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IFAD

INTERNATIONAL
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DEVELOPMENT



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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

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IFAD/79/13

After 18 Months of Operations

IFAD HAS COMMITTED \$245 MILLION

FOR THE RURAL POOR

Rome, 12 July 1979. President A.M. Al-Sudeary of the International Fund for Agricultural Development (IFAD) said today that IFAD had already committed about a quarter of a billion dollars for rural development in Africa, Asia and Latin America.

This effort was made over a period of a year and a half since the Fund's establishment in December 1977, "in spite of the fact that setting up a new international institution dealing with financing of agriculture and rural development is not an easy task", he said.

Speaking on the opening day of the World Conference on Agrarian Reform and Rural Development at FAO Headquarters in Rome Al-Sudeary added that IFAD expected to commit about \$250 million in the next five months. "This will mean a total commitment level of nearly \$500 million in the first two years of the Fund's operations," he pointed out.

Referring to the programme of action before the Conference, Al-Sudeary indicated that its objectives and strategies were clearly reflected in IFAD's own charter and lending policies and criteria. "It is clear, he added, that if the establishment of IFAD had not been recommended by the World Food Conference in 1974, the Conference on Agrarian Reform and Rural Development would have recommended the establishment of an institution like IFAD to mobilise additional financial resources for rural development activities".

He indicated that IFAD stands ready to participate fully in the implementation of the programme of action that the Conference is expected to adopt.

Key to Hunger Problem

The IFAD President stated the key to the long-term solution of the problem of hunger and rural poverty was rural development. The Conference, therefore, was addressing "one of the most urgent and important issues of our time".

In most developing countries access to land and other rural assets through agrarian reform was the first important pre-requisite for the rural poor to improve their condition of life, the IFAD President indicated.

In a very large number of developing countries, the average availability of arable land per rural inhabitant is less than 1 hectare - and in many of them it is less than half a hectare. In these countries, 20 to 30 percent of the rural population is landless. "Unless this landless population is given some share of the land or is gainfully employed in agricultural and non-agricultural activities the problem of hunger will not be solved", he stated.

An important lesson IFAD had learnt in the course of its brief experience was the difficulty of reaching the Fund's main target group of small farmers and landless workers unless they organized themselves into viable institutions for rural development. Small farmers have low yields primarily because they lack access to credit to buy the necessary inputs. They also lack access to irrigation water and the necessary technology and, very often, the supporting infrastructure enjoyed by large farmers.

Through its activities, however, IFAD had become fully convinced of the ability and potential of the small farmer and the landless worker to play an important role in increasing food production and promoting the well-being of rural communities. "It is both a challenge and a responsibility that the international community and above all the national governments should afford them the opportunity to play this role," he added.

World "Unprepared" for Food Crisis

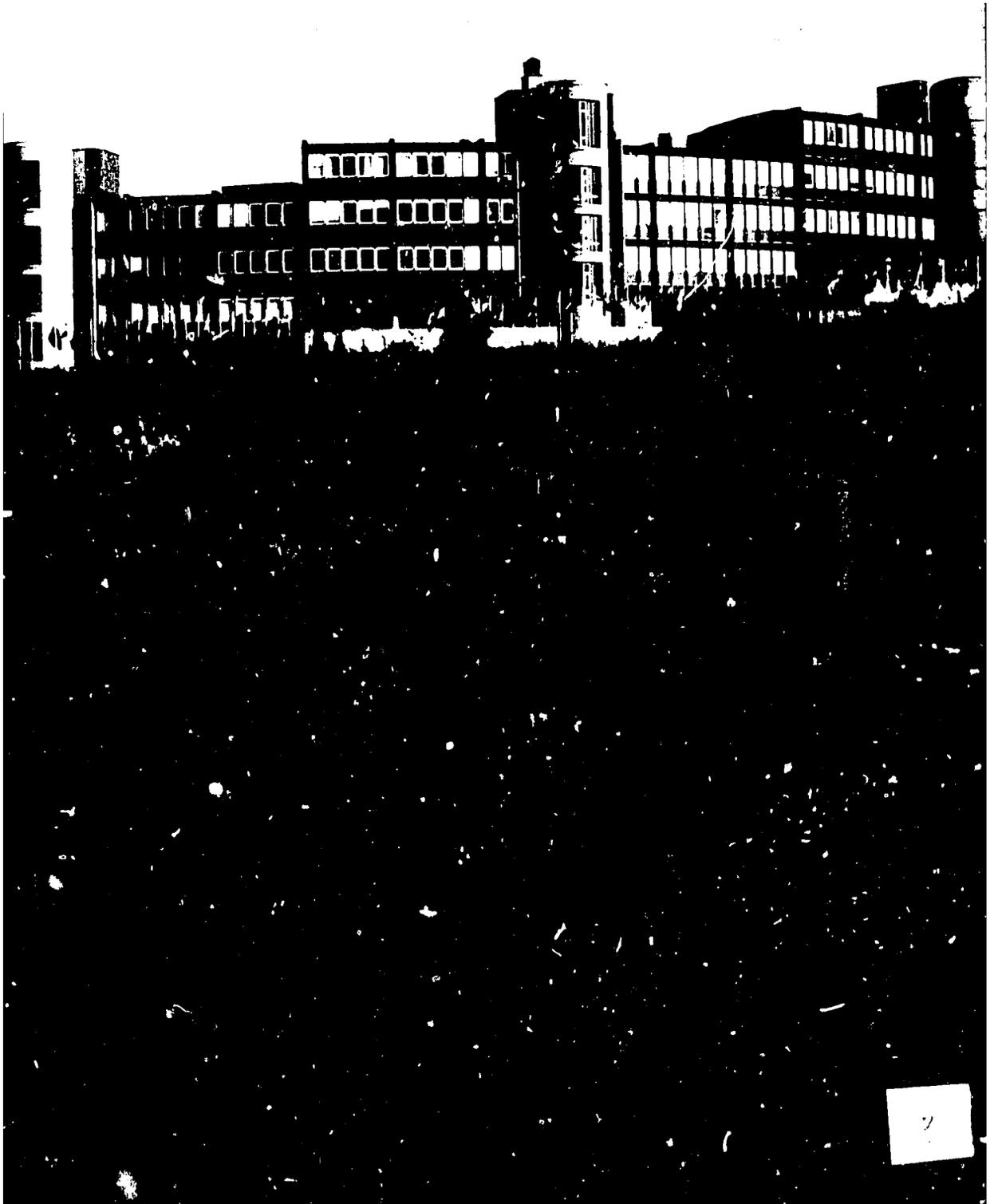
"It is indeed very sad that the world as a whole should find itself as unprepared for a possible food crisis in the early 1980s as it was for the food crisis of 1973-74," Al-Sudeary said. The world continued to be without a dependable system of food security and adequate food reserves. The rate of growth of food production in developing countries in the current decade is still around 2.3 percent per annum - only slightly ahead of their population growth and considerably lower than the target of 4 percent set by the World Food Conference. As a result, the cereal imports of developing countries had increased from 32 million tons in 1969-70 to about 70 million tons in 1977-78. The present cost of these imports at 15-16 billion dollars is almost equal to all bilateral and multilateral official development assistance, with the burden of these imports being particularly heavy for low income developing countries. "Even when the world as a whole has plenty of grains, and food prices are relatively stable, millions of people are too poor to buy enough food for their minimum needs," he pointed out.

The present annual flow of external resources for agricultural and rural development, estimated at 7 billion dollars in 1978, is considerably lower than the minimum external assistance required for accelerating the average annual increase in agricultural production to 4 percent per year. More recent estimates of financial requirements were even higher. The recommendation before this Conference for a substantial increase in the flow of external assistance for rural development and for alleviating rural poverty is therefore particularly important.

Replenishment of IFAD Resources

The Fund's President stated that IFAD's contribution to the solution of the world food problem and to the rural development of its member countries would depend very much on the timing and level of the replenishment of its resources. According to the Fund's Articles of Agreement, the adequacy of the Fund's resources will be reviewed periodically, with the first such review due to take place at the next session of the Fund's Governing Council in January 1980.

"In the coming months," Al-Sudeary said, "I intend to initiate consultations with member countries on the question of IFAD's replenishment. I am confident that I will get their full support because IFAD is a new kind of institution reflecting the aspirations of the world community and an outstanding example of cooperation between the North and the South". He added that the Committee of the Whole of the UN General Assembly, in March 1979, had already adopted a recommendation that the Governing Council of IFAD should consider the need of an increase in real terms of the resources of the Fund.



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FOREWORD

The establishment of the International Fund for Agricultural Development (IFAD) in 1977 was a major milestone in the efforts of the international community to cope with the problems of food production, malnutrition and rural poverty in the developing world. As a concrete expression of a new and important partnership between developed countries, the oil-exporting developing countries and other developing countries for promoting agricultural development, IFAD's creation as the newest specialized agency in the United Nations system represents an event of historic significance.

The main objective of IFAD is to mobilize additional resources in order to help small farmers and landless peasants in developing countries to improve their food production and nutrition and to increase their incomes and employment. It is important to recognize the difficulties inherent in the pursuit of these objectives. The Fund's efforts can only succeed within the framework of national policies and strategies aimed at achieving self-reliant development in developing countries.

IFAD began its operations in December 1977. This report contains a review of the activities of the Fund during the year 1978 together with a preliminary description of its 1979 programme of work. Despite the difficulties involved in setting up a new international institution, the Fund, during the first year of its operation, approved 10 projects involving total assistance of US\$ 117.6 million to its member countries. These projects were co-financed with several cooperating institutions. Another 25 to 30 project proposals are under discussion with these cooperating institutions for possible co-financing in 1979. In addition, identification missions were sent by IFAD to sixteen countries during 1978 to identify suitable projects for financing by the Fund.

For 1979, the Fund has set a commitment target of US\$ 375 million, three times the level of commitment in 1978. Thus, in the first two years of the Fund's operations, it will have committed about US\$ 500 million in financial assistance to its member countries.

One of the most positive aspects of IFAD's first year of operations is the large number of requests for assistance the Fund has received and the cooperation extended to IFAD missions by the member governments, clearly indicating the importance that member countries attach to the Fund and to its objectives. This constructive atmosphere has provided a good beginning for IFAD's operations and can contribute greatly to the sustained growth of the Fund in the future.

I am confident that IFAD with the continued support of its member countries can succeed in effectively helping the rural poor to participate more fully in the process and the benefits of development.



Abdelmuhsin M. Al-Sudeary
President

June 1979

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I-INTRODUCTION

The establishment of a new Fund to mobilize resources for increasing agricultural production in developing countries was proposed during the United Nations World Food Conference held in Rome in November 1974.

After intensive negotiations during 1975 and 1976, an intergovernmental Agreement Establishing IFAD was adopted on 13 June 1976 at a United Nations Conference of Plenipotentiaries. The Agreement was opened for signature by the Secretary-General of the United Nations on 20 December 1975, when the target of one billion dollars in total pledges was reached. The Agreement entered into force eleven months later on 30 November 1977, when it was ratified by countries pledging a total of US\$ 750 million.

IFAD began its operations on 13 December 1977, when the Fund's Governing Council held its first session and elected the President and the Executive Board. The Fund's Executive Board consists of eighteen members and seventeen alternates. The Governors and Alternate Governors of the Fund, as of 31 December 1978, are shown in Annex I. The list of Executive Directors and their Alternates is given in Annex II.

As of 31 December 1978, the initial resources pledged to the Fund were slightly more than one billion dollars, 55.5 percent contributed by developed countries, 42.5 percent by oil-exporting developing countries, and about 2 percent by developing recipient countries. According to the Agreement Establishing IFAD the adequacy of the Fund's resources will be reviewed by the Governing Council periodically. The first such review will be initiated at the next session of the Governing Council in January 1980, and is to be completed during 1980, within the three-year period specified in the Agreement.

IFAD is a new kind of institution in the United Nations system. It reflects an innovative formula that brings together the interests of developed, oil-exporting developing countries, and other developing countries. All three categories of members have the same number of votes (600 votes for each category). Thus, the decision-making process is distributed equally between the three categories. This relationship represents an entirely new structure in international financial institutions and reflects the spirit of the new international economic order.

IFAD President Abdelmuhsin Al-Sudeary and Secretary General Kurt Waldheim signing the relationship agreement between the United Nations and IFAD in May 1978. The agreement established IFAD as the 15th United Nations Specialized Agency



II - MEMBERSHIP AND RESOURCES

Membership

At the end of 1978, the total membership of IFAD had reached 125, including 90 original members and 35 non-original members whose applications were approved by the Governing Council at its first and second sessions: of the latter, at the end of 1978, 9 states had yet to complete necessary formalities to become members.

Resources

The total resources initially pledged by members and valued at exchange rates prevailing on 31 December 1978 were US\$ 1,053 million. Of this, US\$ 593 million has already been paid: US\$ 319 million in cash and US\$ 274 million in promissory notes. Contributions from Category I and Category II members are all payable in convertible currencies and comprise 98 percent of the total resources of the Fund. Of the Category III contributions, which total US\$ 19 million, about US\$ 10 million is in convertible currency. Thus, convertible currency contributions comprise 99 percent of the total resources. By the end of 1978, the Fund had increased its resources by US\$ 23.8 million, representing net income, exchange gains and adjustments, and special contributions.

The Executive Board in April 1978 approved a drawdown of US\$ 100 million to cover the Fund's first year of operations. Payment of the first instalment of membership contributions by Category I and Category II members was completed

in the latter part of 1978 and by the year end the majority of these members had also paid their second instalment.

Details of contributions pledged and paid by members as of 31 December 1978 are shown in the Financial Statements attached to this report.

Investments

In April 1978 the Executive Board approved guidelines governing the investment of the Fund's liquid assets. The guidelines have, as their major criterion, the aspect of safety or security and in keeping with this, investments are restricted to obligations issued or fully guaranteed by governments or by major banks of high financial standing. Subject to this requirement and subject to its own liquidity needs, the Fund endeavours to maximize investment income and to this end obtains competitive quotations whenever funds are placed.

The larger part of the Fund's investments are in time deposits with banks but IFAD is steadily building up its portfolio of bonds and similar obligations issued by governments or government guaranteed borrowers in developing as well as developed countries.

By the end of 1978, IFAD's liquid assets totalled US\$ 328 million. In order to provide protection for the Fund's resources against exchange rate fluctuations, the Fund is attempting, in accordance with a decision by the Executive Board, to diversify over a period of time the currency structure of its liquid assets

along SDR lines. Reasonable progress towards this goal has been made and the proportion of investments held in each currency approximates the weight of that currency in the SDR basket. In addition to diversifying the Fund's investments in different currencies, a total of US\$ 63 million has been deposited in SDRs which are in effect dollar deposits whose value is indexed to the SDR.

The average rate of return earned on the Fund's liquid assets during 1978 was just over 8 percent and investment income for the full year amounted to US\$ 16.8 million. In addition, the switching of currencies undertaken to achieve diversification along SDR lines resulted in an exchange gain of about US\$ 9 million.

Revenue and Expenses

The Governing Council in December 1977 approved an Administrative Budget for 1978 with a total appropriation of US\$ 6 943 380. Included in this figure was a General Contingency of US\$ 529 000, and a Special Contingency of US\$ 408 380 for use with the approval of the Executive Board. Total expenses for the 13-month period ended 31 December 1978 (including repayments of advances to cover the cost of the Preparatory Commission) were US\$ 5.1 million. These expenses were more than covered by investment income, which as noted above, amounted to US\$ 16.8 million. The audited financial statements for 1978 are appended to this report (Annex VI).

III - OPERATIONS DURING 1978

Loan Commitments

During 1978 the Executive Board approved ten loans totalling US\$ 117.6 million for projects in Bangladesh, Cape Verde, Ecuador, Guyana, Haiti, Nepal, the Philippines, Sri Lanka, Tanzania and Thailand. Brief descriptions of these projects appear in Annex III to this report.

Nature of Operations

The Fund's loan operations fall in two main groups — namely co-financed projects and projects initiated by the Fund.

All ten projects approved during 1978 were co-financed with cooperating institutions. In the early years of the Fund's life, co-financing

operations will continue to play a particularly significant role, and the cooperating institutions have been extremely forthcoming in helping IFAD start its operations. Selection of projects for co-financing begins with an intensive review, in collaboration with the cooperating institution concerned, of potential projects to see whether they conform



To increase food production, generate employment and improve nutrition for the low-income farmers and landless peasants in developing countries — these are the main objectives pursued by IFAD to help solve the chronic hunger and malnutrition of millions of people in Africa, Asia and Latin America. IFAD's lending policies and criteria require that projects and programmes supported by the Fund benefit directly the poorer sections of rural populations.

substantially to the Fund's lending policies and criteria. Projects passing this screen are studied in depth at headquarters and in the field. From the time these projects are accepted by IFAD for possible co-financing, the Fund's staff participates in project processing, including appraisal missions, and negotiates the Fund's loan agreement with the borrowing government.

Although project concept and design were already well advanced in projects co-financed in 1978, there were some opportunities for introducing changes to reflect more fully the Fund's approach and objectives. In some it was possible, for example, to introduce essential changes designed to ensure larger flows of project benefits to the poorest farmers in the project area and to introduce special mechanisms for monitoring the impact of the project.

Of the 10 projects approved during 1978, three were aimed at irrigation and water control in the countries concerned (Sri Lanka, Thailand and Guyana) with the objective of increasing food production, notably rice. Another three projects were also focussed on the agricultural development of an area around expanded irrigation facilities (Haiti, Bangladesh and Philippines). Three other projects concentrated on integrated rural development (Tanzania, Cape Verde and Nepal) and one on the expansion of artisanal fisheries (Ecuador).

The use of co-financing during 1978 was important in helping to launch the Fund's operations rapidly and to establish working relationships with a number of member countries, while providing them with needed additional resources for agricultural development.

Projects Initiated by IFAD

The Fund can fulfil the objectives for which it was created only if it actively pursues the development of those types of projects which focus directly on the Fund's main target groups. Thus, in its first year, the development of the Fund's own project pipeline has received special attention. During 1978 project identification missions were sent to sixteen member countries: Bangladesh, Benin, Chad, Cu' 3, Guinea, Honduras, India, Liberia,

Malawi, Niger, Pakistan, Philippines, Senegal, Sudan, Tunisia and Yemen (PDR).

The initial list of countries for possible assistance from the Fund was formulated on the basis of official requests received with due attention to population, food and poverty considerations. The need for regional balance in the Fund's operations was also kept fully in view.

Regional Overview

Asia

In the Asia region, the most populous member countries contain a large proportion of the malnourished people in the world. Project pipelines are being developed for those countries which concentrate on projects designed to maximize the impact of the Fund's resources on the problems of the rural poor. Missions have in all cases taken account of the ongoing and planned programmes of other donors. Through actual or planned operations in other countries in the region the Fund will have covered most of its member countries in the region.

Africa

Though Africa has not experienced the intense population pressures characterizing the Asian region, many African countries face severe food problems, particularly countries in which food production has not kept pace with population growth during the current decade. Cereal imports of the region as a whole have tripled between 1962-64 and 1977-78, from 2.5 million tons to 8 million tons. The Fund is keenly aware of the problems of the many low income countries in the region and particularly the countries in the Sahel.

The importance of the Fund's operations in Africa is reflected in the fact that, in addition to financing projects in Tanzania and Cape Verde in the first year of its operations, the Fund has sent nine identification missions covering a group of countries with a total population of about 76 million. Most of these countries are food deficit countries and the potential projects are aimed at increasing food production.

Latin America

Per capita income data often fail to bring out the extent of rural poverty in the majority of the countries of the region. The Fund has concentrated on the relatively low income countries in Latin America and the Caribbean, and those countries which are experiencing serious economic and financial difficulties. In the middle income countries in the region, the Fund will concentrate on projects which are clearly directed towards the poorest rural groups.

Lending Terms and Conditions

Under the Lending Policies and Criteria adopted by the Governing Council in December 1977, the Fund may lend to member states on highly concessional, intermediate or ordinary terms. Highly concessional loans carry a service charge of 1 percent, a maturity of 50 years and a grace period of 10 years, while intermediate loans are at 4 percent, 20 years maturity and a grace period of 5 years. The terms fixed for ordinary loans are 8 percent, with 15 to 18 years maturity including a grace period of 3 years.

The Fund's diversified lending terms — highly concessional, intermediate and ordinary — are designed to meet varying needs. The highly concessional loans will be provided primarily to low income countries. However, the adverse financial situation and debt servicing capacity of many middle income developing countries call for some concessional lending to these countries. The intermediate loan terms provide considerable flexibility in meeting such needs.

The Fund's lending policies can only be tested in the context of particular countries and projects. One of the attractive aspects of the Fund's policies for some recipient countries, relates to the relative flexibility of the Fund with respect to local cost financing. The acute lack of local resources in some developing countries is often a major constraint in implementing development programmes. The Fund has used its capacity for local cost financing judiciously, depending on country considerations and the nature of the project. In fact, the most desirable projects from the Fund and country's

standpoint are those which maximize the use of local factors of production, e.g. labour, thus implying a large local cost component.

In the initial loans approved by the Fund, the loan amount has been expressed in United States dollars, but the loan may be disbursed in a variety of currencies and the borrower is obligated to repay these amounts in the currencies disbursed. One difficulty with this arrangement is that the exchange risk borne by borrowers varies from loan to loan depending on the currency of disbursement. To overcome this problem it has been decided that, beginning in 1979, the Fund's loans will be denominated in Special Drawing Rights (SDRs) and that disbursements and repayments, although settled in a specific currency, will also be valued in SDRs. Under this arrangement, all borrowers will carry the same exchange risk on their loans and the value of the loan amount should be more stable than would be the case with a loan expressed in a single currency.

Some Constraints

While the first year of operations has been encouraging, it has also revealed some constraints which will affect the level of the Fund's operations and the rate at which the Fund will be able to develop projects of the quality that it seeks.

The most serious of these is the relatively limited capacity for project preparation. This is a particularly important constraint in low income

developing countries which often also suffer more severely from rural poverty and malnutrition, the very countries IFAD most wants to help. Capacity for project identification and preparation can be increased in a variety of ways and a number of governments and international institutions are working to improve the situation. Nevertheless the Fund believes that a more concerted effort is required.

The Fund plans therefore to join hands with FAO, UNDP and other development agencies to assist governments in developing project preparation units in appropriate ministries through the establishment and training of core groups at the central or regional or provincial levels, whose task would be to develop a pipeline of high priority projects.

Capacity to implement investment projects effectively and in a timely way is another constraint in many of these countries. This constraint is compounded from IFAD's point of view by the fact that it is far more difficult to ensure that the project benefits actually reach the target group than to build and operate physical infrastructure. There are no ready-made solutions for providing the institutions and the capacity to deliver efficiently and economically goods and services to a large number of rural poor — who are often in remote areas and outside the ordinary ambit of government — and to motivate them to adopt needed changes in existing practices. Overcoming these constraints will require a continued and vigorous effort.

One way of helping to improve a country's capacity for preparing and implementing projects is to concentrate more intensively on improving local expertise and institutions. Arrangements for partnership between expatriate and local expertise will need to be expanded and improved substantially, particularly as the latter's knowledge of the complex human, social and institutional aspects would undoubtedly improve the quality of project preparation and implementation. The development of local consulting services would also be a powerful tool to supplement the usual government administrative structure during various stages of project implementation.

Another constraint is the length of the project cycle, and IFAD's lending policies and criteria emphasize the importance of trying to shorten it so that project benefits may be realized as early as possible.

The Fund hopes to explore with its cooperating institutions practical approaches to shortening the project cycle. Recognizing the difficulties of predetermining all details of every activity in project preparation, the Fund will favour a more flexible approach to permit changes during the project implementation phase. In this way, a great deal of time may be saved without sacrificing project quality in the case of some projects. Even more important is speedy implementation when benefits can actually flow to the target group. It does not help the beneficiaries if early approval is followed by delays in implementation.

IV-FUTURE PROGRAMME OF WORK

As already mentioned, the Fund has approved 10 loans totalling US\$ 117.6 million during 1978. For 1979 the Fund has set itself a commitment target of US\$ 375 million. This will mean a tripling of the 1978 commitment level during 1979.

The Fund has already discussed a significant number of projects for possible co-financing with the World Bank and the three Regional Development Banks. Of these, 18 to 20 projects should be ready for submission to the Executive Board during 1979. The size of these

co-financed projects will vary but the total commitments for such projects will probably range between US\$ 180 to US\$ 200 million.

As indicated earlier, 16 project identification missions were organized during 1978 to identify projects for financing by the Fund. During 1979, it is planned to send another 25 such missions. Since most of the projects identified by these missions will require at least 12 to 18 months to prepare, appraise and approve, only about 8 to 10 of these Fund-initiated projects are expected to be ready

during 1979 for submission to the Executive Board. These may involve a total commitment of about US\$ 160 to US\$ 180 million.

If these commitment targets are fully realized, IFAD will have committed about US\$ 500 million during the first two years of its existence and will also have developed, by the end of 1979, a substantial project pipeline for financing in 1980 and subsequent years.

Technical Assistance

The Fund's overall policy on technical assistance is laid down in the document on Lending Policies and Criteria. In developing its technical assistance programme, the Fund will accord high priority to activities that strengthen the technical and institutional capacity essential for agricultural development. During 1979, technical assistance will be undertaken as a part of the Fund's work programme and might involve total commitment up to US\$ 15 million. The responsibility for supervising the implementation of technical assistance will be entrusted to an appropriate international or regional institution in consultation with the country concerned. The Executive Board at its third session, has also authorized the President to expend funds on project preparation directly related to the Fund's lending operations within a limit of US\$ 400 000 for each such proposal.

Special Programming Missions

As envisaged in the Agreement Establishing the Fund, the main objective of the Fund is to assist the

rural poor. This objective will be carefully pursued in selecting projects identified by various cooperating institutions and in the work of the project identification missions sponsored by the Fund. In addition, a special effort to design projects and programmes fully in line with the Fund's Lending Policies and Criteria is being made by sending special programming missions to seven member countries (Mali, Sri Lanka, Nepal, Somalia, Honduras, Bolivia and Botswana) during 1979 to concentrate *inter alia* on two main objectives:

- (a) to identify major constraints to the formulation and implementation of the specific type of projects envisaged in IFAD's Lending Policies and Criteria and propose ways and means whereby those bottlenecks could be removed;
- (b) to discuss and agree with governments on priority areas for IFAD's participation in the country concerned and recommend policies

that are likely to render more effective joint efforts by the government and IFAD in formulating an appropriate strategy and programme for accelerating rural development and improving food production and nutrition.

These missions will examine possibilities of a rapid increase in food production and at the same time attempt to profile clearly the rural poverty situation in the country. By bringing together the results of these two enquiries it should be possible for the missions to suggest a strategy that can lead to an increase in production while at the same time improving the income and employment of the rural poor. The missions' work would lead directly to the identification of specific projects and programmes that are suitable for the Fund's financing and also to a discussion of the longer-term policy and institutional implications of the proposed programmes. If this approach is successful in identifying the right kind of projects, it can be extended to some additional countries during 1980.

V - COOPERATION WITH THE UNITED NATIONS SYSTEM AND OTHER INSTITUTIONS

In December 1977, after the IFAD Agreement entered into force the United Nations General Assembly and the Fund's Governing Council approved a key agreement between the United Nations and the Fund which established IFAD as a UN Specialized Agency. Apart from conferring specialized agency status on the Fund, the Agreement established a framework for cooperation between the two organizations in a number of specific areas, including reciprocal representation at meetings and exchange of information and documents.

In addition to this Agreement which is the basis for IFAD's overall relationship with the United Nations, the Fund has concluded specific

agreements with several other international institutions to facilitate cooperation in operational activities. Six such agreements were approved in December 1977 (with FAO, World Bank, UNDP and the Asian, African and Inter-American Development Banks). Two further agreements (with ILO and the Islamic Development Bank) were concluded in 1978. These agreements call for close and regular cooperation and establish detailed arrangements for carrying out certain operational functions relating to the development and implementation of projects for which IFAD plans to provide financial assistance.

Due to the close and special relation existing between IFAD and FAO, the latter has considerably assisted IFAD in the field of project

identification and preparation and has contributed significantly to the development of the Fund's project pipeline. The World Bank, the Asian Development Bank, the African Development Bank, the Inter-American Development Bank and the Islamic Development Bank, have all demonstrated a keen willingness to cooperate on co-financing of projects and on other aspects of our operations. The Resident Representatives of the United Nations Development Programme (UNDP) have welcomed and assisted the Fund's missions, and the International Labour Organization (ILO) has contributed expertise to IFAD missions.

VI-ORGANIZATION AND STAFF

As a specialized agency of the United Nations, the Fund is following the UN Common System for determining the salaries of its staff and other related personnel matters. The secretariat of the Fund has been organized in the light of anticipated programme requirements and proposed functional responsibilities. The President has appointed a Vice President at the level of Under-Secretary-General, and three Assistant Presidents at the level of Assistant Secretary-General, in line with the organizational structure of the UN Common System.

The Vice-President is in charge of the Personnel as well as the Financial Services Division, which includes the Treasury, the Controller's Office and Loan Administration. He also undertakes certain additional responsibilities assigned to him by the President.

The Project Management Department has the main responsibility for project identification, preparation, appraisal, loan negotiations, project approval, implementation and follow-up.

The Economic and Planning Department plays a major support role to such operations, particularly by providing relevant country information, by assessing the

financial, economic and social situation to determine appropriate terms for each loan and by monitoring and evaluating project activities in the light of IFAD's lending policies and criteria. The Department will also organize special programming missions to selected countries to provide a continuing basis for the Fund's operations in that country for the benefit of the target group.

The General Affairs Department encompasses the Office of the Secretary, External Relations Division, Information and Communications Unit and General Administrative Services Unit.

The Legal Services Division undertakes the legal work related to lending operations and technical assistance activities as well as that connected with the Executive Board and Governing Council.

The senior staff of the Fund as on 31 December 1978 is shown in Annex V. An Organization Chart is attached as Annex IV

The staff complement planned for 1978 was 101, including 49 professional and 52 support staff. At the end of 1978, the Fund's staff totalled 80, of which 35 were executive or technical staff (Professional category and above in the UN Common System) and 45 were support staff (General Service category). In selecting the staff, which comes from 38 different countries, careful attention has been given to securing high standards of competence and integrity while at the same time observing the principle of equitable geographic representation.

To handle the larger programme of work proposed for 1979, the Governing Council has approved an administrative budget of US\$ 10 450 000 including contingencies of US\$ 950 000. The budget provides for a total staff of 136 in 1979 — 65 professional and 71 support staff. The budget includes an amount of US\$ 3 100 000 for payments to cooperating institutions and consultants.

The Fund moved to its new premises located in a suburb of Rome (Via del Serafico 107, EUR) in March 1978. The premises and facilities have been provided by the Government of Italy in accordance with the Agreement for the Provisional Headquarters of IFAD.

CONCLUSION

The rate of growth of food production in most of the developing countries, according to reliable studies, has continued to be grossly inadequate. Only a few developing countries have been able to achieve the annual growth target of 4 percent set for the decade in the International Development Strategy. In most other countries the annual increase in food production has been about 2 percent or below, and in a few cases food production has actually declined. According to an FAO survey, average increases in food production during

the 1960s were lower than population growth in 56 developing countries. During the 1970s, the number of developing countries in which per capita food production has declined rose to 69. Growth rates of food production in the 42 most seriously affected countries have been particularly disappointing. If such trends are not reversed, it is clear that by 1985 the gap between food needs and food availabilities in the developing countries will be even larger than the 85 million tons predicted at the World Food

Conference in 1974 and the number of people suffering from malnutrition will grow even larger than today's alarming figures.

The large harvests in the main grain exporting countries in the past three years and the resultant increase in cereal supply and stocks have not basically altered the overall food situation in the developing countries, despite recent improvements in food stock levels in some of them. At least 20 percent of the population in Africa, Asia and Latin America do not have enough to eat and are confronted

each day with the problem of survival.

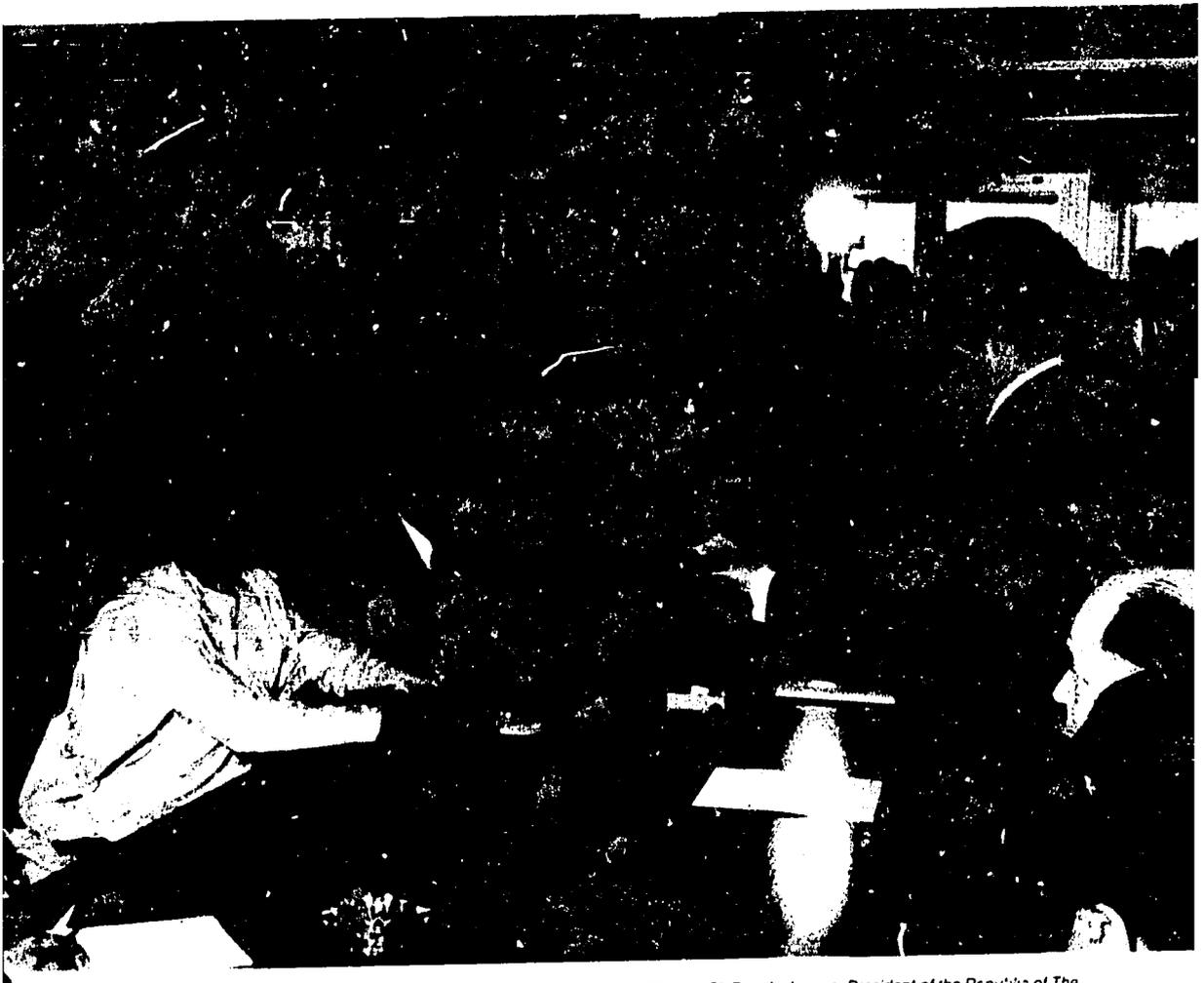
While a serious effort is being made by most bilateral and multilateral agencies to pay greater attention to the needs of small farmers, it is still not evident that a proportionate impact on improving the productive capacity, employment and well-being of both the small farmers and the landless has been achieved. Clearly a much larger effort will be required at the national and international levels.

IFAD seeks to accelerate the growth of food production and to bring real benefits to the rural poor through efforts to increase the flow of external resources for agricultural

development in the developing countries. In the past few years, the total flow of external resources to agriculture has increased from US\$ 2,700 million in 1973 to US\$ 6,000 million in 1977, although in constant 1972 prices, the flow is estimated to have increased from US\$ 2,300 million to only US\$ 3,400 million. The actual flow of external resources is therefore far below the proposed target of US\$ 8.4 billion per annum, in 1975 prices, to attain the annual average increase of 4 percent in agricultural production.

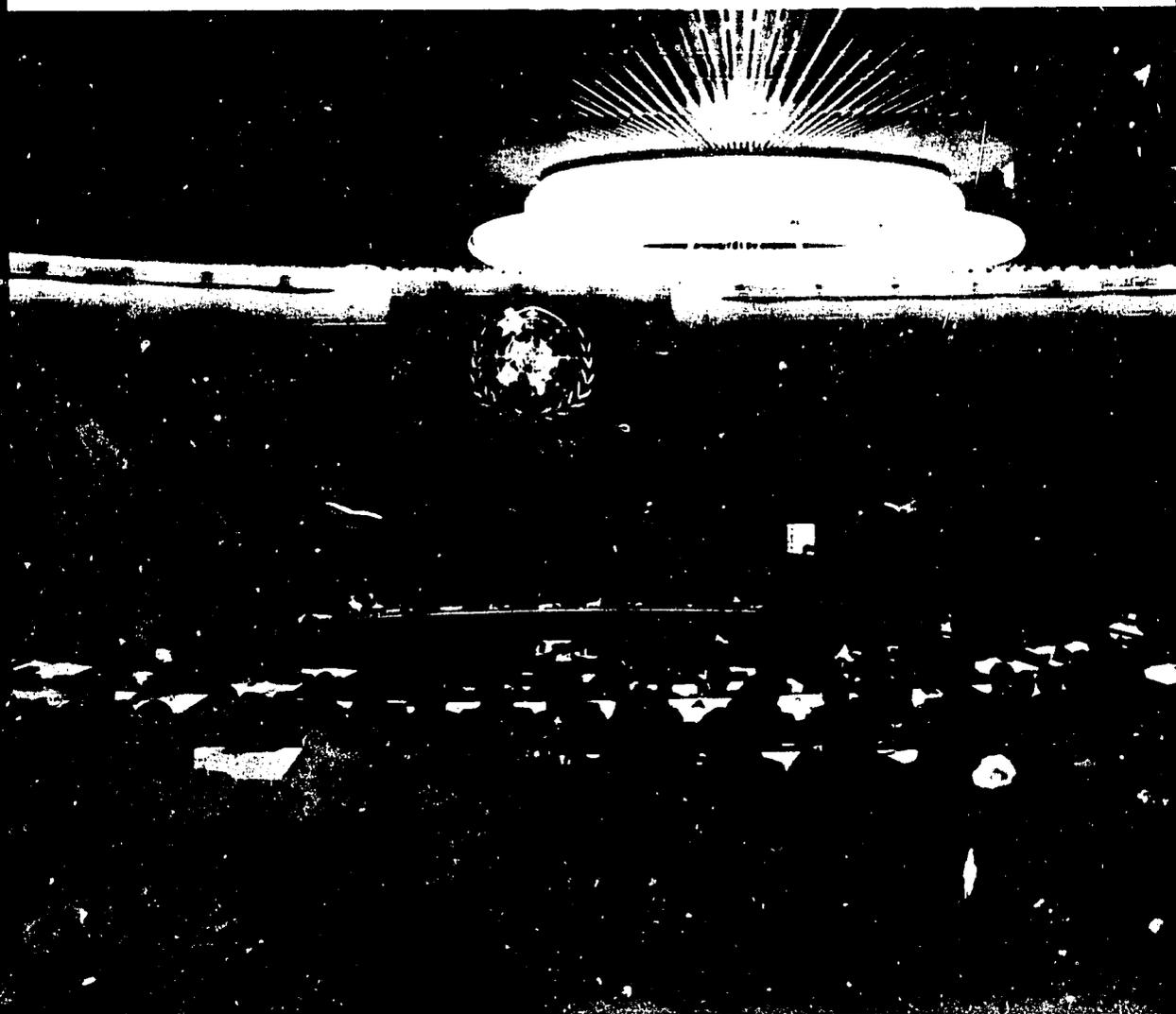
IFAD is playing an important role in increasing the flow of external resources. The Fund's expected

annual lending level for the foreseeable future will be about 10 to 12 percent of the total annual flow of external resources for agricultural development in the developing countries. While clearly not sufficient, given the magnitude of the problem, the initial resources that have been made available to the Fund do represent a significant step in assuring a larger flow of external assistance for agricultural and rural development. IFAD's member countries can therefore expect the Fund to play an important role in their common efforts to reduce rural poverty.



The first Head of State to visit IFAD's provisional headquarters in Rome, in June 1978, was Sir Dawda Jawara, President of the Republic of The Gambia (left), who came also in his capacity as Chairman of the Permanent Inter-State Committee to Combat Drought in the Sahel (COMISS). IFAD's deep concern for the Sahel was expressed in President Al-Sudeary's welcoming address.

The Governing Council of IFAD during its Second Session held in December 1978 in Rome. Acting by acclamation, the Council admitted 12 more nations to membership, bringing the total number of IFAD member states to 125.



PART TWO

Annexes

- Annex I List of Members and States Approved for Membership, Their Representatives, Governors and Alternate Governors as of 31 December 1978**
- Annex II The Executive Directors of the Fund**
- Annex III Summary Description of Projects Approved During 1978**
- Annex IV Organization Chart**
- Annex V Senior Staff**
- Annex VI Financial Statements - 31 December 1978**

**LIST OF MEMBERS AND STATES APPROVED FOR MEMBERSHIP,
THEIR REPRESENTATIVES, GOVERNORS AND ALTERNATE GOVERNORS
AS OF 31 DECEMBER 1978⁽¹⁾**

Member	Governor	Alternate
Afghanistan ⁽²⁾		
Algeria	Abdelmajid Fasla	Haouari Mokhtar
Argentina	Carlos O. Keller Sarmiento	Luis M. Iurelli
Australia	Andrew Sharp Peacock	James Charles Ingram
Austria	Walter Neudorfer	Maximilian Pammer
Bangladesh	M.N. Huda	A.Z.M. Obaidullah Khan
Barbados ⁽²⁾		
Belgium	Antoine Saintraint	Hugo Baeyens
Benin	Jonas Naporn ⁽³⁾	Francis Dalmeida
Bhutan	Dago Tshering ⁽³⁾	Pema Wangchuk
Bolivia ⁽²⁾		
Botswana ⁽²⁾		
Brazil	Bernardo de Azevedo Brito	Gonçalo de Barros Carvalho e Mello Mourão
Burundi	Gérard Wakarera ⁽³⁾	
Cameroun	Emmanuel Zoa Oloa	Ambroise Foalem
Canada	Margaret Catley Carlson	Douglas Lindores
Cape Verde	Horacio C. Silva Soares	Renato Cardoso
Central African Empire ⁽²⁾		
Chad	Mahamat Hassane	Yamoko Koulozo Bezo
Chile	Elio Bacigalupo	Manuel Atria
Colombia ⁽⁴⁾	Alvaro Zalamea	
Comoro Islands	Said Kate	Abdou Rahim Mikidache
Congo	Marius Mouabenga	Jean Itadi
Costa Rica	Fernando J. Guardia Alvarado	
Cuba	Hector Rodriguez Liompart	Pedro A. Morales Carballo
Cyprus ⁽²⁾		
Denmark	Kaj Repsdorph	Christian Ulrik Haxthausen
Djibouti	Mohamed Waberi Askar ⁽³⁾	
Dominican Republic	Porfirio Herrera Baez ⁽³⁾	
Ecuador	Teodoro Bustamante	Hernán Cueva
Egypt	Fouad Rada ⁽³⁾	
El Salvador	Alvaro Ernesto Martinez	Joaquín García E.
Ethiopia	Fitigu Tadesse	Taye Gurumu
Fiji ⁽²⁾		
Finland	Veikko Hietanen	Heikki Puurunen
France	René Monory	Jean-Yves Haberer
Gabon	Simon Essimengane	Louis Lapeby
Gambia, The	Sheikh Ahmed Tejan Wadda	
Germany, Federal Republic of	Carl-Werner Sanne	Winfried Heck
Ghana	John Huntok Kane Folson	Horatio Mends
Greece	Michel-Akis Papageorgiou ⁽³⁾	
Guatemala	Edgar Ponciano Castillo	Alfredo Gil Spillari
Guinea	Momory Camara	
Guinea-Bissau	Antonio Mandinga ⁽³⁾	
Guyana	Cedric H. Grant ⁽³⁾	
Haiti	Edouard D. Berrouet	Emmanuel Bros
Honduras	Oscar Acosta	Alejandro Banegas
India	Shri Zulfikarulla	A.K. Damodaran
Indonesia	Srihadi M.A.	A.T. Birowo
Iran	Mehdi Samie	Ismael Ajami
Iraq	Mustafa Hamdoon ⁽³⁾	
Ireland	Robert McDonnagh	Richard Walsh
Israel	Eliyahu Douek ⁽³⁾	
Italy	Giuseppe Medici	Ottorino R. Borin
Jamaica	K.G.A. Hill	
Japan	Naraichi Fujiyama	Koichi Kakimizu
Jordan ⁽⁴⁾	S.A. Shammool	
Kenya	J.J.M. Nyagah	Byung Suk Lee
Korea	Sang-Ho Cho	
Kuwait	Ibrahim Shihata ⁽³⁾	
Lao	Oudone Pholsena ⁽³⁾	
Lebanon	Mostafa Khaled ⁽³⁾	
Lesotho	M.M. Lerotholi	O.M. Slikane
Liberia	Florence Chenoweth	
Libya	O. Muksi	
Luxembourg	Jean Wagner	Claude May
Madagascar ⁽⁴⁾		
Malawi ⁽²⁾		
Mali	Boubacar Sy	Omar Coulibaly
Malta	Danny M. Cremona	Istvan Moskovits
Mauritania ⁽⁴⁾	Mohamed M. Ould Zamel	Cheikh Youba Benani
Mauritius ⁽⁴⁾		
Mexico	Francisco Marino Rabago	Guadalupe Rivera Marin de Iturbe
Mozambique	Mustapha Fares	Abdelkrim Kadiri
	João Manuel Ferreira Dos	Jaime Manuel Tohá Gonzalez
	Santos Mosca ⁽³⁾	
	Indra Bahadur Singh ⁽³⁾	
Nepal	A. de Zeeuw	G. de Bakker
Netherlands	Eric Henry Halstead	Alison J. Pearce
New Zealand	Bosco E. Matamoros Hueck ⁽³⁾	
Nicaragua		

Niger	Alfaize Cisse ⁽³⁾	
Nigeria	G.A. Faloye	
Norway	Paal Bog	Ketil Ecerde
Oman ⁽⁴⁾		
Pakistan	A.G.N. Kazi	A. Sami Qureshi
Panama	Cidila Dominguez ⁽³⁾	
Papua New Guinea	Mekere Morauta	Nguyen King Long
Paraguay ⁽⁴⁾		
Peru	Guillermo Schwartzmann	Benjamin Samanez Concha
Philippines	Cesar E. A. Virata	Carlos J. Valdes
Portugal	Luis Bramão	António Victor Martins Monteiro
Qatar	Abdul Rhaman Al-Attiyah ⁽³⁾	
Romania	Ion Stanciu	Ion Margineanu
Rwanda	Frédéric Nzamurambaho	Jean D. Hategekimana
Samoa (Western) ⁽²⁾		
São Tomé and Príncipe ⁽²⁾		
Saudi Arabia	Abdulrahman Abdulaziz Al-Sheikh	Mansur Al-Torky
Senegal	Louis Alexandrenne	Djibril Sene
Seychelles	M. Ferrari	
Sierra Leone	A.F. Joe Jackson ⁽³⁾	
Somalia	Jaalle Mohamed Abukar Sheikh ⁽³⁾	
Spain	Carlos Robles Piquer	Jesús Miranda de Larra
Sri Lanka	A.F. Wijemanno	D.H.J. Abeygoonesekera
Sudan	Mohamed El-Shazali Osman ⁽³⁾	
Swaziland	A.K. Hlophe	A.R.V. Khoza
Sweden	Thord Palmlund	Bjoern Skala
Switzerland	Thomas Raeter	Jean François Giovannini
Syrian Arab Republic ⁽²⁾		
Tanzania	J.S. Malecela	George S. Magombe
Thailand	Thalerng Thamrong-Nawasawat	Pairaj Laowhaphan
Togo ⁽⁴⁾	Ayeva Alassani	
Tunisia	Mustaphi Zaanouni	Zeine El Abidine Mestiri
Turkey	Murat Okta	Hasim Ögüt
Uganda	Akisoferi Mikairi Ogala ⁽³⁾	
United Arab Emirates	Mohammed Khalifa Al-Yussuf	Mohamed Abdel Aziz
United Kingdom	D. Kirkness	D.F. Smith
United States of America	John Gilligan	David Bronheim
Upper Volta	Victor Kabore ⁽²⁾	
Uruguay	Roberto G. Amato Ugabe ⁽³⁾	
Venezuela	Fernando Gerbasi	Eliodoro Claverie
Viet Nam	Nguyen Anh Vu	Le Van Sinh
Yemen Arab Republic ⁽⁴⁾		
Yemen, People's Democratic Republic	Yassin M. Nasser	Mohd Baamer
Yugoslavia	Milan Trkulja	Danilo Vujičić
Zaire	Kadiata Nzemba Mukamba	
Zambia	Winford Y. Tembo ⁽³⁾	

⁽¹⁾ At its First Session the Governing Council elected J.J. Nyagah, Minister of Agriculture of Kenya, as its Chairman. Mr. G. Lalande (Canada) and Mr. M. Samie (Iran) were elected Vice-Chairmen. At the Second Session Mrs. M. Catley Carlson (Canada) and Mr. I. Ajami (Iran) served in the latter position.

⁽²⁾ No Governor nominated. No representation at the Second Session of the IFAD Governing Council.

⁽³⁾ Represented the member country at the Second Session of the IFAD Governing Council (13-15 December 1978). No Governor nominated.

⁽⁴⁾ Countries approved for membership by the IFAD Governing Council which had not completed the legal formalities to become full members as of 31 December 1978. They were represented at the Second Session of the IFAD Governing Council as listed.

**THE EXECUTIVE DIRECTORS OF THE FUND
AS OF 31 DECEMBER 1978⁽¹⁾**

CATEGORY I

Executive Director

Ottorino R. Borin _____
Italy

Teruo Hayakawa⁽²⁾ _____
Japan

Wouter Tims _____
Netherlands

Oddvar Aresvik _____
Norway

A.J. Peckham _____
United Kingdom

David Bronheim⁽¹⁾ _____
United States of America

Alternate Executive Director

Michel Burdin _____
France

Douglas P. Lindores _____
Canada

Suzanne Vervalcke _____
Belgium

Jan Ståhl _____
Sweden

Horst Wetzel _____
Germany, F.R.

The Executive Board oversees current IFAD operations and, in particular, approves the Fund's project loans and grants upon the recommendation of the President. In 1978, the Executive Board approved ten projects for a total of US \$ 117.6 million.

CATEGORY II

Esmail Ajami _____ Iran	A.T. Birowo _____ Indonesia
Ibrahim Fahmi I. Shihata _____ Kuwait	Mohamed Abdel Aziz _____ United Arab Emirates
Ali Mazliq _____ Libyan Arab Jamahiriya	Abdelmajid Fasia _____ Algeria
M. Liman _____ Nigeria	Mr. Théophile Minkoue _____ Gabon
Atif Yahya Abdullah Boukhari _____ Saudi Arabia	Ahmad Al-Mana _____ Qatar
Julio César Gil Garcia _____ Venezuela	Mustafa Hamdoon ⁽³⁾ _____ Iraq

⁽¹⁾ Mr. Robert Nooter served as Executive Director for the United States of America at the Second Session of the Executive Board.

⁽²⁾ Mr. Kiichi Itabashi served as Executive Director for Japan at the Fourth Session.

⁽³⁾ Mr. S.H. Al-Shakir served as Alternate Executive Director for Iraq at the Second Session

CATEGORY III

Executive Director

Alternate Executive Director

Africa

Sahr Thomas Matturi _____ Sierra Leone	Fitigu Tadesse ⁽⁷⁾ _____ Ethiopia
Mohammed El Shazali Osman ⁽⁴⁾ _____ Sudan	Sidaty Aidara _____ Senegal

Asia

R.N. Malhotra ⁽⁵⁾ _____ India	Justin Abeyagoonasekera _____ Sri Lanka
A. Sami Qureshi ⁽⁶⁾ _____ Pakistan	Alejandro Melchor ⁽⁶⁾ _____ Philippines

Latin America

Pedro A. Morales Carballo _____ Cuba	Guillermo Schwartzmann _____ Peru
Alvaro Echeverría Zuno _____ Mexico	Guillermo E. Sevilla ⁽⁹⁾ _____ Honduras

⁽⁴⁾ Mr. Mohammed El Amin Abdalla represented Sudan at the Third Session.

⁽⁵⁾ Mr. S.N. Saigal served as Executive Director at the Second Session.

⁽⁶⁾ Mr. I.A. Irtiazi served as Executive Director at the Second Session.

⁽⁷⁾ Mr. Gurmu Teye served as Executive Director at the Second and Third Sessions.

⁽⁸⁾ The Philippines was elected as Alternate Member of the Executive Board at the Second Session of the Governing Council, replacing Bangladesh, which had been represented during 1978 by Mr. Nazem A. Choudhury at the Second Session and Mr. M. Lutfulahil Majid at the Third and Fourth Sessions.

⁽⁹⁾ Honduras was elected as Alternate Member of the Executive Board at the Second Session of the Governing Council, replacing Nicaragua, which had been represented during 1978 by Mr. Bosco E. Matamoros Hueck.



CUBA

HONDURAS

HAITI

GUYANA

CAPE VERDE



**IFAD LENDING
PROGRAMME IN 1978**

- **Approved Loans:** Sri Lanka, Tanzania, Guyana, Haiti, Ecuador, Cape Verde, Thailand, Bangladesh, Nepal, Philippines.
- **Project Identification Missions:** Bangladesh, Benin, Chad, Cuba, Guinea, Honduras, India, Liberia, Malawi, Niger, Pakistan, Philippines, Senegal, Sudan, Tunisia, Yemen Arab Republic.

SUMMARY DESCRIPTION OF PROJECTS APPROVED BY THE FUND DURING 1978

SRI LANKA

Project: _____	Kirindi Oya Irrigation and Settlement Project
Loan: _____	US\$ 12.0 million
Terms: _____	50 years including a grace period of 10 years. Service charge of 1 percent per annum
Co-financing: _____	Asian Development Bank US\$ 20 million Government US\$ 7.27 million
Total project cost: _____	US\$ 39.27 million
Executing Agencies: _____	The Irrigation Department under the Ministry of Irrigation, Power and Highways (MIPH); the Land Development Department under MIPH; and the Department of Agriculture under the Ministry of Agriculture and Lands
Implementation: _____	Project expected to be completed by 31 December 1985

The project, located in a food deficit and socio-economically impoverished area in the country's dry zone, is designed to increase food production and so help reduce Sri Lanka's imports of food grains and to improve the lot of landless farm labourers and shifting

cultivators in the project area through irrigation works, land settlement and agricultural development.

The project beneficiaries will be settled in the project area and provided with land, housing and basic social health and educational facilities. A

network of 200 km of roads will be constructed to provide necessary communication and transport requirements. Extension services will be strengthened and credit for input requirements and organized marketing will be provided.



SRI LANKA — Workers building a road. The project to which IFAD has contributed US\$ 12 million is for land settlement, irrigation and agricultural development in the country's "dry zone". 200 km. of feeder roads will be constructed.

TANZANIA

Project: _____	Mwanza-Shinyanga Rural Development Project
Loan: _____	US\$ 12.0 million
Terms: _____	50 years including a grace period of 10 years. Service charge of 1 percent per annum
Co-financing: _____	International Development Association US\$ 12.0 million Government US\$ 6.5 million
Total project cost: _____	US\$ 30.5 million
Executing Agencies: _____	Prime Minister's Office through its Planning Commission Office and the respective Regional Development Committees assisted by existing regional and district administrations
Implementation: _____	Project expected to be completed by 31 December 1984

The project constitutes the first phase of a long-term development programme designed to improve the social and economic well-being of the rural population of Mwanza and Shinyanga regions by increasing food production, augmenting rural incomes and productivity, improving the social infrastructure (health, education and water supply) and strengthening the institution responsible for implementing the project and the supporting technical services. Major project components include: services and inputs for agricultural livestock and forestry development, road improvement, water supply, land-use planning, village self-help programme and a unit for coordination and evaluation. The beneficiaries represent the poorest group of small farmers in the two regions of the project; Mwanza and Shinyanga, earning per capita incomes of about US\$ 35 or less.



TANZANIA — Fruit and vegetable market. The rural development project, co-financed by IFAD, aims at increasing food production, augmenting rural incomes and productivity, and improving the social infrastructure in the two regions of Mwanza and Shinyanga. The Fund has provided a loan of US\$ 12 million.

GUYANA

Project: _____	Black Bush Irrigation Project
Loan: _____	US\$ 10.0 million
Terms: _____	20 years including a grace period of 5 years. Interest of 4 percent per annum
Co-financing: _____	International Development Association US\$ 10.0 million USAID US\$ 7.5 million Inter-American Development Bank US\$ 6.0 million Canadian International Development Agency US\$ 2.5 million Government US\$ 6.8 million
Total project cost: _____	US\$ 42.8 million
Executing Agencies: _____	The Ministry of Agriculture through its several Departments, Divisions and Boards with the assistance of consultants
Implementation: _____	Project expected to be completed by 31 December 1984

The project seeks to increase Guyana's export earnings through rice exports, in which the country has comparative advantage, and to improve the productivity and incomes of farm families in the area, of which 98 percent fall below the poverty line. Increased production of rice and food crops would be achieved through rehabilitation and

improvement of irrigation and drainage systems and roads and through on-farm development and improvement of agricultural supporting services. The project includes establishing new pumping plants, enlargement of main canals and distributaries, construction of rice drying and storage facilities, supply of farm machinery and maintenance

equipment, applied research, seed production, training of extension agents and farmers, establishment of an extension service, and consultant services for design and construction of civil works and for strengthening agricultural development.



GUYANA — A woman with a variety of the new high-yielding rice being developed in Guyana. The Black Bush Irrigation Project, to which IFAD has contributed US\$ 10 million, seeks to increase production of rice and food crops on 30,200 ha. of land through rehabilitation and improvement of irrigation and other works.

HAITI — The Cul-de-Sac Irrigation and Agricultural Development Project is designed to improve the nutritional level of small farmers through construction of a 4,000 ha. irrigation system. IFAD's contribution to the project amounts to US\$ 3.5 million.



HAITI

Project: _____	Cul-de-Sac Irrigation and Agricultural Development Project
Loan: _____	US\$ 3.5 million
Terms: _____	50 years including a grace period of 10 years. Service charge of 1 percent per annum.
Co-financing: _____	Inter-American Development Bank US\$ 3.5 million Government US\$ 1.0 million
Total project cost: _____	US\$ 8.0 million
Executing Agency: _____	The Department of Agriculture, Natural Resources and Rural Development
Implementation: _____	Project expected to be completed by 31 December 1983

The project is designed to increase food and cash crop output and to improve the nutritional level of small farmers (with average holdings of about 1 hectare) who live in the Cul-de-Sac plain, through construction of an

irrigation system and the provision of erosion control, pasture development and reforestation as well as complementary works such as feeder and access roads, public water supplies and two health centres. A supporting

technical assistance programme (involving applied research, credit and training) will be financed through other resources.



ECUADOR — Fishing boats and nets. The Fishery Development Project co-financed by IFAD will improve working conditions, productivity and income levels of artisanal fishermen at fishing sites on the coastal areas of Ecuador. The Fund has contributed US \$ 5.8 million to the project.

ECUADOR

Project: _____	Fishery Development Project
Loan: _____	US\$ 5.8 million
Terms: _____	20 years including a grace period of 5 years. Interest of 4 percent per annum
Co-financing: _____	Inter-American Development Bank US\$ 8.3 million Government US\$ 3.7 million
Total project cost: _____	US\$ 17.8 million
Executing Agency: _____	National Fishery Enterprise (Empresa Pesquera Nacional)
Implementation: _____	Project expected to be completed by 31 December 1983

The project is designed to improve working conditions, productivity and income levels of artisanal fishermen whose incomes are about one-quarter of the national average, and to increase supply of fresh fish to the domestic market. To achieve these objectives, four fishing sites will be provided with docking, landing and storage facilities, two modern fish markets will be constructed and the fleet of artisanal fishermen will be considerably strengthened. The project will also provide for training and assist in organization of fishermen in cooperatives.

CAPE VERDE

Project: _____	Assomada Integrated Rural Development Project
Loan: _____	US\$ 3.82 million
Terms: _____	50 years including a grace period of 10 years. Service charge of 1 percent per annum
Co-financing: _____	African Development Bank US\$ 3.8 million Government US\$ 0.6 million
Total project cost: _____	US\$ 8.2 million
Executing Agency: _____	A specially constituted Project Management Unit within the Ministry of Rural Development
Implementation: _____	Project expected to be completed by 31 December 1985

The project, located in the centre of Santiago Island, is designed to increase food production and to reduce a present dependency on food aid. Main investment components are soil and water conservation to improve rainfed agriculture and the development of intensive irrigation within the valley bottoms and on the lower slope areas. The works are highly labour intensive, an important criterion in a situation of grave under-employment. Improvements will also be made to infrastructure, including storage, roads and domestic water supplies.



CAPE VERDE — A view of the south slope of one of the islands where severe drought prevents any vegetation from growing. The Assomada Integrated Rural Development Project supported by IFAD will help improve rainfed agriculture and develop intensive irrigation within the valley bottoms and lower slopes of Santiago Island. IFAD has contributed US \$ 3.8 million to the project.

THAILAND

Project: _____	Second Northeast Irrigation Project
Loan: _____	US\$ 17.5 million
Terms: _____	20 years including a grace period of 5 years. Interest of 4 percent per annum
Co-financing: _____	World Bank US\$ 17.5 million Government US\$ 45.0 million
Total project cost: _____	US\$ 80.0 million
Executing Agencies: _____	The Royal Irrigation Department (RID) under the Ministry of Agriculture and Cooperatives, and the Department of Agricultural Extension
Implementation: _____	Project expected to be completed by 30 September 1985

The project, located in the poorest of Thailand's four regions, is designed to increase food production, farm incomes and employment in the project area by

rehabilitating existing irrigation facilities and building additional facilities to provide year-round irrigation and by consolidating agricultural support services to

complement irrigation development. At present the per capita income of 90 percent of the farmers is below the poverty level of US\$ 93.

THAILAND — Farmers irrigating their fields with water pumped from a stream. The project to which IFAD has contributed US \$ 17.5 million involves the rehabilitation of existing and construction of new irrigation facilities for 51,300 ha. in the Northeast region



BANGLADESH

Project: _____ Pabna Irrigation and Rural Development Project
Loan: _____ US\$ 30.0 million
Terms: _____ 50 years including a grace period of 10 years. Service charge of 1 percent per annum
Co-financing: _____ Asian Development Bank US\$ 38.0 million
Government US\$ 17.0 million
Total project cost: _____ US\$ 85.0 million
Executing Agency: _____ Bangladesh Water Development Board with the assistance of various Government agencies concerned
Implementation: _____ Project expected to be completed by 30 June 1986

The Pabna Irrigation and Rural Development Project is designed to increase agricultural production, create employment opportunities and to improve the living conditions of small farmers (mostly with annual per capita incomes of

US\$ 50 or less) in a flood-threatened area of Pabna and Rajshahi districts, located about 125 km northwest of Dacca. Its objectives are to be achieved through the construction of flood protection, irrigation, drainage, and related civil works, and through the strengthening or provision of

agricultural development support facilities (pilot farms, training, research, extension services). The provision of funds for technical assistance in preparing a feasibility study for Phase II Development is also envisaged.

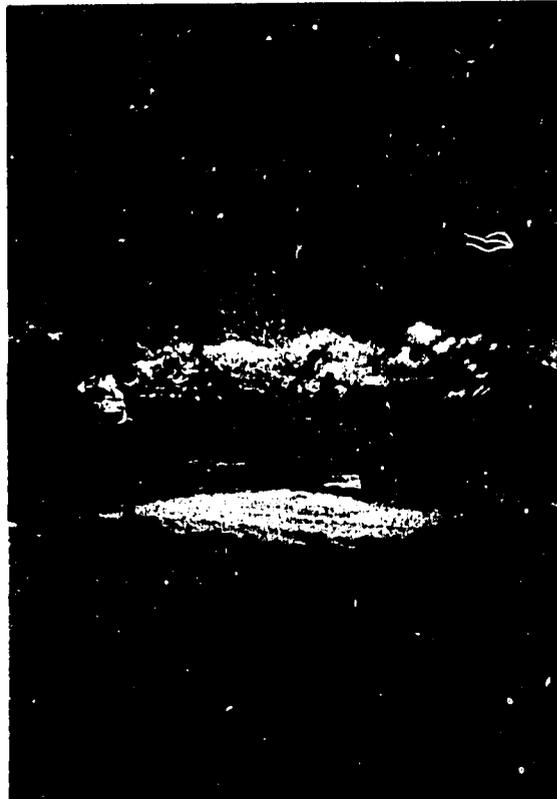


BANGLADESH — Pumping river water for irrigation. IFAD has committed US\$ 30 million to increase agricultural production in the Pabna and Rajshahi districts, northwest of Dacca, through flood protection, irrigation, drainage and related works.

NEPAL

Project: _____	Sagarmatha Integrated Rural Development Project
Loan: _____	US\$ 13.0 million
Terms: _____	50 years including a grace period of 10 years. Service charge of 1 percent per annum
Co-financing: _____	Asian Development Bank US\$ 14.1 million European Economic Community US\$ 3.8 million Government US\$ 5.3 million
Total project cost: _____	US\$ 36.2 million
Executing Agency: _____	The Ministry of Home and Panchayat through the Central Project Coordinating Committee
Implementation: _____	Project expected to be completed by 31 December 1984

The project is designed to increase food production (paddy), improve the level of nutrition, and create rural employment through developing agriculture, irrigation, horticulture, livestock and fisheries. Additional benefits in terms of improved roads, communications, cottage industries, rural education, health and family planning are also expected.



NEPAL — Villagers thresh their grain. The US \$ 13 million IFAD loan for the Sagarmatha Integrated Rural Development Project will help increase food production, improve nutrition and create rural employment in the Terai districts of Sihara and Saptari and the Hills district of Udayapur

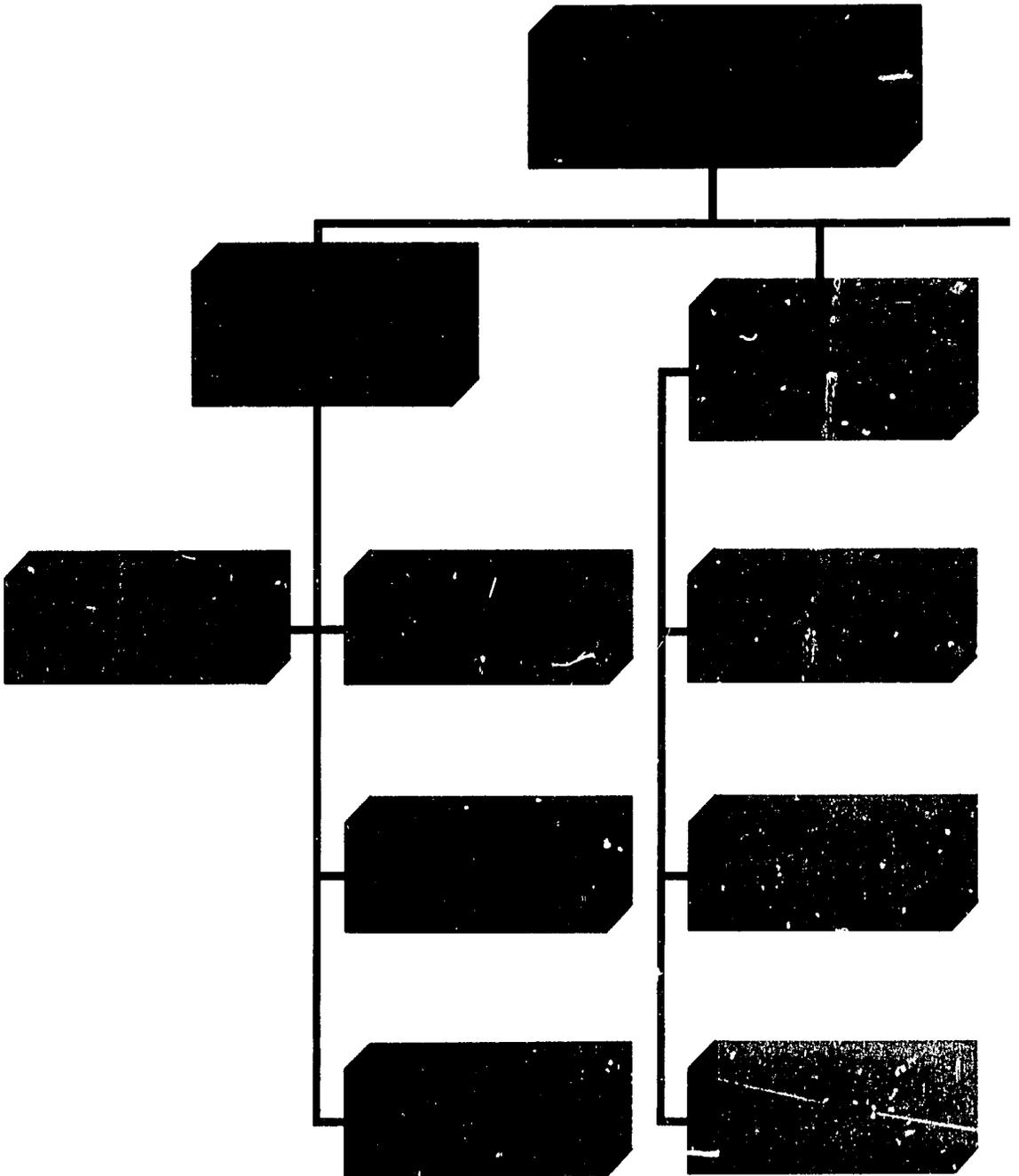
PHILIPPINES

Project: _____ Magat River Multi-Purpose Project
LOAN: _____ US\$ 10.0 million
Terms: _____ 20 years including a grace period of 5 years. Interest of 4 percent per annum
Co-financing: _____ World Bank US\$ 21.0 million
Government US\$ 31.0 million
Total project cost: _____ US\$ 62.0 million
Executing Agencies: _____ The National Irrigation Administration through its Special Projects Organization and the Agricultural Development Coordinating Council
Implementation: _____ Project expected to be completed by 31 December 1983

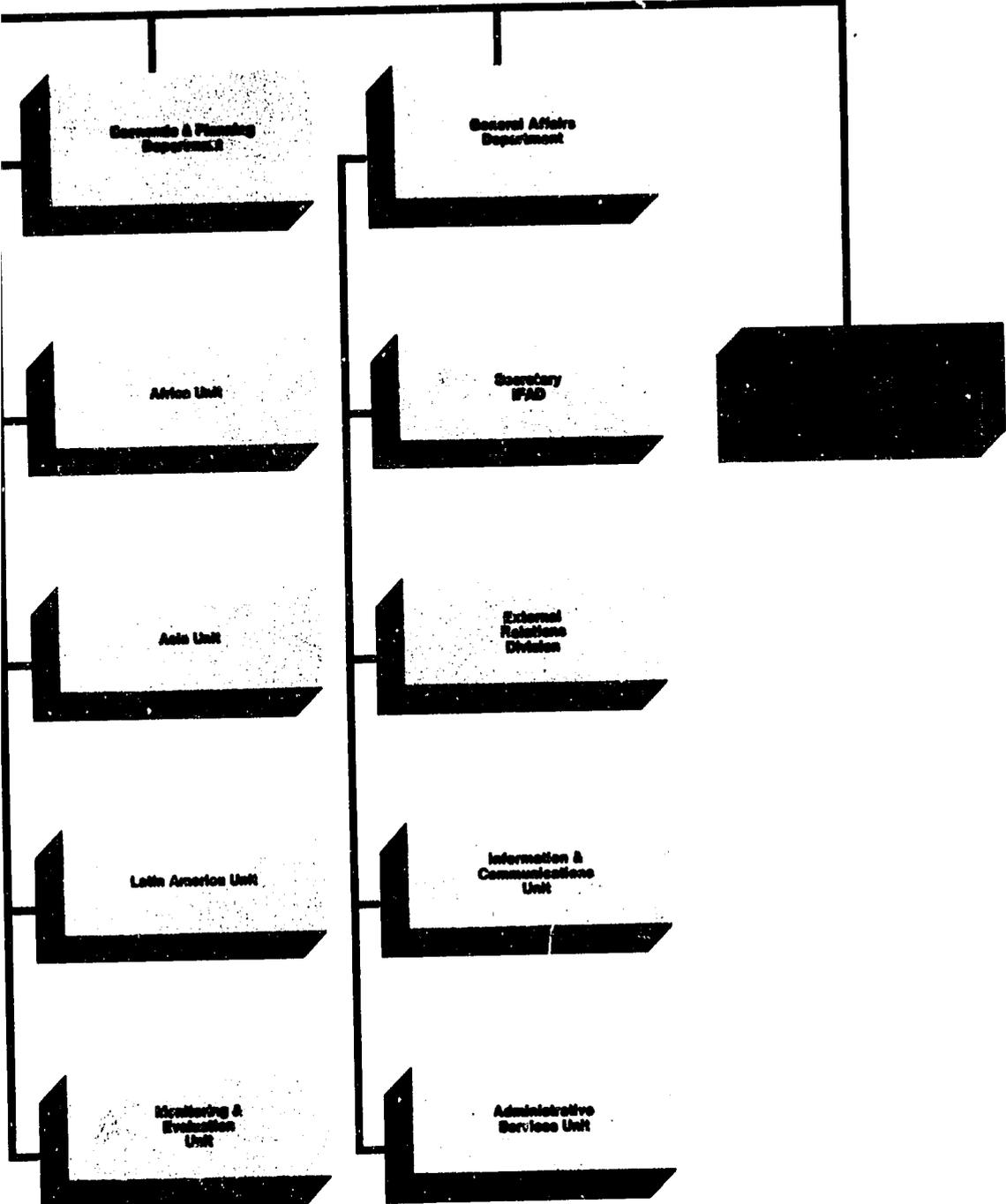
The project is designed to increase food production and employment in the project area by providing year-round irrigation water and by strengthening and improving infrastructural facilities and supporting services. About 90 percent of the beneficiaries have incomes of less than half the national average.



PHILIPPINES — A farmer prepares his field for transplanting rice. The US \$ 10 million IFAD loan will help provide irrigation water for 26,700 ha. of rice land in the Magat River Multi-Purpose Project in the Cagayan Valley of Northern Luzon



STRUCTURE



SENIOR STAFF

President _____ Abdelmuhsin M. Al-Sudeary _____
Vice-President _____ Philip Birnbaum _____

Office of the President

Chief de Cabinet _____ Dhia Azzu _____
Internal Auditor _____ Tor Myrvang _____

Economic and Planning Department

Assistant President _____ Sartaj Aziz _____
Chief, Africa Unit _____ Abdel Aziz El Sherbini _____
Chief, Asia Unit _____ Seiji Shindo _____
Chief, Latin America Unit _____ _____
Chief, Monitoring and Evaluation Unit _____ _____

Project Management Department

Assistant President _____ Moise Mensah _____
Director, Asia Division _____ Macdonald Benjamin _____
Director, Africa Division _____ Bahman Mansuri _____
Director, Latin America Division _____ _____

General Affairs Department

Assistant President _____ Abbas Ordoobadi _____
Secretary of IFAD _____ Christian Will _____
Director, External Relations Division _____ _____
Chief, Information and Communications Unit _____ Sergio Apollonio _____
Chief, Administrative Services Unit _____ Gordon Munson _____

Financial Services Division⁽¹⁾

Treasurer _____ William Robinson _____
Controller _____ Desmond Saldanha _____
Loan Administrator _____ Antti Heine _____

Personnel Services Division⁽¹⁾

Director _____ John Sykes _____

Legal Services Division

Acting Director _____ Mohammed Nawaz _____

⁽¹⁾ These Divisions are under the supervision of the Vice-President.



IFAD believes that the role of millions of farm families cultivating their plot of land is essential in raising food production in rural areas. An African mother and child at work gathering their rice crop.

STATEMENT OF REVENUE AND EXPENSES

For the period of thirteen months
ended 31 December 1978

(Expressed in thousands of United States Dollars)

REVENUE		
Income from investments		<u>16 826</u>
EXPENSES		
Staff salaries and benefits	2 093	
Other operational and administrative	<u>1 170</u>	
		3 263
Cooperating institutions and consultants		676
Governing Council and Executive Board meetings - 1978		373
Exchange loss on operations (Note 2)		<u>48</u>
		4 360
Preparatory Commission and 1977 Governing Council meeting (Note 3)		<u>790</u>
		5 150
TOTAL EXPENSES		<u>11 677</u>
EXCESS OF REVENUE OVER EXPENSES		<u>5 149</u>

VI / APPENDIX B

BALANCE SHEET
31 December 1978

(Expressed in thousands of United States Dollars)

ASSETS		LIABILITIES, CONTRIBUTIONS AND SURPLUS	
Cash in banks (Note 4)	49 583	Liabilities	
Investments, at historical cost which approximates market (Note 4)		Payable to cooperating institutions	213
Government and government guaranteed obligations	26 601	Other payables and accrued liabilities	<u>1 742</u>
Time deposits and other obligations of banks	<u>251 385</u>		1 955
	277 986	Contributions and Surplus	
Receivables from Member States (Note 5)	736 488	Members' contributions (Note 5)	1 052 715
Other receivables		Special contributions	101
Accrued income on investments	12 678	Surplus	<u>11 678</u>
Government of Italy (Note 6)	1 644		1 064 492
Miscellaneous	<u>211</u>	Adjustment for translation of assets, liabilities and contributions in currencies other than United States dollars (Note 2)	12 123
	14 533		
Loans (Note 7)			
Loans approved	117 620		
Less: undisbursed approved loans	<u>(117 620)</u>		
	—		
TOTAL ASSETS	<u>1 078 570</u>	TOTAL LIABILITIES, CONTRIBUTIONS AND SURPLUS	<u>1 078 570</u>

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STATEMENT OF MEMBERSHIP AND CONTRIBUTIONS ⁽¹⁾

31 December 1978

Members	Contributions Pledged		Contributions Paid (US Dollar Equivalent)			
	Currency & Amount of Pledge	US Dollar Equivalent	Cash	Promissory Notes	Total	
CATEGORY I						
Australia	A. \$	8 000 000	9 090 809	890 809	5 169 698	6 060 607
Austria	US \$	4 800 000	4 800 000	1 600 000		1 600 000
Belgium	BF	500 000 000	17 241 379	17 241 379		17 241 379
	US \$	1 000 000	1 000 000	1 000 000		1 000 000
Canada	C. \$	33 000 000	27 966 102	18 644 068		18 644 068
Denmark	US \$	7 500 000	7 500 000	5 000 000		5 000 000
Finland	FMK	12 000 000	3 037 875	1 012 658		1 012 658
France	FF	127 500 000	30 722 892	10 240 963		10 240 963
Germany, F.R.	US \$	55 000 000	55 000 000	36 700 000		36 700 000
Ireland	£	570 000	1 183 265	775 510		775 510
Italy	US \$	25 000 000	25 000 000	8 333 332		8 333 332
Japan	Yen equiv. of US \$	55 000 000	55 000 000	6 703 419	29 963 248	36 666 667
Luxembourg	BF equiv. of SDR	320 000	416 893	278 146		278 146
Netherlands	FL	100 000 000	50 505 050	33 670 033		33 670 033
	US \$	3 000 000	3 000 000	2 000 000		2 000 000
New Zealand	NZ \$	2 000 000	2 094 241	368 493	331 588	698 081
Norway	NKR	130 000 000	26 000 000	21 000 000		21 000 000
Spain	US \$	2 000 000	2 000 000	1 000 000		1 000 000
Sweden	SKR	115 000 000	26 744 166	17 906 977		17 906 977
Switzerland	SWF	22 000 000	13 580 247	9 058 642		9 058 642
United Kingdom	£	18 000 000	36 734 694	3 600 000	33 134 694	36 734 694
United States	US \$	200 000 000	200 000 000	19 600 000	114 400 000	134 000 000
SUB TOTAL, CATEGORY I			598 597 833	216 622 529	182 999 226	393 621 757
CATEGORY II						
Algeria	US \$	10 000 000	10 000 000	3 333 333		3 333 333
Gabon	US \$	500 000	500 000	500 000		500 000
Indonesia	US \$	1 250 000	1 250 000	833 333		833 333
Iran	US \$	124 750 000	124 750 000	12 225 500	29 357 833	41 583 333
Iraq	US \$	20 000 000	20 000 000	1 960 000	18 040 000	20 000 000
Kuwait	US \$	36000 000	36 000 000	3 528 000	32 472 000	36 000 000
Libyan Arab Jamahiriya	US \$	20 000 000	20 000 000	1 960 000	4 706 667	6 666 667
NigerL.	US \$	26 000 000	26 000 000	8 666 667		8 666 667
Qatar	US \$	9 000 000	9 000 000	3 000 000		3 000 000
Saudi Arabia	US \$	105 500 000	105 500 000	35 166 667		35 166 667
United Arab Emirate	US \$	16 500 000	16 500 000	1 617 000	3 883 000	5 500 000
Venezuela	US \$	66 000 000	66 000 000	22 000 000		22 000 000
SUB TOTAL, CATEGORY II			435 500 000	94 790 500	88 459 500	183 250 000

STATEMENT OF MEMBERSHIP AND CONTRIBUTIONS ⁽¹⁾
31 December 1978

Members	Contributions Pledged		Contributions Paid (US Dollar Equivalent)		
	Currency & Amount of Pledge	US Dollar Equivalent	Cash	Promissory Notes	Total
CATEGORY III					
Afghanistan	Afghani equiv. of US \$	10 000	10 000		
Argentina	Peso	240 000 000	233 010		
Bangladesh	Taka equiv. of US \$	500 000	500 000	166 666	166 666
Barbados	US \$	1 000	1 000		
Benin					
Bhutan					
Bolivia					
Botswana					
Brazil					
Burundi					
Cameroon	US \$	50 000	50 000	50 000	50 000
Cape Verde					
Central African Empire	CFAF	1 000 000	4 808		
Chad					
Chile	US \$	50 000	50 000	50 000	50 000
Colombia ²					
Comoros	CFAF	10 000 000	48 077		
Congo					
Costa Rica					
Cuba	US \$	25 000	25 000	25 000	25 000
Cyprus					
Djibouti					
Dominican Republic					
Ecuador	US \$	25 047	25 047	25 047	25 047
Egypt	Egypt £	120 000	171 429	171 429	171 429
El Salvador	Colon	100 000	40 000		
Ethiopia	US \$	23 623	23 623	23 623	23 623
Fiji	US \$	5 000	5 000	5 000	5 000
Gambia, The					
Ghana	US \$	100 000	100 000	50 911	50 911
Greece	US \$	150 000	150 000		
Guatemala					
Guinea	Syll	25 000 000	1 306 165	1 306 165	1 306 165
Guinea-Bissau					
Guyana					
Haiti					
Honduras	US \$	25 000	25 000	25 000	25 000
India	US \$	2 500 000	2 500 000	292	849 708
	Rupee equiv. of US \$	2 500 000	2 500 000	292	849 708
Israel	Israeli Pound equiv. US \$	150 000	150 000		
Jamaica	Jam. \$	5 000	2 976		
Jordan ²					
Kenya	Shilling equiv. of US \$	1 000 000	1 000 000	35 000	35 000
Korea, Rep. of	US \$	100 000	100 000	35 000	35 000
	Won equiv. of US \$	100 000	100 000	35 000	35 000
Lao, P.D.R.	Kp	4 000 000	10 000		
Lebanon	US \$	15 000	15 000	15 000	15 000
Lesotho	US \$	10 000	10 000		
Liberia					
Madagascar ²					
Malawi	US \$	5 000	5 000	5 000	5 000
Mali					
Malta					
Mauritania ²					
Mauritius ²	US \$	5 000 000	5 000 000	3 333 334	3 333 334
Mexico	Dirham	2 162 075	540 519		540 519
Morocco	Escudo	1 200 000	37 209		
Mozambique					
Nepal	Cordobas	200 000	28 571	28 571	28 571
Nicaragua	CFAF	15 000 000	72 115		
Niger					
Oman ²	US \$	500 000	500 000	335 710	335 710
Pakistan	Rupee equiv. of US \$	500 000	500 000	166 667	166 667
Panama					
Papua New Guinea	US \$	20 000	20 000	20 000	20 000

STATEMENT OF MEMBERSHIP AND CONTRIBUTIONS ⁽¹⁾
31 December 1978

Members	Contributions Pledged		Contributions Paid (US Dollar Equivalent)			
	Currency & Amount of Pledge	US Dollar Equivalent	Cash	Promissory Notes	Total	
C/ CATEGORY III (continued)						
Paraguay ²						
Peru						
Philippines	US \$	250 000	250 000	250 000	250 000	
Portugal						
Romania	Lei	4 970 000	414 167	414 167	414 167	
Rwanda						
Samoa, Western	US \$	10 000	10 000	10 000	10 000	
Sao Tomé and Príncipe						
Senegal	US \$	10 000	10 000			
Seychelles	US \$	5 000	5 000			
Sierra Leone	Leones	20 000	18 692	18 692	18 692	
Somalia	US \$	10 000	10 000	10 000	10 000	
Sri Lanka	US \$	500 000	500 000	333 333	333 333	
	Rupee equiv. of					
	US \$	500 000	500 000	166 667	166 667	
Sudan	US \$	10 000	10 000	10 000	10 000	
Swaziland						
Syrian Arab Rep.	Syr. £	500 000	128 205			
Tanzania	Shilling	300 000	40 377			
Thailand	US \$	100 000	100 000			
Togo ²						
Tunisia	Dinar	50 000	121 951			
Turkey	Lira equiv of US \$	100 000	100 000	80 000	80 000	
Uganda	Shilling	200 000	26 918			
Upper Volta	US \$	10 000	10 000	10 000	10 000	
Uruguay						
Viet-Nam	Dong	500 000	153 846			
Yemen Arab Rep. ²						
Yemen, P.D.R.						
Yugoslavia	DINAR	5 400 000	285 714	285 714	285 714	
Zaire						
Zambia	Kwacha	50 000	62 500			
SUB TOTAL, CATEGORY III			18 616 919	7 462 280	2 239 935	9 702 215
TOTAL CATEGORIES I, II and III			1 052 714 752	318 875 309	273 698 663³	592 573 972

(1) According to Article 4, Section 2(c) of the Agreement Establishing IFAD, Members' initial contributions are payable in cash or promissory notes, either in a single sum or in three equal annual instalments. Contributions have been translated at the United Nations rates of exchange in effect on 1 January 1979.

(2) These countries had not completed the required membership formalities as at 31 December 1978 but Jordan, Madagascar, Mauritius, Paraguay and Yemen Arab Republic have subsequently deposited their Instruments of Accession. Jordan pledged a contribution of US \$ 30 000 but this amount was not included in the Fund's 31 December 1978 accounts as Jordan had not at that stage completed membership formalities.

(3) The difference of US \$ 2 650 000 between this figure and the figure for promissory notes shown in Note 5 of the Notes to the Financial Statements is due to the different valuation method adopted in several instances for the valuation of actual contribution payments received on the one hand and the current value of the promissory notes on the other, for reasons referred to in Note 2 of the Notes to the Financial Statements. This difference is reflected in the translation adjustments shown in the Balance Sheet.

STATEMENT OF LOANS
31 December 1978
 (Expressed in U.S. Dollars)

Borrower Country and Purpose of Loan	Interest or Service Charge Rate	Loans Approved But Not Yet Effective	Effective Loans (Undisbursed)	Total Loans
Sri Lanka Irrigation and Land Settlement	1%	—	12 000 000	12 000 000
Tanzania Rural Development	1%	12 600 000	—	12 000 000
Guyana Irrigation	4%	10 000 000	—	10 000 000
Haiti Irrigation and Area Development	1%	3 500 000	—	3 500 000
Thailand Irrigation	4%	17 500 000	—	17 500 000
Ecuador Fishery Development	4%	5 800 000	—	5 800 000
Cape Verde Irrigation and Area Development	1%	3 820 000	—	3 820 000
Philippines Irrigation and Area Development	4%	10 000 000	—	10 000 000
Bangladesh Irrigation and Rural Development	1%	30 000 000	—	30 000 000
Nepal Rural Development	1%	13 000 000	—	13 000 000
TOTAL		105 620 000	12 000 000	117 620 000

VI/APPENDIX E

NOTES TO THE FINANCIAL STATEMENTS
 31 December 1978

NOTE 1 - Brief Description of the Fund

The International Fund for Agricultural Development is a specialised agency of the United Nations. The Fund formally came into existence on 30 November 1977 on which date the agreement for its establishment entered into force.

The objective of the Fund is to mobilize additional resources to be made available on concessional terms for financing primarily projects specifically designed to improve food production systems, the nutritional level of the poorest populations in developing countries and the conditions of their lives.

Membership in the Fund is open to any state member of the United Nations or of any of its specialised agencies. The Fund's resources come from member contributions, special contributions from non-member states and other sources and funds derived from operations.

NOTE 2 - Summary of Significant Accounting Policies**Basic of Accounting**

The Fund maintains its accounting records on the accrual basis. Excess of revenue over expenses is transferred to surplus.

Equipment and motor vehicles owned by the Fund are charged directly to expense when purchased. In 1978 such charges amounted to US\$ 119 000 for equipment and US\$ 59 000 for vehicles.

Translation and Conversion of Currencies

The Fund, as an international organization, conducts its operations in several currencies, and for the present time is maintaining its accounting records in United States dollars. The Financial Statements are expressed in

United States dollars solely for the purpose of summarising the financial position.

The Fund has translated all items in its balance sheet in currencies other than United States dollars at the United Nations rates of exchange in effect at 1 January 1979 which approximate the market rates at 31 December 1978. Revenue and expense items in currencies other than United States dollars have been recorded at the applicable monthly United Nations rates of exchange then in effect.

Under the Fund's present policies, adjustments arising from the translation of assets, liabilities and contributions in currencies other than United States dollars to the current United States dollar equivalent should not now or in the future result in realised gains or losses such as would result from the actual conversion of the various currencies into United States dollars. Accordingly, translation adjustments are not taken to current income but are charged or credited to a translation adjustment account which is taken directly to the balance sheet.

In those instances where currencies are converted to settle day to day obligations, or when the rate of exchange of the United States dollar changes between the date of original entry and the date of settlement, any resulting actual gain or loss is included in the determination of excess of revenue over expenses.

NOTE 3 - Preparatory Commission and 1977 Governing Council

Under a resolution adopted at the 4th Meeting of the United Nations Conference on the Establishment of an International Fund for Agricultural Development, the expenses of the Preparatory Commission formed to set up the Fund were to be repaid by the Fund as soon as possible after the Agreement entered into force. These expenses totalling US\$ 577 000 and

expenses totalling US\$ 213 000 of the first Governing Council meeting held in December 1977, were expensed in full during the period ended 31 December 1978.

NOTE 4 - Cash and Investments Subject to Restriction

Cash and investments held by the Fund at 31 December 1978 in currencies which are not freely convertible amount to US\$ 2 452 000 and US\$ 348 000 respectively.

In accordance with the Agreement Establishing the Fund, the amounts paid into the Fund by Category III members in their respective currencies on account of their initial or additional contributions are subject to restriction. Such amounts may be used only:

- (a) after consultation with the member concerned for the payment of administrative expenditures and other costs of the Fund in the territories of that member, or
- (b) with the consent of that member, for the payment of goods or services produced in its territories and required for activities financed by the Fund in other states.

NOTE 5 - Receivables from Member States

The Receivables from member states at 31 December 1978 comprise the following:

	Thousands of US\$
Contributions due	77 587
Contributions received in the form of non-negotiable, irrevocable, non-interest bearing demand promissory notes	276 348
Contributions not yet due	382 553
	<hr style="width: 100%;"/>
	736 488
	<hr style="width: 100%;"/>

The contributions to the Fund by each member, when due, are payable in freely convertible currencies, except that Category III members may pay contributions in their own currency whether or not it is 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, such part may be paid in the form of non-negotiable, irrevocable, non-interest bearing promissory notes or obligations payable on demand. The amounts due are payable in a single sum or, at the option of the member, in three equal annual instalments with the single sum or first instalment due on the thirtieth day after each State officially becomes a member of the Fund.

Contributions pledged and/or paid by members in currencies other than US dollars have been translated into US dollars at the United Nations rates of exchange in effect on 1 January 1979, which results in an aggregate of US\$ 1 052 715 000 appearing in the Balance Sheet. In several cases, however, where contributions were pledged in one currency but were paid in a different currency, the amounts have been translated at rates which reflect more accurately the intentions of the members concerned regarding determination of the actual amounts to be paid.

Had members' contributions been translated into United States dollars

at the United Nations rates of exchange in effect on the date on which the Member States became members of the Fund, the total US dollar value of the contributions at 31 December 1978 would have been US\$ 1 025 528 000.

NOTE 6 - Government of Italy

An agreement has been signed by the Fund's President and the Minister of Foreign Affairs of the Government of Italy, for the provisional headquarters of the Fund and is awaiting Parliamentary approval. Under the terms of this agreement, as well as relevant communications, the Government of Italy has undertaken:

- (a) to exempt the Fund and its property from all forms of direct taxation and to most forms of indirect taxation; this exemption is provisional until the agreement is ratified by Parliament;
- (b) to provide, as long as the Fund's seat is in Rome, suitable premises and facilities required for its functioning free of charge, including the cost of modification and remodelling of premises;
- (c) to pay the expenses of supplying furniture and equipment which shall remain the property of the Government, and to pay for the installation of telecommunication facilities and public utilities.

As at 31 December 1978, amounts to be recovered from the Government of the Italian Republic for reimbursement of rent, remodelling of premises, facilities and other obligations totalled US\$ 1 844 000.

NOTE 7 - Loans

Fund loans are made only to developing states that are members of the Fund or to inter-governmental organisations in which such members participate. In the latter case the Fund may require governmental or other guarantees. Loan repayments and related interest payments for loans approved during 1978 are required to be made in the currency in which the respective portion of the loan was advanced or as specified in the agreement. In respect of all Fund loans approved after 1 January 1979, the principal will be repayable in the currency specified in the Loan Agreement in an amount equivalent to the Special Drawing Right (SDR) due, based on International Monetary Fund rates on the due date. Loans approved will be disbursed to borrowers in accordance with the provisions of the loan agreement.

NOTE 8 - Contributions to Staff Retirement Plans

As a member of the United Nations Joint Staff Pension Fund, the Fund makes contributions on behalf of its regular staff under the rules of the Pension Fund and would be liable for its share of any unfunded liability as might be announced by the Trustees. Up to 31 December 1977, the Pension Fund has reported minor imbalances due to changing factors in actuarial assumptions, but has experienced no significant unfunded liability. It is expected that the Fund's share of unfunded liability at 31 December 1978, if any, would not be significant. The Fund also contributes to retirement plans of other organisations on behalf of staff seconded from these organisations. The total retirement plan contributions in 1978 amounted to US\$ 204 000.

REPORT OF THE EXTERNAL AUDITORS

PRICE WATERHOUSE & CO.

Via Aniene 30
00198 Roma

*The International Fund for
Agricultural Development
Rome*

We have examined the financial statements (Appendixes A through E) of the International Fund for Agricultural Development as at December 31, 1978 and for the period of thirteen months then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements examined by us present fairly the financial position of the International Fund for Agricultural Development at December 31, 1978 and the results of its operations for the period of thirteen months then ended in conformity with acceptable accounting principles. Accounting principles which are of significance in relation to the Fund's financial statements are described in Note 2.

PRICE WATERHOUSE & CO.

April 12, 1979

FINANCIAL STATEMENTS

Appendix A - Statement of Revenue and Expenses

Appendix B - Balance Sheet at 31 December 1978

Appendix C - Statement of Membership and Contributions

Appendix D - Statement of Loans

Appendix E - Notes to the Financial Statements

REPORT OF THE EXTERNAL AUDITORS

As submitted by the Executive Board for approval by the Governing Council at its Third Session, in accordance with Regulation 41-6 of the Financial Regulations of IFAD.