	15 217

APPENDIX H

Statement of loans

1. IFAD: Statement of outstanding loans (cont.)

As at 31 December 2007 and 2006

Borrower or guarantor	Approved loans less cancellations	Loans not yet effective	Effective loans			
			Undisbursed portion	Disbursed portion	Repayments	Outstanding loans
Liberia	10 180	-	-	10 180	-	10 180
Madagascar ²	88 322	11 650	17 572	59 100	9 921	49 179
Malawi ²	70 241	5 350	11 652	53 239	12 132	41 107
Maldives	10 894	2 350	2 580	5 964	1 261	4 703
Mali	78 365	-	18 655	59 710	9 637	50 073
Mauritania	41 467	-	14 628	26 839	4 964	21 875
Mauritius	8 200	-	2 738	5 462	1 640	3 822
Mexico	53 300	-	35 626	17 674	10 233	7 441
Moldova	25 200	-	12 963	12 237	-	12 237
Mongolia	13 705	-	4 199	9 506	125	9 381
Morocco	76 559	11 950	30 434	34 175	21 569	12 606
Mozambique ²	94 458	-	28 310	66 148	8 993	57 155
Namibia	4 200	-	-	4 200	2 100	2 100
Nepal	72 562	-	19 678	52 884	14 484	38 400
Nicaragua	38 832	2 550	14 666	21 616	1 357	20 259
Niger	40 955	-	16 076	24 879	4 214	20 665
Nigeria	118 011	45 400	33 422	39 189	8 104	31 085
Pakistan ²	254 392	22 850	52 544	178 998	68 713	110 285
Panama	38 755	-	18 618	20 137	13 370	6 767
Papua New Guinea	3 901	-	-	3 901	2 597	1 304
Paraguay	19 808	-	7 651	12 157	9 632	2 525
Peru	54 950	9 050	8 678	37 222	16 817	20 405
Philippines	58 512	-	19 081	39 431	7 856	31 575
Romania	12 400	-	-	12 400	3 307	9 093
Rwanda ²	84 816	-	21 847	62 969	8 510	54 459
Saint Lucia	1 242	-	-	1 242	625	617
Saint Vincent and the Grenadines	1 484	-	-	1 484	1 064	420
Samoa	1 908	-	-	1 908	482	1 426
Sao Tome and Principe	13 761	-	5 861	7 900	1 325	6 575
Senegal	62 414	-	14 640	47 774	3 488	44 286
Seychelles	824	-	-	824	743	81
Sierra Leone	26 500	-	5 433	21 067	7 393	13 674
Solomon Islands	2 519	-	-	2 519	336	2 183
Somalia	17 710	-	-	17 710	411	17 299
Sri Lanka	112 505	12 600	38 770	61 135	13 829	47 306
Sudan ²	129 500	16 800	28 472	84 228	19 557	64 671
Swaziland	16 353	-	7 110	9 243	3 627	5 616
Syrian Arab Republic	69 609	13 380	26 493	29 736	21 548	8 188
The former Yugoslav Republic of Macedonia	11 758	-	112	11 646	279	11 367
Togo	17 565	-	-	17 565	1 521	16 044
Tonga	4 837	-	-	4 837	1 008	3 829
Tunisia	43 949	-	19 754	24 195	10 718	13 477
Turkey	42 722	-	22 830	19 892	16 391	3 501
Uganda ²	132 820	9 950	46 161	76 709	14 633	62 076
United Republic of Tanzania	126 407	-	43 967	82 440	5 516	76 924
Uruguay	18 880	-	5 368	13 512	9 159	4 353
Venezuela (Bolivarian Republic of)	27 920	-	16 615	11 305	8 502	2 803
Viet Nam	116 350	22 300	32 959	61 091	1 836	59 255
Yemen ²	138 036	10 850	26 034	101 152	24 910	76 242
Zambia	79 003	-	18 253	60 750	9 519	51 231
Zimbabwe	32 176	-	-	32 176	15 605	16 571
Total	5 718 141	470 830	1 447 275	3 800 036	906 637	2 893 399
Fund for Gaza and the West Bank ³	5 800	-	3 287	2 513	-	2 513
US\$ equivalent	9 020 473	741 990	2 285 970	5 992 513	1 276 155	4 716 358
Exchange adjustment on SDR loan repayments	(152 632)	-	-	(152 632)	-	(152 632)
Subtotal SDR loans						
31 December 2007 US\$	8 867 841	741 990	2 285 970	5 839 881	1 276 155	4 563 726
Total loans 31 December 2007						
US\$ at nominal value	8 939 817	741 990	2 285 970	5 911 857	1 312 398	4 599 459
Fair value adjustment						(1 212 961)
31 December 2007 US\$ at fair value						3 386 498
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

APPENDIX H

Statement of loans

2. IFAD: Summary of loans approved at nominal value¹

As at 31 December 2007 and 2006

Approved loans in thousands of SDR					Value in thousands of United States dollars					
	As at 1 January 2007	Loans cancelled	Loans fully repaid	As at 31 December 2007	As at 1 January 2007	Loans cancelled	Loans fully repaid	Exchange rate movement SDR/US\$	As at 31 December 2007	
1978	US\$	68 530		68 530	68 530				68 530	
1979	SDR	201 486		201 486	303 010			14 515	317 525	
1980	SDR	187 228		187 228	281 567			13 489	295 056	
1981	SDR	188 716		188 716	283 805			13 596	297 401	
1982	SDR	103 110		103 110	155 064			7 429	162 493	
1983	SDR	143 589		143 589	215 940			10 345	226 285	
1984	SDR	131 907		131 907	198 371			9 504	207 875	
1985	SDR	60 332		60 332	90 732			4 346	95 078	
1986	SDR	43 113		(19 449)	23 664		(30 650)	3 107	37 293	
1987	SDR	87 891		(26 349)	61 542		(41 524)	6 332	96 985	
1988	SDR	80 306		80 306	120 770			5 786	126 556	
1989	SDR	108 137		108 137	162 624			7 791	170 415	
1990	SDR	106 578		(5 693)	100 885		(8 972)	7 679	158 987	
1991	SDR	127 804		127 804	192 202			9 207	201 409	
1992	SDR	151 007	(776)	150 231	227 095	(1224)		10 881	236 752	
1993	SDR	168 966		168 966	254 103			12 174	266 277	
1994	SDR	182 760		182 760	274 848			13 167	288 015	
1995	SDR	232 430	(5 270)	227 160	349 545	(8 305)		16 746	357 986	
1996	SDR	244 457	(4 216)	240 241	367 632	(6 644)		17 613	378 601	
1997	SDR	275 228	(255)	274 973	413 908	(402)		19 829	433 335	
1998	SDR	284 199	(3 682)	280 517	427 399	(5 803)		20 476	442 072	
1999	SDR	315 700	(1 556)	314 144	474 772	(2 452)		22 746	495 066	
2000	SDR	312 250	(6 346)	305 904	469 584	(10 001)		22 497	482 080	
2001	SDR	297 667	(9 070)	288 597	447 653	(14 293)		21 446	454 806	
2002	SDR	246 100		246 100	370 103			17 731	387 834	
2003	SDR	274 402		274 402	412 666			19 770	432 436	
2004	SDR	275 750		275 750	414 692			19 868	434 560	
2005	SDR	324 810		324 810	488 473			23 402	511 875	
2006	SDR	350 400	(50)	350 350	526 957	(78)		25 245	552 124	
2007	SDR	0		300 330				473 296	473 296	
Total	SDR	5 506 323	(31 221)	(51 491)	5 723 941	8 280 808	(49 202)	(81 146)	870 013	9 020 473
Total	US\$	68 530		68 530	68 530					68 530
Exchange adjustment on loans disbursed						(91 422)				(149 186)
Total					8 257 916					8 939 817

3. IFAD: Maturity structure of outstanding loans by period at nominal value

As at 31 December 2007 and 2006 (expressed in thousands of United States dollars)

Period due	2007	2006
Less than 1 year	245 100	226 755
1-2 years	182 251	161 223
2-3 years	190 626	168 461
3-4 years	188 824	175 555
4-5 years	194 184	173 065
5-10 years	979 048	878 641
10-15 years	834 240	738 343
16-20 years	727 740	655 263
21-25 years	611 894	556 175
More than 25 years	445 552	429 879
Total	4 599 459	4 163 360

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 1.57591/1 at 31 December 2007. Since the loans were valued at 31 December 2006 at the then prevailing rate of 1.50387/1, there is an increase in value in terms of United States dollars of US\$870,013,000, attributable to the movement in exchange rates from 31 December 2006 to 31 December 2007 (from 2005 to 2006, there was a decrease in value in terms of United States dollars of US\$408,091,000).

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 D, Note 2(e)(ii)

APPENDIX H

Statement of loans

4. IFAD: Summary of outstanding loans by currency at nominal value

As at 31 December 2007 and 2006 (expressed in thousands of United States dollars)

Currency in which repayment due	2007	2006
United States dollars	3 903 151	3 550 598
Euro	584 482	499 807
Pound sterling	111 826	112 955
Total	4 599 459	4 163 360

5. IFAD: Summary of outstanding loans by lending type at nominal value

As at 31 December 2007 and 2006 (expressed in thousands of United States dollars)

	2007	2006
Highly concessional terms	4 192 976	3 759 912
Intermediate terms	282 500	292 332
Ordinary terms	123 983	111 116
Total	4 599 459	4 163 360

6. Disbursement structure of undisbursed loans at nominal value

As at 31 December 2007 and 2006 (expressed in thousands of United States dollars)

Disbursements in	2007	2006
Less than one year	500 181	467 163
1-2 years	477 482	450 930
2-3 years	439 001	414 350
3-4 years	392 392	369 540
4-5 years	331 138	316 360
5-10 years	823 594	791 810
More than 10 years	64 172	66 240
Total	3 027 960	2 876 393

APPENDIX H

Statement of loans

7. Special Programme for Africa: Statement of loans at nominal value

As at 31 December 2007 and 2006

Borrower or guarantor	Approved loans less cancellations	Undisbursed portion ¹	Disbursed portion	Repayments	Outstanding loans
SDR loans (expressed in thousands)					
Angola	2 768	55	2 713	245	2 468
Burkina Faso	10 546	-	10 546	1 924	8 622
Burundi	4 494	-	4 494	525	3 969
Cape Verde	2 183	-	2 183	423	1 760
Chad	9 617	-	9 617	1 346	8 271
Comoros	2 289	-	2 289	231	2 058
Djibouti	114	-	114	24	90
Ethiopia	6 660	-	6 660	1 753	4 907
Gambia (The)	2 638	-	2 638	528	2 110
Ghana	22 321	-	22 321	4 045	18 276
Guinea-Bissau	2 126	-	2 126	80	2 046
Guinea	10 762	-	10 762	2 421	8 341
Kenya	12 387	590	11 797	1 931	9 866
Lesotho	7 481	-	7 481	1 407	6 074
Madagascar	1 098	-	1 098	92	1 006
Malawi	5 777	-	5 777	579	5 198
Mali	10 193	-	10 193	2 424	7 769
Mauritania	19 020	-	19 020	3 704	15 316
Mozambique	8 291	-	8 291	2 176	6 115
Niger	11 119	-	11 119	2 678	8 441
Senegal	23 234	-	23 234	4 117	19 117
Sierra Leone	1 505	-	1 505	169	1 336
Sudan	26 013	-	26 013	4 975	21 038
Uganda	8 125	-	8 125	2 031	6 094
United Republic of Tanzania	6 789	-	6 789	1 358	5 431
Zambia	8 607	-	8 607	2 145	6 462
Total	226 157	645	225 512	43 331	182 181
US\$ equivalent	356 405	1 017	355 388	68 285	287 103
Exchange adjustment on SDR loan repayments	(6 980)			(6 980)	
31 December 2007 US\$ at nominal value	349 425	1 017	348 408	61 305	287 103
Fair value adjustment					(117 887)
31 December 2007 US\$ at fair value					169 216
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

¹ The undisbursed portion will be fully disbursed in 2008.

8. Special Programme for Africa: Summary of loans approved at nominal value¹

As at 31 December 2007 and 2006

		Approved loans expressed in thousands of SDRs			Value in thousands of United States dollars			
		As at 1 January 2007	Loans cancelled	As at 31 December 2007	As at 1 January 2007	Loans cancelled	Exchange rate movement SDR/US\$	As at 31 December 2007
1986	SDR	24 902		24 902	37 449		1 795	39 244
1987	SDR	41 292		41 292	62 098		2 975	65 073
1988	SDR	34 770		34 770	52 289		2 506	54 795
1989	SDR	25 756		25 756	38 734		1 855	40 589
1990	SDR	17 370		17 370	26 122		1 252	27 374
1991	SDR	18 246		18 246	27 440		1 314	28 754
1992	SDR	6 952		6 952	10 455		501	10 956
1993	SDR	34 570	(156)	34 414	51 989	(246)	2 491	54 234
1994	SDR	16 320		16 320	24 543		1 176	25 719
1995	SDR	6 135		6 135	9 227		440	9 667
Total	SDR	226 313	(156)	226 157	340 346	(246)	16 305	356 405

¹ Loans have been denominated in SDR and, for the purposes of presentation in the balance sheet, the accumulated amount has been valued at the US\$/SDR rate of 1.57591/1 as at 31 December 2007. Since the loans were valued at 31 December 2006, at the then prevailing rate of 1.50387/1, there has been an increase in value in terms of United States dollars of US\$16,305,000 attributable to the movement in exchange rates from 31 December 2006 to 31 December 2007 (from 2005 to 2006 there was an increase in value in terms of United States dollars of US\$17,549,000).

APPENDIX H

Statement of loans

9. Special Programme for Africa: Maturity structure of outstanding loans by period at nominal value

As at 31 December 2007 and 2006 (expressed in thousands of United States dollars)

Period due	2007	2006
Less than 1 year	10 384	10 287
1-2 years	9 165	8 861
2-3 years	9 165	8 861
3-4 years	9 165	8 861
4-5 years	9 165	8 861
5-10 years	45 825	44 306
10-15 years	45 825	44 306
16-20 years	45 825	43 614
21-25 years	45 825	43 357
More than 25 years	56 759	61 424
Total	287 103	282 738

10. Special Programme for Africa: Summary of outstanding loans by currency at nominal value

As at 31 December 2007 and 2006 (expressed in thousands of United States dollars)

Currency in which repayment due	2007	2006
United States dollar	168 410	170 698
Euro	118 693	112 040
Total	287 103	282 738

11. Special Programme for Africa: Summary of outstanding loans by lending type at nominal value

As at 31 December 2007 and 2006 (expressed in thousands of United States dollars)

	2007	2006
Highly concessional terms	287 103	282 738
Intermediate terms	-	-
Ordinary terms	-	-
Total	287 103	282 738

APPENDIX H1

Statement of grants – IFAD-only

As at 31 December 2007 and 2006 (expressed in thousands of United States dollars)

	Undisbursed as at 1 January	2007 movements			Exchange rate	Undisbursed as at 31 December
		Effective	Disbursements	Cancellations		
Non-governmental organization/Extended Cooperation Programme grants	380	-	(63)	(157)		160
Component grants	8 011	5 045	(1 322)	(206)	681	12 209
Debt sustainability framework grants	-	14 836	(1 905)	-	-	12 931
Research grants	45 825	41 393	(34 310)	(1 360)		51 548
Total 2007	54 216	61 274	(37 600)	(1 723)	681	76 848
Fair value adjustment						(10 888)
Total 2007 at fair value						65 960
Total 2006	48 386	30 428	(24 149)	(767)	318	54 216
Fair value adjustment						(4 849)
Total 2006 at fair value						49 367

APPENDIX I

Summary of the Debt Initiative for Heavily Indebted Poor Countries

At 31 December 2007, the cumulative position of the debt relief provided and estimated to be provided, under both the original and the enhanced Debt Initiative for Heavily Indebted Poor Countries, is as follows:

	Debt relief provided to 31 December 2007		Debt relief to be provided as approved by the Executive Board			Total debt relief
	Principal	Interest	To be covered by IFAD		To be covered by World Bank contribution	
			Principal	Interest		
Completion point countries						
Benin	4 110	1 506	149	48	398	6 211
Bolivia	5 900	1 890				7 790
Burkina Faso	4 473	1 948	815	254	2 171	9 661
Burundi			16 480	2 771		19 251
Cameroon	323	139	874	191	2 162	3 689
Ethiopia	5 123	1 950	5 143	1 289	13 059	26 564
Ghana	4 494	2 057	3 662	968	9 400	20 581
Guyana	1 526	299				1 825
Honduras	1 077	767				1 844
Madagascar	2 921	925	1 616	385	4 062	9 909
Malawi	820	265	6 458	1 383	15 918	24 844
Mali	6 211	2 431				8 642
Mauritania	4 290	1 496	1 390	360	3 551	11 087
Mozambique	7 179	2 681	1 557	357	3 887	15 661
Nicaragua	7 345	538	69	23	186	8 161
Niger	2 384	864	2 848	633	7 067	13 796
Rwanda	2 003	724	9 272	2 225	8 157	22 381
Sao Tome and Principe	75	22	4 485	714		5 296
Senegal	2 247	882				3 129
Sierra Leone	2 895	904	8 048	1 469		13 316
United Republic of Tanzania	6 037	2 583	2 208	551	5 602	16 981
Uganda	10 201	4 094	737	195	1 891	17 118
Zambia	3 524	1 223	5 180	1 241	13 037	24 205
Decision point countries						
Chad			1 713	427		2 140
Congo			8	92		100
Democratic Republic of the Congo	1 504	245	5 894	2 164		9 807
Gambia			2 427	628		3 055
Guinea			7 371	1 747		9 118
Guinea-Bissau			3 417	966		4 383
Haiti			2 093	533		2 626
31 December 2007 SDR	86 662	30 433	93 914	21 614	90 548	323 171
Less future interest on debt relief not accrued (including interest covered by the World Bank contribution)						(39 628)
Total cumulative cost of debt relief as at 31 December 2007 (thousands of SDR)						283 543
31 December 2007 US\$	125 923	43 996	148 004	34 059	142 696	494 680
Total less future interest on debt relief not accrued (including World Bank)						(62 449)
Total cumulative cost of debt relief as at 31 December 2007 (thousands of US\$)						432 231
Fair value adjustment			(49 818)			
31 December 2007 at fair value			98 186			
<hr/>						
31 December 2006 SDR	64 977	23 506	185 783	45 531		319 797
Less future interest on debt relief not accrued						(45 531)
Total cumulative cost of debt relief as at 31 December 2006 (thousands of SDR)						274 266
31 December 2006 US\$	93 062	33 496	279 393	68 474		474 425
Less future interest on debt relief not accrued						(68 474)
Total cumulative cost of debt relief as at 31 December 2006 (thousands of US\$)						405 951
Fair value adjustment			(95 989)			
31 December 2006 at fair value			183 404			

APPENDIX J

IFAD-only statement of operating expenses

An analysis of IFAD operating expenses by principal sources of funding

For the years ended 31 December 2007 and 2006 (expressed in thousands of United States dollars)

	Administrative budgets ¹	Programme Development Financing Facility (PDFF)	Action Plan	Direct charges ²	Other sources ³	Total
Staff salaries and benefits	61 433	4 580	451	114	3 775	70 353
Office and general expenses	11 696	4 887	479	240	13 350	30 652
Consultants and other non-staff costs	7 818	13 800	2 198	60	165	24 041
Cooperating institutions	36	12 189	60	-	(76)	12 209
Direct bank and Investment costs	-	-	-	3 445	-	3 445
Total 2007	80 983	35 456	3 188	3 859	17 214	140 700
Total 2006	68 155	34 154	1 332	4 068	13 945	122 014

¹ These refer to IFAD and its Office of Evaluation and include one-time costs and carry forward.

² Direct charges against investment income.

³ Includes Italian Government reimbursable expenses, field presence and positions funded from service charges.

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Cover:

Maimuna Omary Ikanga is helped by a worker to transfer her maize harvest into sacks, ready for weighing and storage at the community warehouse in Qash village, United Republic of Tanzania. Maimuna has benefited from the warehouse receipt system, introduced through an IFAD-supported agricultural marketing programme and now being adopted throughout the country. She can store her maize, borrow funds to cover her expenses and then sell when she can get the best price.

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IFAD is an international financial institution and a specialized United Nations agency. Since 1978, IFAD's member countries have together invested more than US\$10 billion in loans and grants, helping over 300 million poor rural women and men to grow more food, improve their land, learn new skills, start businesses, build strong organizations and communities, and gain a voice in the decisions that affect their lives. But hunger and poverty remain widespread in many countries, and poor rural people face new and daunting challenges, such as climate change. Now on the 30th anniversary of IFAD's founding, we honour our founders' vision and renew our commitment to enabling poor rural people to overcome poverty.



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